



OFFICE OF ENERGY INFRASTRUCTURE SAFETY

DRAFT-2023 EXECUTIVE

COMPENSATION STRUCTURE

SUBMISSION GUIDELINES

September-November 2022

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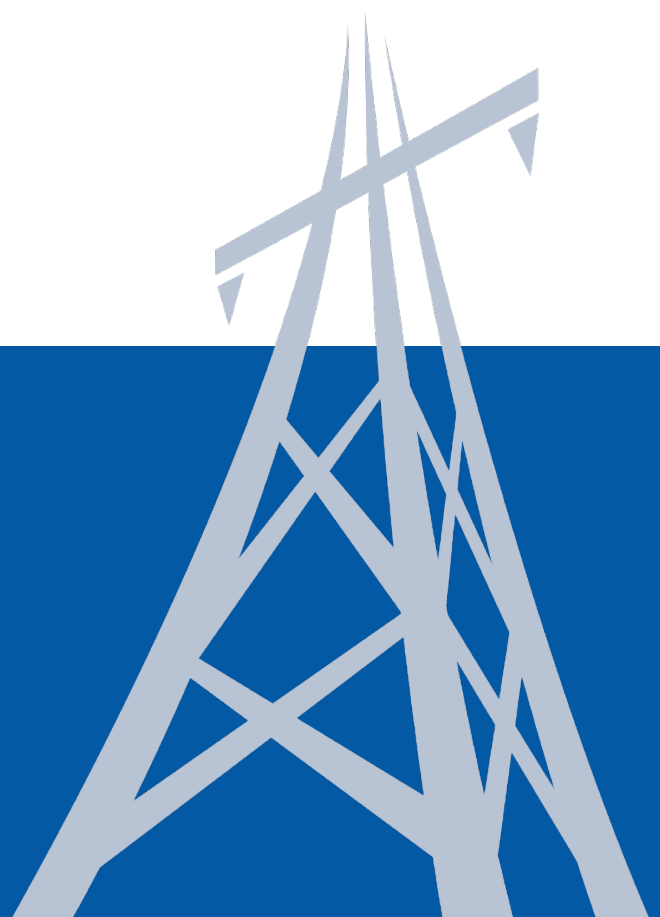
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1. Executive Summary

This document establishes the Office of Energy Infrastructure Safety's (Energy Safety's) guidelines for electrical corporations submitting requests for approval of 2023 executive compensation structures as part of the electrical corporation's requirements for receipt of a Safety Certification. The 2023 Executive Compensation Structure Submission Guidelines (2023 Guidelines) build on the 2022 Executive Compensation Structure Submission Guidelines by continuing to improve the transparency of submissions. In addition, these Guidelines establish minimum standards to allow Energy Safety to determine if executive compensation structures satisfy Public Utilities Code sections 8389(e)(4) and 8389(e)(6)(A). The 2023 Guidelines implement and interpret key statutory requirements.

This document is structured as follows:

- Submissions: Information and instructions regarding the submission of 2023 executive compensation structures
- Attachment 1: Required Information Template
- Attachment 2: Definitions
- Attachment 3: Metric Categories and Subcategories
- Attachment 4: Relevant Statutory Authority and Regulatory Guidance



2. Background

Public Utilities Code section 8389(e) requires that each electrical corporation obtains approval of its executive compensation structure as part of the electrical corporation's requirements for receipt of a Safety Certification. Public Utilities Code sections (e)(4) and (e)(6) govern executive compensation and state:

(4) The electrical corporation has established an executive incentive compensation structure approved by the division and structured to promote safety as a priority and to ensure public safety and utility financial stability with performance metrics, including incentive compensation based on meeting performance metrics that are measurable and enforceable, for all executive officers, as defined in Section 451.5. This may include tying 100 percent of incentive compensation to safety performance and denying all incentive compensation in the event the electrical corporation causes a catastrophic wildfire that results in one or more fatalities.

(6) (A) The electrical corporation has established a compensation structure for any new or amended contracts for executive officers, as defined in Section 451.5, that is based on the following principles:

(i) (I) Strict limits on guaranteed cash compensation, with the primary portion of the executive officers' compensation based on achievement of objective performance metrics.

(II) No guaranteed monetary incentives in the compensation structure.

(ii) It satisfies the compensation principles identified in paragraph (4).

(iii) A long-term structure that provides a significant portion of compensation, which may take the form of grants of the electrical corporation's stock, based on the electrical corporation's long-term performance and value. This compensation shall be held or deferred for a period of at least three years.

(iv) Minimization or elimination of indirect or ancillary compensation that is not aligned with shareholder and taxpayer interest in the electrical corporation.

(6) (B) The division shall approve the compensation structure of an electrical corporation if it determines the structure meets the principles set forth in subparagraph (A) and paragraph (4).

In California Public Utilities Commission (CPUC) Decision (D.) 20-05-053, the CPUC established additional requirements for Pacific Gas and Electric Company (PG&E) pertaining to executive compensation structures.¹ The Decision also encouraged other electrical corporations to review and consider adopting measures from the Assigned Commissioner Ruling (ACR) Executive Compensation Proposal 9.

3. Submission

Electrical corporations seeking a subsequent Safety Certification for 2023 pursuant to Public Utilities Code section 8389(e) must submit a request for approval of the electrical corporation's 2023 Executive Compensation Structure to the 2023 executive compensation docket (#2023-EC docket).²

3.1 Confidentiality

The submission process for confidential information is set forth in section 29200 of Title 14 of the California Code of Regulations.

3.2 Format

Every document submitted to Energy Safety must comply with the formatting requirements below.

1. Electronically filed documents shall be word searchable and accessible as prescribed in Section 3.3 of these Guidelines.
2. Paper documents shall be:
 - a. Typewritten or otherwise mechanically printed;
 - b. On paper 11 inches long and 8 ½ inches wide;
 - c. Printed on both sides of the page if feasible; and

¹ Decision Approving Reorganization Plan (accessed July 21, 2022):
<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M338/K816/338816365.PDF>.

² 2023 Executive Compensation docket (accessed July 18, 2022):
<https://efiling.energysafety.ca.gov/EFiling/DocketInformation.aspx?docketnumber=2023-EC>.

- d. Bound securely.
3. Both electronic and paper documents shall;
 - a. Be in a clear, easily readable font of at least 11 points;
 - b. Have consecutively numbered pages; and
 - c. Included the following information on the first page:
 - i. Name of the docket;
 - ii. Number of the docket; and
 - iii. Title of the document.
4. For electronic documents, signatures may be electronic.³

3.3 Accessibility

It is the policy of the State of California that electronic information be accessible to people with disabilities. Each person who submits information through Energy Safety's e-filing system must ensure that the information complies with the accessibility requirements set forth in Government Code section 7405. Energy Safety will not accept any information submitted through the e-filing system that does not comply with these requirements.⁴

3.4 Incomplete Submittals

Energy Safety will not evaluate an incomplete submittal. Energy safety may determine an electrical corporation's submittal is incomplete because the electrical corporation failed to:

- Provide all sections of the required information template; and/or
- Provide sufficiently detailed sections for the required information template; and/or
- For PG&E, fully address the additional requirements of ACR Executive Compensation Proposal 9.

Should Energy Safety find the electrical corporation's submission incomplete, Energy Safety may take the following actions based on the level of completeness:

- Energy Safety may issue a data request(s) to the electrical corporation for additional information or data to address the incomplete portion(s) of the submittal.

³ Gov. Code, § 16.5.

⁴ References to laws and regulations related to digital accessibility are available at, <https://dor.ca.gov/Home/DisabilityLawsandRegulations>. Resources on constructing accessible electronic contents are available at, <https://dor.ca.gov/Home/ConstructingAccessibleElectronicContent>.

- The electrical corporation responds to all data requests issued by Energy Safety.
- Energy Safety evaluates the submittal with the additional information.
- Alternatively, in cases where there are more severe omissions, Energy Safety may issue a rejection to the electrical corporation with the opportunity to resubmit.
 - The rejection will list out the partial or incomplete portions of the submittal that the electrical corporation needs to address.
 - The rejection will provide a due date for any resubmission of the electrical corporation’s executive compensation structure.
 - Energy Safety will evaluate the resubmission.
- Should the electrical corporation provide Energy Safety with a submittal that has major omissions or does not make a good faith attempt to complete all sections of the required template, Energy Safety reserves the right to deny the executive compensation structure submittal.

3.5 Naming Convention

Table 1: Electronic File Naming Convention with Examples

Date Submitted: Year- Month-Day	Utility Abbreviated Name	Document Year	Document Type	Revision Number
“2023-03-14”	“PGE” (Pacific Gas and Electric Company)	“2023”	“ECSS” (Executive Compensation Structure Submission)	R0 (First Version)
	“SDGE” (San Diego Gas & Electric Company)			R1 (Revision 1)
	“SCE” (Southern California Edison Company)		Comments on ‘Utility Abbreviation’	R2 (Revision 2)
	“BVES” (Bear Valley Electrical Services Inc.)		ECSS_RO (comments on a specific submission)	

Date Submitted: Year- Month-Day	Utility Abbreviated Name	Document Year	Document Type	Revision Number
	"LU" (Liberty Utility) "PC" (PacifiCorp) "HWT" (Horizon West) "TBC" (Trans Bay Cable)			

Examples:

- First Version of an Executive Compensation Structure Submission: “2023-03-13_PGE_2023_ECSS_R0”, which refers to a March 13, 2023, PG&E 2022 Executive Compensation Structure Submission, first version.
- Response to Comments made regarding an Executive Safety Structure Submission: “2023-03-29_SCE_2023_Response to CalAdvocates_R0,” which refers to a March 29, 2023, SCE response to three separate comments submitted, first version.

3.6 Errata

An Erratum is a correction of published text. Electrical corporations may submit errata as follows:

5. After the submission deadline, **substantive errata** for WMPs will only be accepted within 10 business days after the submission deadline unless permission is granted through written request to the Deputy Director.
 - a. **Substantive errata** are corrections to targets, calculations, initiatives, etc., that materially impact Energy Safety’s evaluation of the WMP.
6. **Non-substantive errata** for WMPs will only be accepted within 30 business days after the submission deadline.
 - a. **Non-substantive errata** are minor corrections to fix typographical errors or to improve clarity.

Classification of errata as substantive or non-substantive is solely within the discretion of Energy Safety.

Energy Safety may request an electrical corporation submit errata based upon information learned through the data request process at any point during the evaluation process.

4. Public Participation

4.1 Docket Access

Unless otherwise specified herein, Energy Safety posts all documents received and issued to the docket. Persons who are not already subscribed to Energy Safety's Executive Compensation service list and wish to receive service of Executive Compensation submissions and comments may enroll by visiting

https://listservice.cnra.ca.gov/scripts/wa.exe?A0=OEIS_WMPS&X=P274FFFAAFB0F2A86FA.

Additional information on Energy Safety's service lists and detailed instructions for signing up can be found at <https://energysafety.ca.gov/events-and-meetings/how-to-participate-in-public-events/>.

4.2 Public Comments

Any person or entity may submit Opening and Reply Comments on Executive Compensation submissions and draft decisions in accordance with the schedule issued by Energy Safety. Opening Comments must focus on information contained in the submission or draft decision. The subject of Reply Comments is limited to issues raised in Opening Comments.

4.3 Submitting Comments

Public comment must conform to the following requirements:

Whenever possible, comments must be submitted to the proper docket on Energy Safety's e-filing system.⁵ For Executive Compensation-related matters, comments must be submitted to the appropriate year's Executive Compensation docket (e.g., #2023-EC)

Comments on an electrical corporation's Executive Compensation submission shall be named according to the naming convention set forth in Section 3.5. However, comments shall include the organization or person's name followed by "Opening Comments" or "Reply Comments" and then the relevant abbreviations set forth in Table 1. For example:

⁵ Members of the public and other interested parties are also encouraged to utilize the e-filing system. Energy Safety will accept mailed or in person submissions at, 715 P Street, 20th Floor, Sacramento, California 95814.

- Comments on Pacific Gas and Electric Company’s (PG&E) 2023_2025 ECSS: “2023_04_10_ORGNAME⁶_OpeningComments_PGE_2023_ECSS_R0,” which refers to Organization’s comments submitted on April 10, 2023, on PG&E’s Executive Compensation submission, first version.

Opening Comments must focus on the content of the Executive Compensation submission or Draft Decision. Opening Comments on Draft Decisions shall be limited to 15 pages.

Reply Comments are limited to issues raised in Opening Comments. New information not directly related to issues presented in Opening Comments will not be considered. Reply Comments on Draft Decision shall be limited to 5 pages.

Comments must be accessible. It is the policy of the State of California that electronic information be accessible to people with disabilities. Each person who submits information through the Office’s e-filing system must ensure that the information complies with the accessibility requirements set forth in Government Code section 7405. The Office will not accept any information submitted through the e-filing system that does not comply with these requirements.⁷

The submission process for confidential information is set forth in section 29200 of Title 14 of the California Code of Regulations.

4.4 Notice of Workshops

Energy Safety may at its discretion hold one or more public workshops during the Executive Compensation evaluation period to discuss all or part of an electrical corporation’s submission, or during Energy Safety’s development of the Executive Compensation guidelines. Notice of workshops will be posted to the relevant year’s Executive Compensation docket and on Energy Safety’s website, www.energysafety.ca.gov. Energy Safety will issue written notice of the workshop at least 10-days prior to the workshop. Workshop notices will include information on the workshop topic, date, location, format, etc.

⁶ For comments submitted by an individual, please use the individual’s last name in place of the organization name.

5. Data Requests -Energy Safety

Energy Safety may obtain any document, data, or information from any electrical corporation that is relevant to any docket matter via a data request.

The following applies to data requests:

1. Data requests from Energy Safety staff to the electrical corporations may come from safetypolicy@energysafety.ca.gov or from individual Energy Safety staff e-mail addresses. All responses to Energy Safety data requests must be submitted to the relevant Executive Compensation docket, e.g. #2023-~~EC-EC~~.
2. Electrical corporations must respond to all data requests within 10 business days of the request unless a different response period is provided by Energy Safety.
3. Extension Requests
 - a. If an electrical corporation seeks a longer response period than as provided in this section or as provided by Energy Safety, the electrical corporations must request an extension by sending an extension request to safetypolicy@energysafety.ca.gov.
 - b. An extension request must include:
 - i. The data request or portion of the data request requiring an extension;
 - ii. A strong showing of the specific reason for the delay; and
 - iii. A proposed date of response in lieu of the original deadline.
 - c. Any extension request must be received by Energy Safety by 5:00 PM Pacific time one on the business day prior to the original data request date the response to a date request is due date.
 - d. Upon receipt of an extension request, Energy Safety will evaluate the request and issue a determination.

6. Data Requests -Stakeholders

A stakeholder, as defined in Section 6.1, may obtain through a data request to electrical corporations, documents, data, or other information for purpose of providing public Opening and Reply Comments on any Executive Compensation docket matter that seeks public comments.

Prior to issuing a data request, a person or entity must seek and obtain a stakeholder designation pursuant to Section 6.1. A person or entity may submit public comments without a stakeholder designation.

6.1 Stakeholder Designation

Any person or entity must submit a request for and receive designation as a stakeholder to send stakeholder data requests to electrical corporations as related to public comments for Executive Compensation evaluation. An initial request for designation as a stakeholder can be submitted any time prior to the Executive Compensation submission but must be submitted to the relevant year's Executive Compensation docket no later than 5-days following submission of an electrical corporation's Executive Compensation submission.

A request for designation as a stakeholder must include:

1. The docket matter (Docket #) the person or entity intends to participate in (e.g., #2023_EC),
2. The position and interest of the person in the docket matter,
3. Disclosure of the persons or entities on whose behalf the person may be seeking the designation, if any,
4. The electrical corporations for which the person or entity seeks stakeholder status. This may include a request for all electrical corporations,
5. The name, mailing address, e-mail address, and telephone number of the person or entity designee.

A request for designation as a stakeholder will be considered approved five days after submission without any further correspondence from Energy Safety unless the person or entity seeking the designation is otherwise notified by Energy Safety during that time. Once granted stakeholder designation, a person or entity shall retain the stakeholder designation for subsequent years unless that stakeholder fails to submit comments or otherwise actively participate in the Executive Compensation evaluation process for two years. After two years

of non-participation, stakeholder designation is automatically withdrawn, and the person or entity must resubmit for stakeholder status in future years.

Energy Safety may grant late requests for stakeholder designation only on a showing of good cause by the interested person or entity. No person or entity who becomes a stakeholder is permitted to reopen data requests dealt with in the relevant Executive Compensation docket matter prior to the time when such person became a stakeholder.

6.2 Stakeholder Data Request Process

The following applies to stakeholder data requests:

1. Electrical corporations must respond to all data requests within 10 business days of the request, unless a different response period is mutually agreed upon by the stakeholder making the data request and the electrical corporation.
2. Extension Requests
 - a. Prior to seeking an extension from Energy Safety to respond to a data request, an electrical corporation must first make a good-faith effort to ask the stakeholder making the request to agree to the extension.
 - b. If an electrical corporation cannot reach an agreement with the stakeholder requesting the data for a longer response period, the electrical corporation must request an extension by sending an extension request to safetypolicy@energysafety.ca.gov.
 - c. An extension request must include:
 - i. A showing of a good-faith effort by the electrical corporation to ask the stakeholder to agree to the extension and the result of such effort,
 - ii. The data request or portion of the data request requiring an extension,
 - iii. A strong showing of the specific reason for the delay, and
 - iv. A proposed date of response in lieu of the original deadline.
 - d. Any extension request must be received by Energy Safety by 5PM prior to the date response(s) to a data request is due. If the day before falls on a weekend or holiday; the request must be submitted on the last business day prior to the data request due date.
 - e. Upon receipt of an extension request, Energy Safety will evaluate the request and issue a determination.

6.3 Stakeholder Data Request Minimum Criteria

Stakeholder data requests must adhere to the following:

1. Data requests must seek documents, data, or information relevant to the pending docket matter and be designed to facilitate the stakeholder's ability to make an informed public comment,
2. Stakeholders submitting data requests must consider the volume and nature of the data being requested when negotiating response deadlines outside of those set forth in Section 5,
3. Stakeholders submitting data requests must not submit requests where such information is otherwise available, namely:
 - a. Contained in the electrical corporations' Executive Compensation submissions, or
 - b. Previously requested by Energy Safety

6.4 Request to Compel or Limit Stakeholder Data Requests

Stakeholders and electrical corporations must endeavor to resolve all data request disputes amongst themselves. For data request disputes that cannot be resolved, parties to the dispute may seek relief in accordance with the process below:

1. Prior to filing a request to compel or limit data requests, the parties to the dispute must have previously met and conferred in a good faith effort to informally resolve the dispute.
2. The party seeking to compel or to limit data requests bears the burden of proving the reasons why Energy Safety should compel or limit the data request.
3. A request to compel or limit a data request must include:
 - a. Facts showing a good-faith attempt at an informal resolution of the data request dispute presented by the request,
 - b. The data request or portion of the data request at issue,
 - c. Basis to compel or limit the data request, and
 - d. A proposed ~~order~~ determination that clearly indicates the relief requested.
4. A response from a stakeholder or electrical corporation to a request to compel or limit a data request must be submitted within ~~3~~ three business days of the date that the

request was submitted to Energy Safety. If the object of a request submits no response no response is submitted to a request to compel or limit a data request, then the request will be deemed granted.

5. Energy Safety will take requests to compel or limit a data request under consideration and will issue a determination on a request to compel or limit a data request after the request and response(s) have been submitted. Energy Safety may issue questions to both the requestor and respondent request clarification or additional information from the parties to the dispute prior to issuing a determination. Responses to such requests for clarification or additional information must be submitted within three~~3~~ business days of the date of the request.

All filings for a request to compel or limit data requests must be submitted to Energy Safety at safetypolicy@energysafety.ca.gov and served to all parties to the dispute.

7. Evaluation Criteria

Energy Safety provides the following guidance on its evaluation criteria to inform the electrical corporations' 2023 Executive Compensation Structure Submissions:

- All electrical corporations must comply with the requirements of Public Utilities Code section 8389(e)(4). See **Attachment 1**, Sections 1-4 to these Guidelines for additional details.
- Electrical corporations with new or amended contracts for executive officers must comply with the requirements of Public Utilities Code section 8389(e)(6)(A). See **Attachment 1**, Sections 5-7 to these Guidelines for additional details.
- All electrical corporations must complete the Required Information Template provided as **Attachment 1** to these Guidelines. All required information must be provided, in the format requested, using the attached Microsoft Word document. Additional narrative may be provided by the electrical corporation but must be provided separately from the Required Information Template. Such narrative should refer directly to the title and number of the associated template in Attachment 1.
- All electrical corporation executive compensation structure submissions must be consistent with the definitions provided within the Required Information Template in **Attachment 1** and in **Attachment 2** to these Guidelines.
- All electrical corporation executive compensation structure submissions must be consistent with the metric classification requirements set forth in **Attachment 3** to these Guidelines. Energy Safety recognizes the categorization of measures in the executive compensation structure submissions is based on reporting requirements specified by Energy Safety and does not necessarily reflect how the electrical corporation categorize measures for its communications to employees, reporting to other regulatory agencies, or other purposes.
- As per D. 20-05-053, the Commission has obligated PG&E to comply with the requirements of the ACR Executive Compensation Proposal 9. PG&E must note in its submission how it is addressing the various additional requirements.
 - Other electrical corporations are encouraged to review and consider adopting measures from the ACR Executive Compensation Proposal 9 in the spirit of transparency and furthering the purpose of AB 1054.
 - If an electrical corporation adopts measures from the ACR Executive Compensation Proposal, the electrical corporation should note in its submission how its compensation structure addresses the AB 1054 elements as

set forth in Public Utilities Code section 8389(e). New in 2023, the Required Information Template in Attachment 1 includes a section for the electrical corporations to describe how their Executive Compensation structures are supportive of the ACR Executive Compensation Proposal. This section has been added for consistency of reporting among the electric corporations.

8. Schedule

Energy Safety will release a schedule each year prior to the Executive Compensation submission deadline. Energy Safety may update the schedule as needed during the evaluation process via written notice to the docket.

Any deadline that falls on a weekend or holiday shall be moved to the following business day. A document will be accepted by Energy Safety as of the date of the document's receipt. The exception is, documents submitted after 5:00p.m. on a business day, or at any time on a Saturday, Sunday, or holiday shall be deemed filed the next business day.

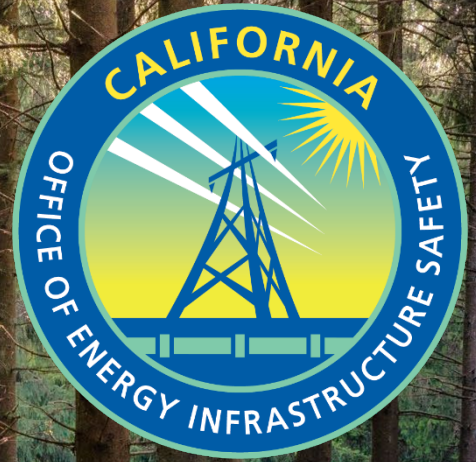
DATA DRIVEN FORWARD-THINKING INNOVATIVE SAFETY FOCUSED



OFFICE OF ENERGY INFRASTRUCTURE SAFETY
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ATTACHMENT 1: REQUIRED INFORMATION TEMPLATE

Instructions on Completing the Template

Electrical corporations must use the provided template and follow these instructions to complete executive compensation structure submissions. Example responses are highlighted and provided in **green font**. Electrical corporations must remove the example responses before submitting the executive compensation structure submissions. Electrical corporation's information must be provided in the blank rows. Additional rows should be added as needed.



Public Utilities Code Section 8389(e)(4): Sections 1-4

All electrical corporations must comply with the requirements of Public Utilities Code section 8389(e)(4). The exact statutory language for this section can be found in Attachment 4 of these Guidelines.

Additionally, all electrical corporations' executive compensation structures submissions must include:

- Compensation structures that are structured to promote measurable outcomes for safety improvements required by Wildfire Mitigation Plans (WMPs).
- Compensation awards based on objective, measurable, and enforceable performance metrics that track impacts on drivers of ignition probability, and safety outcome metrics that measure leading and lagging indicators of wildfire risk and consequences of wildfire mitigation work.
- Compensation structures that appropriately weight safety concerns and financial performance.

To aid Energy Safety in assessing compliance with Public Utilities Code section 8389(e)(4), electrical corporations must complete Sections 1-4 below for all executive officers as defined in Public Utilities Code section 451.5(c).

Section 1: Incentive Compensation Components

Rationale: For the issuance of a Safety Certification, Public Utilities Code section 8389(e)(4) requires that electrical corporations' executive incentive compensation structures include "incentive compensation based on meeting performance metrics that are measurable and enforceable, for all executive officers..." To evaluate an electrical corporation's compliance with this requirement, Energy Safety must know: (a) who are the electrical corporation's executive officers and (b) what incentive compensation structure exists.

Definition: "Executive officer" is defined in Public Utilities Code section 451.5(c) and "means any person who performs policy making functions and is employed by the public utility subject to the approval of the board of directors, and includes the president, secretary, treasurer, and any vice president in charge of a principal business unit, division, or function of the public utility." Energy Safety considers divisions or units responsible for electrical operations, gas operations or wildfire-related functions principal business units, divisions or functions of the public utility.

Instructions: In Table 1.1, for each executive officer subject to the executive compensation filing requirements, provide the executive title and function, the executive name (if the executive is classified as an Officer of the Company per the Company's website), the target percentage of Short-Term Incentives (STIP) and Long-Term Incentives (LTIP) as a proportion of Total Incentive Compensation (TIC) for the appropriate 2023 filing year. See the definition of the proceeding terms in **Attachment 2**.

For purposes of calculating the percentage of TIC, use the grant value of the compensation as determined for accounting purposes. Grant value is the value that is disclosed in proxy statement summary compensation tables for executive officers who are proxy officers. Percentages must be specified for each executive officer and not a range for various position levels.

*Table 1.1
Incentive Compensation at the Target Level*

Executive Title/ Function and Name (where applicable)	Target STIP as a Percent of TIC	Target LTIP as a Percent of TIC
Example:		
[Company] President and CEO – Name	65%	35%
[Company] President and CEO – Name	70%	30%

Executive Title/ Function and Name (where applicable)	Target STIP as a Percent of TIC	Target LTIP as a Percent of TIC
[Company] Senior Vice President (SVP) – Name	70%	30%
[Company] Chief Financial Officer (CFO) – Name	65%	35%
[Company] General Counsel – Name	70%	30%

Instructions: In Table 1.2, for each executive officer subject to the executive compensation filing requirements, provide the executive title and function, the executive name (if the executive is classified as an Officer of the Company per the Company’s website), the target percentage of Base Salary, STIP and LTIP as a proportion of Total Direct Compensation (TDC) for the appropriate 2023 filing year. See the definition of the proceeding terms in **Attachment 2**.

*Table 1.2
Total Direct Compensation at the Target Level*

Executive Title/ Function and Name (where applicable)	Target Base Salary as a Percent of TDC	Target STIP as a Percent of TDC	Target LTIP as a Percent of TDC
Example:			
[Company] President and CEO – Name			
[Company] President and CEO – Name			
[Company] Senior Vice President (SVP) – Name			
[Company] Chief Financial Officer (CFO) – Name			
[Company] General Counsel – Name			

Section 2: Executive Officer Exclusion Rationale

Rationale: For the issuance of a Safety Certification, Public Utilities Code section 8389(e)(4) requires that electrical corporations’ executive incentive compensation structures include “incentive compensation based on meeting performance metrics that are measurable and enforceable, for all executive officers... .” To ensure incentive compensation is used for all executive officers, Energy Safety must understand why certain top-level officials do not fit within the definition of “executive officers” as defined in Public Utilities Code section 451.5(c).

Instructions: For the purpose of completing Table 2.1, include all the positions of the highest three tiers of the executives or officers of the electrical corporation that do not fit within the definition of “executive officers” as defined in Public Utilities Code section 451.5(c). For those positions, provide a simple explanation regarding why the executives holding those positions are not considered “executive officers” as set forth in Public Utilities Code section 451.5(c) (See Attachment 4). **Examples:**

- This position does not perform policy making functions.
- This position is not employed by the public utility.
- This position is not subject to approval of the board of directors.

Include all positions within a tier in the table.

*Table 2.1
Public Utilities Code Section 451.5(c) Exclusion Rationales*

Example:	
[Company] Executive Secretary, [Division or Unit]	[Company] has excluded the Secretary as this individual does not perform policy making functions and is not subject to approval of the board of directors.
[Company] Treasurer, [Division or Unit]	[Company] has excluded the Treasurer as this individual does not perform policy making functions and is not subject to approval of the board of directors.

i) Definition of policy making:

Explain how the electrical corporation defines policy making for purposes of the inclusion or exclusion of personnel pursuant to Public Utilities Code section 451.5(c):

Section 3: Short-Term Incentive Program (STIP)

Rationale: For the issuance of a Safety Certification, Public Utilities Code section 8389(e)(4) requires that electrical corporations' executive incentive compensation structures are "structured to promote safety as a priority and to ensure public safety and utility financial stability with performance metrics, including incentive compensation based on meeting performance metrics that are measurable and enforceable, for all executive officers... ." To ensure that the executive compensation structure for electrical corporation executive officers is structured to promote safety as a priority and ensure public safety and utility financial stability, Energy Safety must have an in-depth understanding of:

- The performance-based components of an executive compensation structure.
- How that structure is promoting safety.
- How effective metrics are in changing safety and financial outcomes.
- How adjustments to metrics are tied to performance.

Instructions: The STIP includes all performance-based compensation awarded on a performance term of less than three years. If the electrical corporation uses more than one short-term incentive mechanism, repeat this information for each mechanism (e.g., quarterly and annually).

Section 3a: STIP Structure

Instructions: Provide the requested 2023 STIP information regarding payment type, triggers, deductions, the use of individual performance modifiers, the use of company performance modifiers, the use of thresholds, targets, and maximums and the associated percentages, and how performance between categories is interpolated.

i) **STIP Payment Type.** Check one:

Cash: Other:

If other, describe the other type of STIP payment:

ii) **Use of Any Performance Triggers**

Does the electrical corporation's 2023 STIP use any performance triggers (e.g., must achieve certain annual earnings per share before any STIP payments are made)? Check one:

Yes: No:

If "Yes," describe any performance triggers:

iii) Use of Any Automatic, Non-Discretionary Deductions

Does the electrical corporation's 2023 STIP have any automatic non-discretionary deductions (e.g., failure to achieve WMP targets results in X% reduction, catastrophic wildfire results in zeroing out all safety metrics)? Check one:

Yes: No:

If "Yes," describe all automatic, non-discretionary deductions:

iv) Use of Any Specifically Defined Discretionary Deductions

Does the electrical corporation's 2023 STIP have any defined deductions (e.g., foundational, deduct only goals) that are part of the compensation structure? Check one:

Yes: No:

If "Yes," describe all specific/defined discretionary deductions that are part of the structure:

v) Use of a Performance Range – 2022

Were the 2022 STIP payouts based on a performance range (i.e., below minimum/threshold, minimum/threshold, target, maximum)? Check one:

Yes: No:

Did the electrical corporation use one range for all 2022 STIP metrics or differing ranges based on the category of metric? Check one:

One range for all metrics: Multiple ranges:

If multiple ranges are used, explain why:

Provide the 2022 STIP metric performance range(s):

Table 3a.1
2022 STIP Metric Performance Range(s)

	Below Minimum	Minimum	Target	Maximum
Example				
Reportable Fire Ignitions	0%	50%	100%	200%
Wires Down Events Due to Equipment Failure	0%	50%	100%	200%
All Other STIP Metrics	0%	25%	100%	150%

Describe the interpolation method between categories (e.g., straight line):

vi) Use of a Performance Range – 2023

Do the 2023 STIP payouts include a performance range (i.e., below minimum/threshold, minimum/threshold, target, maximum)? Check one:

Yes: No:

Is the electrical corporation using one range for all 2023 STIP metrics or differing ranges based on the category of metric)? Check one:

One range for all metrics: Multiple ranges:

If multiple ranges are used, explain why:

Provide the 2023 STIP metric performance range(s):

Table 3a.2
2023 STIP Metric Performance Range(s)

	Below Minimum	Minimum	Target	Maximum
Example				
All STIP Metrics	0%	25%	100%	150%

Describe the interpolation method between categories:

Awards related to performance for each metric are calculated:

- 1) In ten linear increments from Minimum performance through achievement of Target performance; and
- 2) In fifteen linear increments from Target performance through achievement of Maximum performance.

Did the performance range change for any metrics between 2022 and 2023? Check one:

Yes: No:

If Yes, describe and quantify the change for each such metric:

vii) Use of Performance Modifiers – 2022 Actual

Did the electrical corporation’s 2022 STIP involve the use of any of the following types of performance modifiers?

Individual Performance Modifier – 2022, check one:

Yes: No:

If Yes, describe each performance modifiers:

If Yes, quantify for each executive their individual performance modifiers:

Table 3a.3
Individual Performance Modifiers – 2022 Actual

Executive Title/ Function and Name (where applicable)	Increase/ Decrease	Percentage Change	Factors in/ Reason for Adjustment (1)
Example:			
[Company] President and CEO – Name	Increase	20% of individual’s target payout	Superior financial performance
[Company] Senior Vice President (SVP) – Name	Decrease	10% of individual’s target payout	Failure to achieve storm hardening covered conductor installation WMP Targets
[Company] General Counsel – Name	None	None	
Electrical Corporation Actual Data			

(1) Providing the broad category for the ‘Factors in/Reasons for the Adjustment’ column is sufficient when those reasons are not safety related (e.g., Other Non-Safety Related, Superior Financial Performance, etc.). If the reason for an adjustment is safety and/or WMP related then the reason provided must be specific (e.g., failure to achieve covered conductor installation WMP targets).

Did the electrical corporation’s 2022 STIP involve the use of any of the following types of performance modifiers?

Company Performance Modifier – 2022, check one:

Yes: No:

If Yes, describe and quantify the impact of the company performance modifier:

Board Discretion, check one:

Yes: No:

If Yes, describe and quantify the impact of the board's discretion:

Section 3b: 2022 STIP Metrics – Minimum, Target, Maximum and Actual

Instructions: Complete Table 3b.1 for the 2022 STIP metrics, adding rows as necessary. See **Attachment 3** for a discussion of categories and sub-categories.

Table 3b.1
2022 STIP – Minimum, Target and Maximum Versus Actual

Category	Sub-Category	Metric	Metric Type	Weight	Min	Target	Max	Actual Performance	Weighted Contribution
Example:									
Safety	Wildfire			10%					
Safety	Employee Safety	Employee DART Rate	Lagging Outcome	5%	0.3	1.5	2.5	2.0	= 10 * 125% 12.5
Safety	Employee Safety	Contractor SIF	Lagging Outcome	5%	5	3	1	7	0
Safety	Public Safety	Wildfire Ignitions	Leading/Lagging	10%	15	10	5	5	10
Subtotal				30%					22.5
Security									
Security									
Subtotal				5%					22.5
Customer Service	Satisfaction	JDpower CSAT Ranking	Lagging Outcome	50%					
Customer Service	Reliability	SAIDI		5.0%					
Customer Service	PSPS Notification	Customers notified		5.0%					

Category	Sub-Category	Metric	Metric Type	Weight	Min	Target	Max	Actual Performance	Weighted Contribution
Subtotal									
Financial									
Financial									
Subtotal									
Other									
Other									
Subtotal									
Total				100%					

Section 3c: 2023 STIP Metrics – Minimum, Target, and Maximum

Instructions: Complete Table 3c.1 for the 2023 STIP. Provide details of the STIP metrics and minimum, target and maximum performance values for the filing year. Wildfire safety metrics must be categorized separately (with no other metrics) and must include a weighting. Add additional rows as needed.

Table 3c.1
2023 STIP Metrics

Class	Sub-Class	Metric	Metric Type	Weight	Min	Target	Max
Performance Range							
Wildfire Safety							
Wildfire Safety							
Wildfire Safety							
Subtotal							
Performance Range							
Other Safety							
Other Safety							
Other Safety							
Subtotal							
Performance Range							
Security							
Subtotal							
Performance Range							
Customer Service							
Customer Service							
Customer Service							
Subtotal							
Performance Range							

Class	Sub-Class	Metric	Metric Type	Weight	Min	Target	Max
ESG							
Subtotal							
Performance Range							
DEI							
Subtotal							
Performance Range							
Other Operational							
Subtotal							
Performance Range							
Financial							
Financial							
Financial							
Subtotal							
Performance Range							
Other							
Other							
Subtotal							
Total							

Section 3e: STIP Changes

Instructions: Describe any changes between 2022 and 2023 in terms of STIP eligibility, structure, modifiers, metrics (including changes to minimum/threshold, target and maximum performance values), weightings and definitions. Explain the reason for the change(s).

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Section 3f: Historical STIP Data

Instructions: Provide five years of historical performance data for 2023 STIP metrics. If data is lacking, or should be considered in a certain context, explain in the Notes/Context field provided why there is no data for a given year(s) and the relevant context. Add rows as necessary.

Table 3f.1
STIP Metric Historical Actual Performance

Metric/Measure	2018	2019	2020	2021	2022

Notes/Context:

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Section 3g: 2022 STIP Adjustments

Instructions: Provide a detailed explanation of any increases and decreases in STIP compensation in 2022 due to failure to meet safety or other targets. Separately describe any adjustments to STIP compensation levels made by the Compensation Committee or executive management and the amount and reason for the reduction. Detail any adjustments made to increase compensation beyond the levels warranted by the actual performance (in any metric classification) and the reasons for the adjustments.

i) Actual performance lower than target due to failure to meet safety target(s):

ii) Actual performance lower than target due to failure to meet other target(s):

iii) Any deductions due to failure to meet “foundational goals”:

iv) Any deductions due to failure to meet earnings targets or thresholds:

v) Any additional deductions made by the Compensation Committee or executive management, that were not based on failure to meet earnings targets:

vi) Any upward adjustments made by the Compensation Committee or executive management and reason(s) for the adjustment(s):

Section 3h: 2022 and 2023 STIP Metric Ties to Other Metrics

Rationale: The CPUC requires PG&E, SCE, Southern California Gas Company (SoCalGas) and SDG&E (collectively the investor-owned utilities or IOUs) to annually report on 26 safety performance metrics (SPMs) to measure achieved safety improvements.⁸ Additionally, the CPUC adopted 32 Safety and Operational Metrics (SOMs) for PG&E⁹ to be used in accordance with the approved PG&E's post-bankruptcy reorganization plan.¹⁰ The decision requires PG&E to report on the SOMs every six months starting March 31, 2022. The CPUC also adopted 10 new SPMs, building on those adopted for application to PG&E, SCE, SoCalGas, and SDG&E. It deleted four and modified 19 of 26 existing SPMs for a total of 32 SPMs.

Energy Safety's Executive Compensation Guidelines require all electrical corporations' executive compensation submissions include:

- Compensation structures that are structured to promote measurable outcomes for safety improvements required by Wildfire Mitigation Plans (WMPs).
- Compensation awards based on objective, measurable, and enforceable performance metrics that track impacts on drivers of ignition probability, and safety outcome metrics that measure leading and lagging indicators of wildfire risk and consequences of wildfire mitigation work.

Energy Safety seeks to understand how the Executive Compensation Structure metrics relate to the WMP, SPMs and SOMs.

2022 STIP

Instructions: For each metric included in the 2022 STIP, indicate whether the metric is tied to the electrical corporation's WMP (and the associated initiative number) and whether it is similar in nature to SOM and/or SPM metrics (and the associated SOM and/or SPM number). For metrics similar in nature to a SOM, explain any differences between the electrical corporation's calculation of that metric and the required SOM method of calculation of that metric.

⁸ CPUC Decision 19-04-020 (accessed July 26, 2022):

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M288/K389/288389255.PDF>.

⁹ CPUC Decision 21-11-009 in eight separate files (accessed July 26, 2022):

<https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=421107805>.

¹⁰ CPUC Decision 20-05-053 (accessed July 26, 2022): https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpucwebsite/content/news_room/newsupdates/2020/d2005053-for-i1909016.pdf.

*Table 3h.1
2022 STIP – Ties to WMP, SPMs, and SOMs*

<u>Executive Compensation Structure Submission</u> <u>STIP Measure/Metric</u>	<u>WMP Related</u> <u>Yes/No</u>	<u>WMP Related Initiative Number</u>	<u>Similar to SPM</u> <u>Yes/No</u>	<u>Similar to SPM</u> <u>SPM Number</u>	<u>Similar to SOM</u> <u>Yes/No</u>	<u>Similar to SOM</u> <u>SOM Number</u>	<u>Description of Computational / Definitional Differences</u>
<u>Electrical Corporation Actual Data</u>							

2023 STIP

Instructions: For each metric included in the 2023 STIP, indicate whether the metric is tied to the electrical corporation’s WMP (and the associated initiative number) and whether it is similar in nature to SOM and/or SPM metrics (and the associated SOM and/or SPM number). For metrics similar in nature to a SOM, explain any differences between the electrical corporation’s calculation of that metric and the required SOM method of calculation of that metric.

*Table 3g.13h.2
2023 STIP – Ties to WMP, SPMs, and SOMs*

<u>Executive Compensation Structure Submission</u> <u>STIP Measure/Metric</u>	<u>Related to WMP</u> <u>Yes/No</u>	<u>Related to WMP Initiative Number</u>	<u>Similar to SPM</u> <u>Yes/No</u>	<u>Similar to SPM</u> <u>SPM Number</u>	<u>Similar to SOM</u> <u>Yes/No</u>	<u>Similar to SOM</u> <u>SOM Number</u>	<u>Description of Computational / Definitional Differences</u>
<u>Electrical Corporation Actual Data</u>							

Section 4: Long-Term Incentive Program (LTIP)

Rationale: For the issuance of a Safety Certification, Public Utilities Code section 8389(e)(4) requires that electrical corporations' executive incentive compensation structures are “structured to promote safety as a priority and to ensure public safety and utility financial stability with performance metrics, including incentive compensation based on meeting performance metrics that are measurable and enforceable, for all executive officers... .” To ensure that the executive compensation structure for electrical corporation executive officers is structured to promote safety as a priority and ensure public safety and utility financial stability, Energy Safety must have an in-depth understanding of the performance-based components of an executive compensation structure.

Instructions: The LTIP includes all performance-based compensation awarded on a performance term of three or more years. If the electrical corporation uses more than one long-term incentive mechanism, repeat this information for each mechanism (e.g., three-year, four-year).

Section 4a: LTIP Structure

Instructions: Provide name, title/function, grant date and estimated award percentage of TIC for each executive officer listed in Table 1.1 that receives or is expected to receive direct compensation under a LTIP for the applicable years. For purposes of calculating the grant value as a percentage of TIC, use the grant value of the compensation as determined for accounting purposes. Grant value is the value that is disclosed in proxy statement summary compensation tables for executive officers who are proxy officers. For purposes of calculating Earned Value as a percentage of TIC, use the value at the date of vesting. Percentages must be specified for each executive officer and not a range for various position levels. Provide a table for each executive officer. Make copies of Table 4a.1 as necessary.

*Table 4a.1
2022 and 2023 LTIP Grants*

Executive Title/ Function and Name:		
LTI Type	2022 Performance Year	2023 Performance Year
	Grant Date Fair Value as a % of TIC	Target Value as a % of TIC
Stock Grant		
Stock Option		

Executive Title/ Function and Name:		
LTI Type	2022 Performance Year	2023 Performance Year
	Grant Date Fair Value as a % of TIC	Target Value as a % of TIC
Restricted Stock Unit (RSU)		
Performance Share Unit (PSU)/ Performance Restricted Stock Unit (PRSU)		
Cash Performance Payment		
Other		

If “Other” LTIP Type indicated, provide explanation:

i) Is any LTIP compensation not at risk?

Yes: No:

Describe/Explain:

ii) Were the 2022 LTIP payouts determined based on a performance range (i.e., below minimum/threshold, minimum/threshold, target, maximum)? Check one:

Yes: No

iii) Did the electrical corporation use one range for all 2022 LTIP metrics or differing ranges based on the category of metric)? Check one:

One range for all metrics: Multiple ranges:

iv) Provide the 2022 LTIP metric range(s):

*Table 4a.2
2022 LTIP Performance Range(s)*

	Below Minimum	Minimum	Target	Maximum
Example				
System Hardening Effectiveness	0%	50%	100%	200%

	Below Minimum	Minimum	Target	Maximum
Vegetation Management Effectiveness	0%	50%	100%	200%
All Other LTIP Metrics	0%	25%	100%	150%
Electrical Corporation Actual Data				

Describe the interpolation method between categories (e.g., straight line):

v) Provide the 2023 LTIP metric performance range(s):

*Table 4a.3
2023 LTIP Metric Performance Range(s)*

	Below Minimum	Minimum	Target	Maximum
Example				
All LTIP Metrics	0%	25%	100%	150%
Electrical Corporation Actual Data				

Describe the interpolation method between categories (e.g., straight line):

vi) Use of Any Performance Triggers

Does the electrical corporation’s 2023 LTIP use any performance triggers (e.g., must achieve annual earnings per share of at least XYZ before any LTIP payments are made)?

Check one:

Yes: No:

If “Yes,” describe any performance triggers:

vii) Use of Any Automatic, Non-Discretionary Deductions

Does the electrical corporation’s 2023 LTIP have any automatic, non-discretionary deductions (e.g., failure to achieve WMP targets results in X% reduction, catastrophic wildfire results in zeroing out all safety metrics)? Check one:

Yes: No:

If “Yes,” describe all automatic, non-discretionary deductions:

viii) Use of Any Specifically Defined Discretionary Deductions

Does the electrical corporation’s 2023 LTIP have any defined deductions (e.g., foundational goal(s)) that are part of the compensation structure? Check one:

Yes: No:

If “Yes,” describe all specific/defined discretionary deductions that are part of the structure:

Section 4b: LTIP General Eligibility

Instructions: Provide a general description of the executive officers eligible for the electrical corporation’s LTIP. Add additional rows as needed.

*Table 4b.1
LTIP Eligibility*

Example:
Electrical Corporation B: All executive officers at the Senior Director and higher (Salary Band 3 and above) participate in the LTIP program. Potential awards are determined as a set percentage of base salary by salary band as follows:
President: 130%
CFO: 100%
Salary Band 1: 75%
Salary Band 2: 30%
Salary Band 3: 15%
Electrical Corporation Actual Data

Section 4c: LTIP Measures, Weighting and Award Basis

Instructions: For each LTIP type, indicate weighting and basis of award. If basis of award differs amongst position or person, copy Table 4c.1 and Table 4c.2 as necessary and indicate who the table applies to in space provided at the top of the table. Add additional tables if LTIP varies for certain officer classifications.

*Table 4c.1
2022 LTIP Measures, Weighting and Award Basis*

Executive Title/ Function and Name: All Executive Officers		
LTIP Type	2022 Weight	2022 Performance Year LTIP Award Basis
Example:		
Stock Grant		
Stock Option	30%	Stock Options (weighted at 30%) • Based on LTIP Safety goals.
RSU		
PSU/ PRSU	70%	Performance-Based Restricted Stock Units (weighted at 70% collectively) • 50% based on 3-year relative total shareholder return (TSR) – 35% based on 3-year relative TSR vs. S&P 500 Utilities Index – 15% based on 3-year relative TSR vs. S&P 500 Index • 20% based on 3-year EPS CAGR with payout scale set based on forward consensus estimates of S&P 500 Utilities peers.
Cash		
Weighting Total:	100%	
Electrical Corporation Actuals		
Stock Grant		
Stock Option		
RSU		
PSU/ PRSU		
Cash		

Executive Title/ Function and Name: All Executive Officers		
LTIP Type	2022 Weight	2022 Performance Year LTIP Award Basis
Other		
Weighting Total:	100%	

*Table 4c.2
2023 LTIP Measures, Weighting and Award Basis*

Executive Title/ Function and Name:		
LTI Type	2023 Weight	2023 Performance Year LTIP Award Basis
Electrical Corporation Actuals		
Stock Grant		
Stock Option		
RSU		
PSU/ PRSU		
Cash		
Other		
Weighting Total:	100%	

Section 4d: 2023 LTIP Measures, Definitions and Calculations

Instructions: Provide detailed definitions and calculations for the 2023 LTIP metrics. For each metric, provide a detailed definition of the metric, any adjustments or exclusions, the basis for the definition and the actual calculation such that if Energy Safety requested the source data/ inputs, it would be able to derive the reported results. Also provide the weight given to the metric and the minimum, target and maximum values for the metric.

Table 4d.1
2023 LTIP Measures

Measure/Metric	Detailed Definition	Calculation Methodology	Any Adjustment/ Exclusions	Weight	Min.	Target	Max.
Example							
Relative TSR	Relative TSR is a measure of total share performance (price appreciation or depreciation, plus dividends received, if any), relative to the same measure for a comparator group of peer companies (a comparator group)	= { (current price - purchase price) + dividends } ÷ purchase price	None	100%			
Electrical Corporation Actual Data							

Measure/Metric	Detailed Definition	Calculation Methodology	Any Adjustment/ Exclusions	Weight	Min.	Target	Max.

Section 4e: Historical LTIP Data

Instructions: Provide historical performance data (five years) for 2023 LTIP metrics. If data is lacking, or should be considered in a certain context, explain in the Notes/Context field provided why there is no data for a given year(s) and the relevant context. Add rows as necessary.

Table 4e.1
LTIP Metric Historical Actual Performance

Metric/Measure	2018	2019	2020	2021	2022

Notes/Context:

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Section 4f: 2022 LTIP Adjustments

Instructions: Provide a detailed explanation of any increases and decreases in 2022 LTIP compensation due to failing to meet safety or other targets. Separately describe any adjustments to LTIP compensation levels made by the Compensation Committee or executive management and the amount and reason for the reduction. Detail any adjustments made to increase compensation beyond the levels warranted by the corporation's actual performance (in any metric classification) and the reasons for the adjustments.

i) Actual performance lower than target due to failure to meet safety target(s):

ii) Actual performance lower than target due to failure to meet other target(s):

iii) Any additional deductions made by the Compensation Committee or executive management:

iv) Any upward adjustments:

Section 4g: LTIP Prior Year Actuals

Instructions: For any prior year LTIP programs that vested in 2022, provide details of projected and actual payouts/performance.

*Table 4g.1
LTIP Program Vesting in 2022*

LTIP Program Name	Performance Measure	Projected % of TIC at Time of Grant	Actual % of TIC at Vesting Date
<i>Example</i>			
2018 RSU	Stock price	30%	25%
2019 RSU	Stock price	15%	16%
2018 Performance Shares	SIF Corrective Action Effectiveness	15%	5%
Electric Corporation Actual Data			

Public Utilities Code Section 8389(e)(6)(A): Sections 5-7

Electrical corporations with new or amended contracts for executive officers must comply with the requirements of Public Utilities Code section 8389(e)(6)(A). The exact statutory language for this section can be found in Attachment 4 of these Guidelines.

For issuance of a Safety Certification, Energy Safety shall approve the compensation structure of an electrical corporation if it determines the structure meets the principles set forth in paragraphs (4) and (6)(A).

Applicability of Public Utilities Code Section 8389(e)(6)(A)

As previously noted, all electrical corporation executive compensation structure submissions must be consistent with the definitions provided in **Attachment 2** to these Guidelines. Energy Safety has defined “new contact” and “amended contract” for the purposes of these Guidelines in **Attachment 2**.

Subsection Requirements for Public Utilities Code Section 8389(e)(6)(A)

Electrical corporations’ executive compensation structures must meet ~~the these~~ requirements/principles for specific subsections of Public Utilities Code section 8389(e)(6)(A):

- Public Utilities Code section 8389(e)(6)(A)(i)(I) requires electrical corporations’ with new or amended contracts for executive officers be based on the principle of “strict limits on guaranteed cash compensation, with the primary portion of the executive officers’ compensation based on achievement of objective performance metrics.”
 - For the purposes of compliance with Public Utilities Code section 8389(e)(6)(A)(i)(I), the electrical corporations must demonstrate that **greater than 50 percent** of each executive officer’s total direct compensation, at the target performance level, is based on the achievement of objective performance metrics.
- Public Utilities Code section 8389(e)(6)(A)(iii) requires electrical corporations’ new or amended contracts for executive officers be based on the principle of including a “long-term structure that provides a significant portion of compensation, which may take the form of grants of the electrical corporation’s stock, based on the electrical

corporation's long-term performance and value." Additionally, this "compensation shall be held or deferred for a period of at least three years."

- For purposes of compliance with Public Utilities Code section 8389(e)(6)(A)(iii), the electrical corporations must demonstrate that each executive officer's total direct long-term compensation at the target performance level is **greater than twenty-five percent (25%)** a significant portion of that executive officer's total direct compensation. See the definition of Long-Term Incentive Program in Attachment 2 to determine whether compensation is "delayed three or more years."
- Public Utilities Code section 8389(e)(6)(A)(iv) requires electrical corporations' new or amended contracts for executive officers be based on the principle of "minimization or elimination of indirect or ancillary compensation that is not aligned with shareholder and taxpayer interest in the electrical corporation." ~~For the purposes of compliance with Public Utilities Code section 8389(e)(6)(A)(iii) the electrical corporations must demonstrate that any indirect or ancillary compensation, if awarded based in whole or in part on the electrical corporation's annual wildfire safety performance, is considered aligned with shareholder and taxpayer interests.~~
 - For the purposes of compliance with Public Utilities Code section 8389(e)(6)(A)(iii) the electrical corporations must demonstrate that total indirect and ancillary compensation that is not aligned with shareholder and taxpayer interest in the electrical corporation **is less than twelve and one-half percent (12.5%) of total compensation** is minimized.
 - ~~Supplemental Executive Retirement Plans (SERPs) that are structured so that electrical corporation contributions are based at least in part on executive officer Short-Term Incentive Payment program awards based at least in part on wildfire and other public safety performance are considered aligned with shareholder and taxpayer interests.~~

To aid Energy Safety in assessing compliance with Public Utilities Code section 8389(e)(6)(A), electrical corporations must complete Sections 5-7 below for any new or amended contracts for executive officers as defined in Public Utilities Code section 451.5(c).

Section 5: Fixed versus Incentive Compensation

Rationale: Public Utilities Code section 8389(e)(6)(A)(i)(I) requires for the issuance of a Safety Certification, that “the electrical corporation has established a compensation structure for any new or amended contracts for executive officers” that meets several principles, including “strict limits on guaranteed cash compensation, with the primary portion of the executive officers’ compensation based on achievement of objective performance metrics.” To evaluate an electrical corporation’s compliance with this requirement, Energy Safety needs to know: (a) who are the electrical corporation’s executive officers and (b) what compensation structure exists.

Definition: “Executive officer” is defined in Public Utilities Code section 451.5(c) and “means any person who performs policy making functions and is employed by the public utility subject to the approval of the board of directors, and includes the president, secretary, treasurer, and any vice president in charge of a principal business unit, division, or function of the public utility.” Energy Safety considers divisions or units responsible for electrical operations, gas operations or wildfire-related functions principal business units, divisions or functions of the public utility. For the purposes of compliance with section 8389(e)(6)(A), executive officers are presumed to have a compensation contract under California law.

Instructions: In Table 5.1, for each executive officer with a new or amended contract, provide the executive title and function, the executive name (if the executive is classified as an Officer of the Company per the Company’s website), the target percentage of Base Salary, Short-Term Incentives (STIP), Long-Term Incentives (LTIP), and Indirect and Ancillary Compensation as a proportion of Total Compensation (TC) for the appropriate 2023 filing year. See the definition of the proceeding terms in **Attachment 2**.

For purposes of calculating the percentage of TC, use the grant value of the compensation as determined for accounting purposes. Grant value is the value that is disclosed in proxy statement summary compensation tables for executive officers who are proxy officers. Percentages must be specified for each executive officer and not a range for various position levels.

Section 6: Indirect or Ancillary Compensation

Rationale: Public Utilities Code section 8389(e)(6)(A)(iv) requires for the issuance of Safety Certification, that “the electrical corporation has established a compensation structure for any new or amended contracts for executive officers” that meets several principles, including “minimization or elimination of indirect or ancillary compensation that is not aligned with shareholder and taxpayer interest in the electrical corporation.” To ensure that the compensation structure for new or amended contracts for executive officers is based on this principle of minimization of indirect or ancillary compensation, Energy Safety must understand what indirect or ancillary compensation are given to executive officers with new or amended contracts.

Section 6a: Indirect and Ancillary Compensation (not including Supplemental Executive Retirement Plans (SERPs))

Instructions: Provide a list of all ~~non-SERP~~ indirect and ancillary compensation (excluding SERP) provided to executive officers with new or amended contracts. See **Attachment 2** for the definition of and a list of typical indirect or ancillary compensation. If the electrical corporation provides indirect or ancillary compensation, provide the current estimated proportion of TC for each executive officer. For purposes of calculating the percentage of TC, use the grant value of the compensation as determined for accounting purposes. Grant value is the value that is disclosed in proxy statement summary compensation tables for executive officers who are proxy officers. Percentages must be specified for each executive officer and not a range for various position levels. Add rows as necessary. Add explanatory notes as appropriate.

Table 6.1
Indirect or Ancillary Compensation Example ~~non-SERP~~ (Excluding SERP)

Title	Indirect or Ancillary Compensation Element	Eligibility Requirements	Frequency (One-Time, Annual, Other)	Current Estimated Proportion of TC
Example				
CEO	Relocation Costs	On an exception basis, SVP and above, driven	One-time	0%

Title	Indirect or Ancillary Compensation Element	Eligibility Requirements	Frequency (One-Time, Annual, Other)	Current Estimated Proportion of TC
		by market conditions		
CEO	Home security	All executive officers	One-time installation cost, annual monitoring cost	<1% annual
CEO	Additional security detail	CEO only	Annual	2%
CEO	Gym membership	SVP and above	Annual	<1%
CEO	Financial Planning Assistance	C-suite	Annual allowance	<1%
CEO	Supplemental Executive Retirement Plan (SERP)	CEO, CFO, CIO	Annual contributions	10%
CFO	Relocation Costs	On an exception basis, SVP and above, driven by market conditions	One-time	0%
CFO	Home security	All executive officers	One-time installation cost, annual monitoring cost	<1% annual
CFO	Gym membership	SVP and above	Annual	<1%
CFO	Financial Planning Assistance	C-suite	Annual allowance	<1%
CFO	Supplemental Executive	CEO, CFO, CIO	Annual contributions	8%

Title	Indirect or Ancillary Compensation Element	Eligibility Requirements	Frequency (One-Time, Annual, Other)	Current Estimated Proportion of TC
	Retirement Plan (SERP)			
Electrical Corporation Actual Data				

Section 6b: Supplemental Executive Retirement Plans (SERPs)

Instructions: Provide details of the SERP for all executive officers as defined in Public Utilities Code Section 451.5(c) and Attachment 2.

i) Availability of Supplemental Retirement Plans

Does the electrical corporation have supplemental retirement plans for non-Executive Officers? Check one:

Yes: No:

If Yes, describe the eligibility requirements for the plan(s):

ii) Structure of Supplemental Retirement Plans

If supplemental retirement plans are available, describe:

- The eligibility requirements for participation in the plan(s).
- The award basis for plan(s) (e.g., years of service, company stock performance over the period of service, etc.).
- The type of payment made (e.g., cash, stock, combination of cash and stock).

Section 7: Long-Term Incentive Program (LTIP)

Rationale: Public Utilities Code section 8389(e)(6)(A)(iii) requires as an element of issuance of a Safety Certification, that “the electrical corporation has established a compensation structure for any new or amended contracts for executive officers” that meets several principles, including “a long-term structure that provides a significant portion of compensation, which may take the form of grants of the electrical corporation’s stock, based on the electrical corporation’s long-term performance and value. This compensation shall be held or deferred for a period of at least three years.”

To ensure that the executive compensation structure for electrical corporation executive officers is structured to provide a significant proportion of the compensation based on the electrical corporations long-term performance and value, held or deferred for a period of at least three years, as well as to promote safety as a priority and ensure public safety and utility financial stability, Energy Safety must have an in-depth understanding of the long-term compensation components of an executive compensation structure.

Instructions: The LTIP includes all performance-based compensation awarded on a performance term of three or more years. If the electrical corporation uses more than one long-term incentive mechanism, repeat this information for each mechanism (e.g., Three-year, Four-Year).

Section 7a: LTIP Structure

Instructions: Provide name, title/function, grant date, vesting schedule and estimated award percentage of TC for each executive officer with any new or amended contract that receives or is expected to receive direct compensation under a LTIP for the applicable years. For purposes of calculating the grant value as a percentage of TC, use the grant value of the compensation as determined for accounting purposes. Grant value is the value that is disclosed in proxy statement summary compensation tables for executive officers who are proxy officers. For purposes of calculating Earned Value as a percentage of TC, use the value at the date of vesting. Percentages must be specified for each executive officer and not a range for various position levels. Provide a table for each executive officer. Make copies of Table 7a.1 as necessary.

Table 7a.1
2022 and 2023 LTIP Grants

Executive Title/ Function and Name:						
LTIP Type	<u>2022 PY</u> Grant Date <u>(1)</u>	<u>2022 PY</u> Vesting Schedule	<u>2022 PY</u> Grant Date Fair Value as a % of TC	<u>2023 PY</u> Anticipated Grant Date	<u>2023 PY</u> Vesting Schedule	<u>2023 PY</u> Target Value as a % of TC
Stock Grant						
Stock Option						
Restricted Stock Unit (RSU)						
Performance Share Unit (PSU)/ Performance Restricted Stock Unit (PRSU)						
Cash Performance Payment						
Other						

(1) Performance Year (PY)

If “Other” LTIP Type indicated, provide an explanation:

i) Is any LTIP compensation not at risk?

Yes: No:

If Yes, describe and explain what LTIP compensation is not at risk:

ii) Were the 2022 LTIP payouts determined based on a performance range (i.e., below minimum/threshold, minimum/threshold, target, maximum)? Check one:

Yes: No:

iii) Did the electrical corporation use one range for all 2022 LTIP metrics or differing ranges based on the category of metric)? Check one:

One range for all metrics: Multiple ranges:

iv) Provide the 2022 LTIP metric range(s):

*Table 7a.2
2022 LTIP Performance Range(s)*

	Below Minimum	Minimum	Target	Maximum
Example				
System Hardening Effectiveness	0%	50%	100%	200%
Vegetation Management Effectiveness	0%	50%	100%	200%
All Other LTIP Metrics	0%	25%	100%	150%
Electrical Corporation Actual Data				

Describe the interpolation method between categories (e.g., straight line):

v) Provide the 2023 LTIP metric range(s):

*Table 7a.3
2023 LTIP Performance Range(s)*

	Below Minimum	Minimum	Target	Maximum
Example				
All LTIP Metrics	0%	25%	100%	150%
Electrical Corporation Actual Data				

Describe the interpolation method between categories (e.g., straight line):

vi) Use of Any Performance Triggers

Does the electrical corporation's 2023 LTIP use any performance triggers (e.g., must achieve annual earnings per share of at least XYZ before any LTIP payments are made)?

Check one:

Yes: No:

If "Yes," describe any performance triggers:

vii) Use of Any Automatic, Non-Discretionary Deductions

Does the electrical corporation's 2023 LTIP have any automatic, non-discretionary deductions (e.g., failure to achieve WMP targets results in X% reduction, catastrophic wildfire results in zeroing out all safety metrics)? Check one:

Yes: No:

If "Yes," describe all automatic, non-discretionary deductions:

Section 7c: LTIP Measures, Weighting and Vesting

Instructions: For each LTIP Type, indicate vesting period and type. If basis of award differs amongst position or person, copy Table 7c.1 and Table 7c.2 as necessary and indicate who the table applies to in space provided at the top of the table. Add additional tables if LTIP varies for certain officer classifications.

*Table 7c.1
2022 LTIP Measures Vesting*

Executive Title/ Function and Name: All Executive Officers	
LTIP Type	Vesting Period and Type
Example:	
Stock Grant	
Stock Option	Five-year cliff vesting
RSU	
PSU/ PRSU	Three years Y1 – 20% Y2 – 30% Y3 – 50%
Cash	
Weighting Total:	
Stock Grant	
Stock Option	
RSU	
PSU/ PRSU	
Cash	
Other	
Weighting Total:	

Table 7c.2
2023 LTIP Measures Vesting

Executive Title/ Function and Name:	
LTI Type	Vesting Period and Type
Stock Grant	
Stock Option	
RSU	
PSU/ PRSU	
Cash	
Other	
Weighting Total:	

Section 8: ACR 9 Executive Compensation Proposal 9:

As per D. 20-05-053, the Commission has obligated PG&E to comply with the requirements of the ACR Executive Compensation Proposal 9. PG&E must note in its submission how it is addressing the various additional requirements.

Other electrical corporations are encouraged, but not required, to review and consider adopting measures from the ACR Executive Compensation Proposal 9 in the spirit of transparency and furthering the purpose of AB 1054

Section 8: ACR Executive Compensation Proposal Alignment

Instructions: PG&E must demonstrate how it complies with the additional requirements set forth in ACR 9. Other electrical corporations may indicate areas where its executive compensation structure is aligned with the elements of ACR 9. For each element of ACR 9, indicate whether the electrical corporation's executive compensation structure is consistent with ACR 9 and explain how.

1. Publicly disclosed compensation arrangements for executives.

2. Written compensation agreements for executives.

3. Guaranteed cash compensation as a percentage of total compensation that does not exceed industry norms.

4. Holding or deferring the majority or super-majority of incentive compensation, in form of equity awards, for at least 3 years.

- 5. Basing a significant component of long-term incentive compensation on safety performance, as measured by a relevant subset of by the Safety and Operational Metrics to be developed, as well as customer satisfaction, engagement, and welfare. The remaining portion may be based on financial performance or other considerations.

- 6. Annual review of awards by an independent consultant.

- 7. Annual reporting of awards to the CPUC through a Tier 1 advice letter compliance filing.

- 8. A presumption that a material portion of executive incentive compensation shall be withheld if the PG&E is the ignition source of a catastrophic wildfire, unless the Commission determines that it would be inappropriate based on the conduct of the utility.

- 9. Executive officer compensation policies will include provisions that allow for restrictions, limitations, and cancellations of severance payments in the event of any felony criminal conviction related to public health and safety or financial misconduct by the reorganized PG&E, for executive officers serving at the time of the underlying conduct that led to the conviction. Implementation of this policy should take into account PG&E's need to attract and retain highly qualified executive officers.



ATTACHMENT 2: TERMS, ACRONYMS & DEFINITIONS

Terms, Acronyms and Definitions

Term	Definition for Executive Compensation Filing Purposes
Amended Contract	Any compensation contract whose terms and conditions have been changed after the initial contract terms were established. Any modification in compensation terms and conditions, including modifications to Short-Term and/or Long-Term Incentive Program structures, is an amendment to a contract. Continuing employment under those modified terms and conditions implies an employee's acceptance of the modified terms and conditions. For the purposes of compliance with section 8389(e)(6)(A), executive officers are presumed to have a compensation contract under California law.
Base Salary	Base Salary includes all regular, non-incentive-based cash or equity compensation paid to an individual. Base Salary can include cash and equity compensation based on longer than weekly, bi-weekly or monthly terms if the award of that compensation is not incentive based (see Incentive-Based Compensation). Benefits unique to executives are indirect or ancillary compensation.
Benefit Programs	Provide financial security in the case of death, disability, sickness, or retirement. They include statutory benefits such as Social Security, Medicare, Workers Compensation, and Unemployment Insurance. Executives also participate in other company benefits such as vacation, holidays, sick days, severance pay, life insurance, and medical insurance.
Cliff Vesting	Cliff vesting is when an employee becomes fully vested on a specified date rather than becoming partially vested in increasing amounts over an extended period.
Earned Value	Value at the date of vesting.
Earnings Targets or Earnings Thresholds	An amount of corporate earnings (typically measured as earning per share) that must be achieved before some, or all, of an element of incentive compensation is paid out.
Executive Officer	Executive officer means any person who performs policy making functions and is employed by the public utility subject to the approval of the board of directors, and includes the president, secretary, treasurer, and any vice president in charge of a principal business unit, division, or function of the

Term	Definition for Executive Compensation Filing Purposes
	public utility. (Public Utilities Code section 451.5(c)) Energy Safety considers divisions or units responsible for electric operations, gas operations or wildfire-related functions principal business units, divisions or functions of the public utility. For the exact code language see Attachment 4.
Foundational Goal	A goal or collection of goals, that if not met, can result in a deduction to the amount of the STIP award. This failure is separate from any deductions due to a failure to meet a required performance trigger. Effectively, foundational goals operationalize the normal discretion afforded a Compensation Committee. As used by SCE, targets associated with these goals are unspecified and there is no specific trigger.
Graded Vesting	Graded vesting is a type of vesting in which employees receive a certain percentage of vesting after each year of service. The percentage increases a certain amount each year. For example, many companies use a five-year schedule in which the employee receives 20 percent each year.
Grant Value	Value determined using the same methodology used to determine grant value for that form of compensation for the electrical corporation's officers whose compensation is disclosed in a proxy statement. If none of the electrical corporation's officers have compensation disclosed in a proxy statement, then the grant value would be determined using the methodology that would apply if Item 402(c) of Regulation S-K applied to the disclosure of the compensation for the electrical corporation's executive officers.
Incentive-Based Compensation	Compensation awarded based on meeting performance metrics that are measurable and enforceable.
Indirect or Ancillary Compensation	Indirect or ancillary compensation are special entitlement programs made available to all executives or a select group of executives. Indirect or ancillary compensation can include but are not limited to supplemental insurance, health club, country club or other memberships, company cars, drivers to and from work, first class travel, the use of company airplanes for personal travel, financial planning services, security services, coverage of relocation costs, home purchase/sale assistance, supplemental disability and life insurance, and supplemental retirement <u>pension</u> benefits.

Term	Definition for Executive Compensation Filing Purposes
Long-Term Incentive Program	The Long-Term Incentive Program (LTIP) includes all incentive-based compensation held or delayed for three or more years. To determine whether compensation is “delayed three or more years” subtract the calendar year of grant from the calendar year of payment.
Majority	Greater than 50 percent.
Named Executive Officers (NEOs)	As defined by the Securities and Exchange Commission.
New Contract	A new contract is any compensation contract or agreement entered into after January 1, 2023. For the purposes of compliance with section 8389(e)(6)(A), executive officers are presumed to have a compensation contract under California law.
Performance Share Unit (PSU)	Performance shares, as a form of stock compensation, are allocations of company stock given to managers and executives granted only if certain company-wide performance criteria are met.
Performance Trigger	A goal that must be met for there to be any payout of a short-term incentive category or the entire short-term incentive. It is not a deduction or discretionary.
Performance-Based Restricted Share Unit (PRSU)	See definition of Performance Share Unit.
Restricted Share Unit or Restricted Stock Unit (RSU)	RSUs are a form of stock-based employee compensation. An employee is granted a certain number of shares which they will receive in the future. RSUs are restricted during a vesting period (typically 3-5 years), during which time they cannot be sold. Upon vesting, they are just like any other shares of company stock. Unlike stock options, RSUs will always have some value based on the underlying shares. The entire value of vested RSUs must be included as ordinary income in the year of vesting for tax purposes.
Short-Term Incentive Program	The Short-Term Incentive Program (STIP) includes all incentive-based compensation awarded on a performance term of less than three years.

Term	Definition for Executive Compensation Filing Purposes
Stock Grant	The award of shares of stock in a company
Stock Option	The option to purchase stock in a company at a set price at a future date in time
Supplemental Executive Retirement Plan (SERP)	A nonqualified retirement plan for key company employees, such as executives, that provides benefits above and beyond those covered in other retirement plans. There are two general types of SERPs: Unfunded and funded. For an unfunded SERP, the employer contractually promises to pay certain compensation-related benefits at a date in the future. However, that contractual agreement or promise is not secured. An unfunded plan is subject to creditor claims. For a funded SERP, the company puts the assets in a trust account. A funded plan is generally not subject to creditor claims.
Supra-Majority	Over two-thirds.
Total Compensation (TC)	The sum of: Base Salary + Short-Term Incentive Program compensation + Long-Term Incentive Program compensation + Indirect and Ancillary compensation.
Total Direct Compensation (TDC)	The sum of: Base Salary + Short-Term Incentive Program (STIP) compensation + Long-Term Incentive Program (LTIP) compensation.
Total Incentive Compensation (TIC)	The sum of: Short-Term Incentive Program (STIP) compensation + Long-Term Incentive Program (LTIP) compensation.



ATTACHMENT 3: METRIC CATEGORIES AND SUBCATEGORIES

Metric Categories and Subcategories

Standardized categorization of metrics allows for a more uniform analysis and cross-comparison of executive compensation structures among electrical corporations and the changes in metrics and executive compensation structures over time. Standardized metric categorization will not inhibit staff analysis that recognize the nuances of metrics that may have cross-category impacts. Electrical corporations submitting requests for approval of 2023 executive compensation structures should categorize metrics in accordance with the following guidelines:

Categories

Metrics should be assigned to the following categories:

- Wildfire Safety
- Other Safety
- Security (infrastructure, cyber, etc.)
- Customer Service (including reliability)
- Environmental, Social, Governance (ESG)
- Diversity, Equity, and Inclusion (DEI)
- Other Operational/Improvement
- Financial

Safety Metric Subcategories

Safety metrics should be classified and reported in the following subcategories:

- Wildfire Mitigation Metrics, Performance/Goal Achievement, and Compliance/Adherence
- Emergency Response
- Public Safety – Other Electric¹¹
- Public Safety – Gas¹²
- Public Safety – Generation¹³

¹¹ Not including emergency response (either internal or external)

¹² Not including emergency response (either internal or external)

¹³ Not including emergency response (either internal or external)

- Workforce Safety (employee and contractor)

Categorization Guidelines

Use the following guidelines when categorizing metrics. This list is not meant to be exhaustive. The intent of the guidelines should be considered when categorizing other metrics not specified in this list.

- Achievement of any capital expenditure targets (regardless of type) should be classified as financial.
- System Average Interruption Duration Index (SAIDI), System Average Interruption Frequency Index (SAIFI), Customer Average Interruption Duration Index (CAIDI) and Customers Experiencing Multiple Interruptions (CEMI) should be classified as Customer Service (Reliability).



ATTACHMENT 4: STATUTORY AUTHORITIES & REGULATORY GUIDANCE

Relevant Code Sections and Past Regulatory Guidance

Public Utilities Code Section 8389(e)(4) and (6)(A,B)

(e) The executive director of the commission shall issue a safety certification to an electrical corporation if the electrical corporation provides documentation of the following:

(4) The electrical corporation has established an executive incentive compensation structure approved by the division and structured to promote safety as a priority and to ensure public safety and utility financial stability with performance metrics, including incentive compensation based on meeting performance metrics that are measurable and enforceable, for all executive officers, as defined in Section 451.5. This may include tying 100 percent of incentive compensation to safety performance and denying all incentive compensation in the event the electrical corporation causes a catastrophic wildfire that results in one or more fatalities.

(6)

(A) The electrical corporation has established a compensation structure for any new or amended contracts for executive officers, as defined in Section 451.5, that is based on the following principles:

(i) (I) Strict limits on guaranteed cash compensation, with the primary portion of the executive officers' compensation based on achievement of objective performance metrics.

(II) No guaranteed monetary incentives in the compensation structure.

(ii) It satisfies the compensation principles identified in paragraph (4).

(iii) A long-term structure that provides a significant portion of compensation, which may take the form of grants of the electrical corporation's stock, based on the electrical corporation's long-term performance and value. This compensation shall be held or deferred for a period of at least three years.

(iv) Minimization or elimination of indirect or ancillary compensation that is not aligned with shareholder and taxpayer interest in the electrical corporation.

(B) The division shall approve the compensation structure of an electrical corporation if it determines the structure meets the principles set forth in subparagraph (A) and paragraph (4).

(Amended by Stats. 2021, Ch. 115, Sec. 82. (AB 148) Effective July 22, 2021.)

Public Utilities Code Section 451.5(c)

For purposes of this section, “executive officer” means any person who performs policy making functions and is employed by the public utility subject to the approval of the board of directors, and includes the president, secretary, treasurer, and any vice president in charge of a principal business unit, division, or function of the public utility.

Decision 20-05-053 Assigned Commissioner Ruling (ACR 9)

On February 18, 2020, the Commission issued Decision (D.) 20-05-053 (the PG&E bankruptcy decision) that, among many other actions, minimally and conditionally approved PG&E’s 2020 executive compensation program, and adopted Proposal 9 of the Assigned Commissioner Ruling (ACR) to inform future PG&E executive compensation submissions, which included the following nine additional requirements for PG&E.

1. Publicly disclosed compensation arrangements for executives.
2. Written compensation agreements for executives.
3. Guaranteed cash compensation as a percentage of total compensation that does not exceed industry norms.
4. Holding or deferring the majority or super-majority of incentive compensation, in form of equity awards, for at least 3 years.
5. Basing a significant component of long-term incentive compensation on safety performance, as measured by a relevant subset of by the Safety and Operational Metrics to be developed, as well as customer satisfaction, engagement, and welfare. The remaining portion may be based on financial performance or other considerations.
6. Annual review of awards by an independent consultant.
7. Annual reporting of awards to the CPUC through a Tier 1 advice letter compliance filing.
8. A presumption that a material portion of executive incentive compensation shall be withheld if the PG&E is the ignition source of a catastrophic wildfire, unless the

Commission determines that it would be inappropriate based on the conduct of the utility.

9. Executive officer compensation policies will include provisions that allow for restrictions, limitations, and cancellations of severance payments in the event of any felony criminal conviction related to public health and safety or financial misconduct by the reorganized PG&E, for executive officers serving at the time of the underlying conduct that led to the conviction. Implementation of this policy should take into account PG&E's need to attract and retain highly qualified executive officers.