Pacific Gas and Electric Company

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January 15, 2021

Ms. Caroline Thomas Jacobs
Director, Wildfire Safety Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Re: Pacific Gas and Electric Company's Executive Compensation Approval Request Pursuant to Public Utilities Code § 8389(e)(4) and (e)(6)

Dear Ms. Thomas Jacobs:

Pacific Gas and Electric Company ("PG&E" or the "Utility") submits the following information pursuant to the Wildfire Safety Division's ("WSD") December 22, 2020 Guidance on Submission of Executive Compensation Approval Requests by Electrical Corporations ("December 22, 2020 Guidance"). PG&E respectfully requests WSD approval of PG&E's 2021 executive compensation structure described below pursuant to Public Utilities Code § 8389(e).

Introduction

On June 1, 2020, the California Public Utilities Commission (the "Commission") issued its Decision Approving Reorganization Plan of PG&E and its parent company PG&E Corporation ("D.20-05-053" or the "Decision"). The Commission found, among other things, that "PG&E's executive compensation plan minimally and conditionally satisfies the requirements of [Assembly Bill ('AB') 1054], subject to further proceedings before this Commission" and subject to compliance with certain additional requirements imposed by the Decision.[1] Since the Commission issued its Decision, PG&E has implemented all of those additional requirements (to the extent PG&E had not already done so). On January 14, 2021, WSD issued a 2020 safety certification to PG&E, reiterating that PG&E's 2020 executive compensation structure "satisfied the conditions of §8389(e)(4) and 8389(e)(6)."[2]

PG&E's 2021 executive compensation structure, described below, continues to promote public and workforce safety, customer welfare, financial stability, and the recruiting and retention of talented executives. PG&E believes that its 2021 structure continues to comply with AB 1054, and complies with all the additional requirements of the Decision. PG&E notes that final approval of the 2021 structure from the Compensation Committee of PG&E Corporation's Board of Directors is not expected until February 2021, and, accordingly, changes to the

[1] D.20-05-053 at 91; *see also id.* at 108-09 (Finding of Fact 8 and Conclusion of Law 2).

[2] Jan. 14, 2021 Ltr. from WSD to PG&E at 9.

structure described below are possible. In the event of any material changes in connection with such approval, PG&E will supplement this submission.

PG&E's Executive Compensation Process and 2021 Structure

PG&E develops its executive compensation structure through a lengthy iterative process. Briefly, PG&E's executive compensation professionals develop recommended program features, such as the overall mix of compensation (*e.g.*, base salaries versus performance-based compensation, and within performance-based, different types of awards such as cash incentive payments and performance shares). PG&E's executive compensation professionals work with senior leaders and PG&E's operating units to develop the applicable categories of performance metrics, relative weightings of the metrics in calculating awards, how achievement of the metrics will be evaluated and measured, and so forth.

The PG&E Corporation Compensation Committee also is involved in both developing and approving the metrics. The Committee currently is comprised of independent directors Mark E. Ferguson III (the Chair), Jessica L. Denecour, Robert C. Flexon, and Dara J. Treseder. The Committee works closely with PG&E's senior management and internal executive compensation professionals through an iterative process to formulate the executive compensation structure that will apply in a given year. The Committee also retains an independent consultant. As of January 1, 2021, the Committee has retained Meridian Compensation Partners, LLC, which specializes in providing boards, compensation committees, and senior management with an array of executive compensation advisory services, including compensation program design, research, and competitive market intelligence on executive pay and governance matters. Previously, the Committee retained Pay Governance, LLC.

In 2020, PG&E and PG&E Corporation substantially revamped the design of the Short-Term Incentive Plan ("STIP") and the awards provided under the PG&E Corporation Long-Term Incentive Plan ("LTIP") to promote outcomes that not only would meet AB 1054's requirements for PG&E's executive officers,[3] but would chart a new compensation design path for the industry. PG&E and PG&E Corporation revised the STIP and LTIP design to consist largely of outcome-based, objectively measurable, risk reduction measures that promote customer and workforce welfare (especially public and employee safety) and financial stability. Further, PG&E and PG&E Corporation revised the STIP and LTIP design to use metrics that are informed by the risk drivers associated with PG&E's top risks as identified through its Enterprise

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[3] AB 1054's executive compensation requirements apply only to a utility's "executive officers, as defined in Section 451.5." Pub. Util. Code § 8389(e)(4). The definition of "officers" applied by PG&E is based in part on a functional analysis of individual duties, which may change over time. The 2021 executive compensation structure described herein will apply to all of PG&E's officers who qualify as "executive officers" under 17 C.F.R. 240.3b-7 (plus two officers listed in § 451.5 who are not listed in § 240.3b-7, namely, the Secretary and Treasurer). *Compare* Pub. Util. Code § 451.5 (definition of "executive officer") *with* 17 C.F.R. 240.3b-7 (substantively identical definition, albeit without specifying the secretary and treasurer); *see also* CPUC Resolution E-4963 at 8 (Dec. 13, 2018) (construing the term "officer" in Public Utilities Code § 706 to mean the officers encompassed by 17 C.F.R. 240.3b-7). Compensation arrangements for other officers of PG&E, or for individuals who are officers of only PG&E Corporation, are not described herein.

and Operational Risk Management ("EORM") program—a quantitative-based risk-reduction program that incorporates learning from the Commission's Safety Model Assessment Proceeding and Risk Assessment Mitigation Phase Proceeding. To PG&E's knowledge, this approach to executive compensation was unique in the industry.

Since the Commission approved PG&E's 2020 executive compensation structure in D.20-05-053, PG&E has continued to refine the structure to more robustly promote public and workforce safety, customer welfare, financial stability, and the recruiting and retention of talented executives. The following describes the three components of the structure that will apply in 2021, subject to Compensation Committee approval: (i) foundational compensation; (ii) short-term incentive compensation under the STIP; and (iii) long-term incentive compensation under the LTIP.

1. Foundational Compensation

Foundational compensation for PG&E's executives in 2021 will consist of base salaries plus a handful of standard items such as health insurance benefits. Certain limited corporate perquisites such as parking and health club memberships, as described in PG&E's and PG&E Corporation's annual joint proxy statements, also are provided. Such perquisites are typical in the industry, and align with shareholder and other stakeholder interests by serving a recruiting and retention purpose.

Foundational compensation for 2021 is expected to comprise, on average, only about 41.59% of overall executive compensation at target incentive compensation levels (ranging from 37% to 49% depending on the individual).[4] Thus, a significant majority of overall compensation for PG&E's executives will be at-risk compensation awardable through the STIP and the LTIP.

2. PG&E's 2021 Short-Term Incentive Plan

The annual STIP for 2021 will promote PG&E's business objectives—especially customer and workforce welfare and safety—by promoting positive outcomes in line with those objectives, and making corresponding cash payments, on an annual basis. STIP awards in 2021 are expected to comprise, on average, about 18.22% of overall executive compensation at target levels (ranging from 15% to 22% depending on the individual).

The 2021 STIP will use three tiers of performance milestones—target, maximum, and threshold—which will apply in the following ways:[5]

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[4] Some executive positions are vacant at this time, and PG&E needs flexibility in negotiating appropriate compensation packages in order to recruit top talent. Additionally, PG&E at times requires flexibility in negotiating retention arrangements with existing executives. Accordingly, the foregoing percentages and the percentages associated with incentive compensation discussed below are subject to change.

[5] The 2021 milestones for both the STIP and the LTIP are still under development, in part because setting appropriate milestones typically requires evaluating performance results from the prior performance period (which only recently ended on December 31, 2020).

- Achieving "target" performance on a particular metric will result in a cash payout associated with that metric at a designated target level (subject to potential modification as discussed below).

- Achieving or exceeding "maximum" performance will result in a payout associated with that metric at 150% of target (again subject to potential modification as discussed below).

- Achieving "threshold" performance will result in a payout associated with that metric at only 50% of target (again subject to potential modification as discussed below).

- Failure to achieve "threshold" performance will result in no payout associated with that metric.

- Results between threshold and target, or between target and maximum, will be interpolated on a linear basis.

The performance metrics for 2021 will be weighted 75% to Customer and Workforce Welfare, and within that category, predominantly public and workforce safety. The remainder of the 2021 STIP will be weighted to Financial Stability (which depends in significant part on strong safety performance). The metrics will be predominantly outcome-based as opposed to activity- or effort-based. The following chart summarizes these features:

Category	Metric	Outcome-Based
Customer and Workforce Welfare (prioritizing public and workforce safety) **75%**	**Electric Operations (20%)** • Reportable Fire Ignitions (15%) • Wires Down Events Due to Equipment Failure (5%)	Y Y
	Gas Operations (10%) • Large Overpressure Events (5%) • Gas Dig-Ins Reduction (5%)	Y Y
	Generation (10%) • Safe Dam Operating Capacity (5%) • DCPP Reliability and Safety Indicator (5%)	Y Y
	Workforce Safety (20%) • Days Away, Restricted and Transferred Rate (5%) • Serious Injuries Actuals (5%) • Serious Injuries and Fatalities Investigation Timeliness (5%) • Serious Injuries and Fatalities Corrective Action Timeliness (5%)	Y Y

	Operational Performance and Reliability (15%) • Gas Customer Response (3.34%) • 911 Emergency Response (3.33%) • Customers Experiencing Multiple Interruptions (3.33%) • Average Speed of Answer for Emergencies (5%)	Y
Financial Stability **25%**	**Non-GAAP Core Earnings Per Share (25%)**	Y

The following provides further information about the 2021 metrics, and the charts included in Exhibit A hereto provide additional detail:

Reportable Fire Ignitions: This public safety-related metric closely resembles the metric by the same name that was included in the 2020 STIP that was part of the executive compensation structure approved in D.20-05-053. The metric is designed to measure the results of PG&E's mitigation of wildfire risk, one of PG&E's key enterprise risks as identified through its EORM program (discussed above). The metric measures power line-involved incidents that are annually reportable to the Commission pursuant to D.14-02-015 and that are within PG&E's High Fire Threat Districts. Specifically, the metric measures reportable fire incidents where (i) ignition is associated with PG&E's transmission and/or distribution power lines; (ii) something other than PG&E facilities burned; and (iii) the fire traveled more than one meter from the ignition point. The metric measures outcomes, not efforts. The 2021 metric improves upon the 2020 Reportable Fire Ignitions metric (which was based on a simple count of ignitions) by using a weighted index approach that gives greater weight to ignitions caused by conditions over which PG&E has greater potential control (*e.g.*, ignitions arising from equipment failure). The metric's achievement milestones can be reviewed against data from several prior years and benchmarked against data reported to the Commission by the other California utilities.

Wires Down Events Due to Equipment Failure: This public safety-related metric is designed to measure the results of PG&E's mitigation of wildfire and other public safety risks through various means including system hardening and efforts to address potential declining system reliability performance. The metric measures instances in which a normally energized electric primary distribution or transmission conductor experiences a component or asset failure (*e.g.*, pole or splice) that results in a conductor falling from its intended position and coming to rest on the ground or on a foreign object (*e.g.*, a vehicle or tree). The metric strongly correlates with risks in the Electric Operations line of business, including wildfire risk. The metric measures outcomes, not efforts. The metric's achievement milestones can be reviewed against PG&E's historical operating data.

Large Overpressure Events: This public safety-related metric was included in the 2020 STIP that was part of the executive compensation structure approved by the Commission in D.20-05-053. It is designed to measure the results of PG&E's mitigation of the risk of a loss of gas containment, various types of which are among PG&E's key enterprise risks as identified through its EORM program. The metric tracks the number of large overpressure events (which occur when gas pressure exceeds the maximum allowable operating pressure) leading to loss of containment, damages to facilities, and/or reduced pipeline capacity or availability. The metric measures outcomes, not efforts. The metric's achievement milestones can be reviewed against PG&E's historical operating data.

Gas Dig-Ins Reduction: This public safety-related metric was included in the 2020 STIP that was part of the executive compensation structure approved by the Commission in D.20-05-053. It is designed to measure the results of PG&E's mitigation of the risk of a loss of containment from its underground gas transmission and distribution facilities. PG&E participates in a one-call "811" public service program administered by Underground Service Alert ("USA"). PG&E receives "tickets" from USA notifying PG&E of activities that could damage PG&E's underground pipelines. The metric tracks the number of gas dig-ins per 1000 USA tickets received for gas operations (subject to certain exclusions). The metric measures outcomes, not efforts. The metric's achievement milestones can be reviewed against PG&E's historical data and benchmarked against American Gas Association data.

Safe Dam Operating Capacity: This public safety-related metric was included in the 2020 STIP that was part of the executive compensation structure approved by the Commission in D.20-05-053. It is designed to measure the results of PG&E's mitigation of the risk of a large uncontrolled water release, which is one of PG&E's key enterprise risks as identified through its EORM program. The metric measures the operating capacity of the mechanical equipment that is used as the main control to reduce the risk of such a release. The metric measures outcomes, not efforts. The metric's achievement milestones can be reviewed against historical operating data.

DCPP Reliability and Safety Indicator: This public safety-related metric was included in the 2020 STIP that was part of the executive compensation structure approved by the Commission in D.20-05-053. It is designed to measure the results of PG&E's reduction of the risk of a nuclear core damaging event with the potential for a radiological release at the Diablo Canyon Power Plant, which is one of PG&E's key enterprise risks as identified through its EORM program. The metric represents a composite of 11 performance indicators for nuclear power generation developed by the nuclear industry and applied to all U.S. nuclear power plants. The metric measures outcomes, not efforts. Its achievement milestones can be benchmarked against others in the industry.

Days Away, Restricted, and Transferred Rate: This workforce safety-related metric was included in the 2020 STIP that was part of the executive compensation structure approved by the Commission in D.20-05-053. It is designed to measure the results of PG&E's reduction of the risk of workforce injuries, and to promote improved performance in this key area. It measures the number of Occupational Safety and Health Administration ("OSHA") recordable cases (excluding fatalities) in the current year that resulted in at least one lost workday or one day of job restriction or transfer, for employees who meet OSHA's recordkeeping requirements. The metric measures outcomes, not efforts. Its achievement milestones can be benchmarked against data from other utilities.

Serious Injuries Actuals: This workforce safety-related metric also is designed to measure the results of PG&E's reduction of the risk of workforce injuries, and to promote improved performance in this area. It measures the number of (i) life threating injuries or illnesses, which if not addressed could lead to a fatality or work-related injury or illness that required immediate life-preserving rescue action, and if not applied immediately would likely have resulted in the death of that person; and (ii) life altering injuries or illnesses, *i.e.*, one that results in the loss or permanent impairment of a limb, organ, or body function. The metric encompasses both employees and contractor personnel. It measures outcomes, not efforts. The metric does not encompass or include targets for a reduction in fatalities, because PG&E regards *any* fault-based worker fatality as unacceptable. As noted below, the PG&E Corporation Compensation Committee in the past has reduced STIP scores on account of an employee fatality, and would intend to give serious consideration to doing so again in the event of another fatality.

<u>Serious Injuries and Fatalities Investigation Timeliness</u>: This workforce safety-related metric is designed to promote expeditious investigation of Serious Injury or Fatality ("SIF") events, whether actual or potential (*i.e.*, "near hits"). The metric measures the number of SIF-actual and SIF-potential investigations completed within 30 days of classification of an incident as a SIF. The metric supports prompt institutional learning regarding workforce safety, and prompt corrective actions.

<u>Serious Injuries and Fatalities Corrective Action Timeliness</u>: This workforce safety-related metric is designed to promote prompt correction of the conditions that led to a SIF-actual or SIF-potential event, so as directly to increase worker safety going forward. When a SIF event occurs, a corrective action plan is created and approved, with a deadline set by the applicable line of business Corrective Action Review Board based on, among other relevant factors, the nature of the incident and the remediation steps required. The metric measures the percentage of designated corrective actions that are completed by the designated deadlines.

<u>Gas Customer Response</u>: This metric was included in the 2020 STIP that was part of the executive compensation structure approved by the Commission in D.20-05-053. It is designed to measure the results of PG&E's mitigation of public safety risks and its efforts to increase reliability of service, by promoting prompt responses to customer calls or notifications reporting a gas odor or gas emergency. It measures the number of minutes from the time PG&E is notified to the time PG&E personnel or another qualified first responder arrives onsite to the location (subject to certain exclusions, such as multiple calls for the same event, or calls relating to a planned gas release). The metric is an industry standard, and achievement milestones can be benchmarked against other utilities.

<u>911 Emergency Response</u>: This public safety-related metric was included in the 2020 STIP that was part of the executive compensation structure approved by the Commission in D.20-05-053. It measures the percentage of time that PG&E personnel arrive onsite within 60 minutes after receiving a 911 call (with onsite defined as arriving at the premises where the 911 agency personnel are waiting). The metric is designed to promote prompt response times so as to accomplish two things: reducing public safety risks associated with a confirmed hazard, and freeing public agency resources to respond to other emergency situations. The metric is an industry standard, and achievement milestones can be benchmarked against other utilities.

<u>Customers Experiencing Multiple Interruptions</u>: This reliability-related metric was included in the 2020 STIP that was part of the executive compensation structure approved by the Commission in D.20-05-053. It is designed to measure the results of PG&E's efforts to promote system reliability. It measures the number of customers who experience five or more sustained

service interruptions, whether planned or unplanned. The metric measures outcomes, not activities. The metric is an industry standard, and external benchmarks are available in connection with setting its achievement milestones.

Average Speed of Answer for Emergencies: This public safety- and customer welfare-related metric is designed to promote prompt handling of emergency calls from customers. When a customer calls PG&E, the customer is prompted to denote whether the call relates to an emergency. If the customer denotes an emergency, the call is transferred into a queue at which point a speed-of-answer measurement begins, and then ends when the call is answered by a representative. The metric measures the average speed of answer in seconds for emergency calls, thereby promoting expeditious handling of such calls.

Non-GAAP Core Earnings Per Share: This metric was included in the 2020 STIP that was part of the executive compensation structure approved by the Commission in D.20-05-053. It promotes financial stability, consistent with AB 1054's imperative that executive compensation be structured not only "to promote safety as a priority and to ensure public safety," but also to "promote . . . utility financial stability."[6] This metric also promotes safety, moreover, in that strong public safety performance is essential to financial stability (as evidenced by PG&E's recent Chapter 11 proceedings and the substantial decline in the price of PG&E Corporation common stock following the 2017 and 2018 wildfires). The metric also promotes customer affordability, in that it aligns with cost efficiency. Metrics tied to financial performance and stability are customary in the industry, and expected by institutional shareholders.[7]

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Certain qualifying principles will overlay payment of 2021 STIP awards as calculated based on achievement of the milestones. There will be an individual modifier for each executive that can result in adjustment of the executive's payout depending on how the executive performs in the executive's individual job. The individual modifier can result in an executive's award being reduced to as low as 75% or increased to as high as 125% of the amount otherwise payable.

Additionally, the PG&E Board and the PG&E Corporation Compensation Committee at all times have discretion to adjust STIP scores (including reducing them to zero) for PG&E executive officers, whether uniformly as a group or differently for different individuals, based on the totality of relevant facts and circumstances. The Board and the Compensation Committee

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[6] Pub. Util. Code § 8389(e)(4).

[7] *See, e.g.*, California Public Employees' Retirement System, *Governance and Sustainability Principles*, at 23 (Sept. 2019) ("Compensation programs should symmetrically align the interests of the companies' executives and employees with the providers of capital, that is, both sides should participate in good and bad times. Incentive pay should be tied to shareowner experience."); California State Teachers' Retirement System, *Corporate Governance Principles*, at 9-10 (Nov. 2018) ("The [compensation] philosophy should promote an alignment of interests between management and shareholders. The company's compensation philosophy should intend to create long-term value . . . .").

have exercised this discretion in recent years on numerous occasions, including reducing all participants' 2015 STIP score (payable in 2016) due to an employee fatality. The Board and the Compensation Committee also reduced senior officers' 2016 STIP score (payable in 2017) due to safety performance, and reduced all participants' 2018 STIP score to zero in light of the devastating 2018 Camp Fire, the hardships incurred by communities, and PG&E's financial circumstances including the need to seek relief under Chapter 11.[8] The Board's and the Committee's discretion provides an important overlay to help ensure that even if STIP performance milestones are achieved, payments are made only if appropriate in the totality of the circumstances.

3. PG&E Corporation's Long-Term Incentive Plan

The LTIP promotes PG&E's and PG&E Corporation's long-term objectives—especially customer welfare and safety—by aligning compensation with those objectives and making corresponding awards over the longer term. LTIP awards are all equity-based, and, therefore, the LTIP inherently aligns compensation with strong PG&E and PG&E Corporation performance. Each year, the PG&E Corporation Compensation Committee establishes the design for that year's annual LTIP awards, including the types of awards and any applicable performance measures.

LTIP awards for PG&E's executives for 2021 are expected to consist entirely of performance shares that will be earned only upon achievement of the objective performance metrics described below, with a proviso that such awards must be held for at least three years from the grant date.[9] Thus, LTIP performance share awards for 2021 will be earned based solely on performance. Additionally, their value over time will depend on PG&E Corporation's stock performance at least three years into the future, which, in turn, will also depend on PG&E's operational performance (including safety performance) at least three years into the future.

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[8] WSD's December 22, 2020 Guidance requested "[e]xamples of incentive compensation reduced or withheld in the last 5 years as a result of failure to meet safety metrics." (Dec. 22, 2020 Guidance at 2.) To the extent this is asking about failure to achieve safety-related performance milestones, as opposed to discretionary reductions in incentive compensation on account of safety issues, PG&E states that such examples include failure to achieve "threshold" milestones on safety metrics (which by definition results in no payment). Specific examples occurred (i) in 2015 on a Lost Workday Case Rate milestone; (ii) in 2016 on Lost Workday Case Rate, DCPP Reliability and Safety Indicator – Unit 2, Transmission & Distribution Wires Down, and Serious Preventable Motor Vehicle Incident ("SPMVI") Rate metrics; and (iii) in 2017 on the SPMVI Rate metric.

[9] The shareholder-approved LTIP broadly pre-authorizes various types of equity issuances, including restricted stock units ("RSUs") that vest based on length of service rather than operational performance. RSUs can be an important tool in negotiating compensation packages for incoming executives and retention agreements with existing executives. Accordingly, although there are no current plans to issue RSUs to PG&E's executives for 2021, PG&E Corporation reserves the right to do so if circumstances warrant.

LTIP performance share awards for PG&E's executive officers for 2021 are expected to comprise, on average, about 40.19% of overall executive compensation at target levels. The percentages are expected to range from 36% to 43% depending on the individual.

The 2021 LTIP performance share award design, like the 2021 STIP, will use three tiers of performance milestones—threshold, target, and maximum. The only difference will be that achieving or exceeding "maximum" performance on an LTIP metric can result in a payout at 200% of target on that metric (instead of 150%), in recognition of the longer-term nature of the milestones and the greater opportunity to achieve superior performance.

The LTIP metrics for 2021 for performance share awards will be weighted 70% to customer and public safety and welfare, and 30% to financial stability (which depends in significant part on strong safety performance). The metrics will be primarily outcome-based as opposed to activity- or effort-based. The following chart summarizes these features:

Category	Metric	Outcome-Based
Public Safety **35%**	System Hardening Effectiveness (Risk Miles) (17.5%) Enhanced Vegetation Management Effectiveness (Risk Miles) (17.5%)	
Customer Experience **35%**	Customer Satisfaction Score (17.5%) Public Safety Power Shutoff Notification Accuracy (17.5%)	Y Y
Financial Stability **30%**	Greater Affordability for Customers (15%) Relative Total Shareholder Return (15%)	Y Y

The following provides further information about the 2021 metrics for performance share awards, and the charts included in Exhibit B hereto provide additional detail:

<u>System Hardening Effectiveness (Risk Miles)</u>: This public safety- and reliability-related metric closely resembles the System Hardening metric that was included in the 2020 LTIP program design that received approval in D.20-05-053. It aligns with mitigation of the risk of catastrophic wildfires. The metric measures rebuilding of overhead circuitry to current hardening design standards, elimination of overhead circuitry, targeted undergrounding, or enablement of remote grids, in high fire risk areas. The metric's achievement milestones, which will be measured in completed circuit miles, can be benchmarked against data from other California utilities.[10]

The 2021 System Hardening Effective (Risk Miles) metric improves upon the 2020 System Hardening metric by prioritizing system hardening on line miles that are the highest risk, as well as system hardening measures that eliminate virtually all ignition risk. Specifically, the 2021 metric will require the following conditions to be met for the LTIP score on the metric to

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[10] Certain ongoing system hardening work in Butte County will not count toward achievement of the milestones.

be greater than zero: (i) 80% of system hardening miles over the three-year metric measurement period must be high-risk miles; and (ii) at least 5% of the completed system hardening project portfolio over the three-year period must be undergrounding or line removal work (with 10% and 15% required to achieve "target" and "maximum" milestones, respectively).

Enhanced Vegetation Management Effectiveness (Risk Miles): This public safety- and reliability-related metric also aligns with mitigation of the risk of catastrophic wildfires. It measures completed circuit miles of vegetation cleared consistent with PG&E's Enhanced Vegetation Management ("EVM") program scope within high fire risk areas through (i) achieving 12-foot radial clearance; (ii) removing trees identified for removal through a tree assessment tool or a hazard tree assessment process; (iii) removing overhangs above and within four feet of power lines; and (iv) reducing vegetative fuels under and adjacent to power lines on a targeted basis. This metric, similar to the System Hardening Effectiveness (Risk Miles) metric, prioritizes work on high-risk line miles by requiring that, for the LTIP score to be greater than zero, 80% of EVM miles completed over the three-year measurement period must be high-risk miles.

Public Safety Power Shutoff ("PSPS") Notification Accuracy: This basic metric was included in the 2020 LTIP program design that received approval in D.20-05-053, but has been made more stringent for 2021 to promote superior performance. The metric aligns with both customer safety and customer satisfaction by measuring the percentage of PSPS-affected customers who receive notifications prior to a PSPS outage. The metric derives from the Commission's Utility Wildfire Mitigation Maturity Model adopted in Resolution WSD-011. The metric's "threshold," "target," and "maximum" achievement milestones will correspond to Maturity Levels 2, 3, and 4, respectively, in such model.[11] This is more stringent than the 2020 program design, under which achieving "threshold," "target," and "maximum" milestones corresponded to Maturity Levels 1, 2, and 3 in the model. The metric measures outcomes, not efforts, and results can be compared against historical data.

Customer Satisfaction Score: This metric was included in the 2020 LTIP program design that received approval in D.20-05-053. As applied for 2021, the metric will measure improvement in customer satisfaction in 2023 over current satisfaction levels based on a quarterly survey conducted by a third party that asks customers a single overall question: "How would you rate the products and/or services offered by PG&E?" The metric measure outcomes, not efforts. Its results can be compared against historical data.

Greater Affordability for Customers: This metric is designed to promote efficiency in operations. The metric measures achievement of savings based on the difference between authorized earnings per PG&E's rate cases, and earnings from core operations (excluding unrecoverable interest expense). The metric promotes customer welfare, in that PG&E needs to deploy revenues received from customers in an efficient manner, which in turn promotes financial stability and enhances PG&E's low-cost access to capital.

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[11] *See* Attachment 2.4 (Utility Wildfire Mitigation Maturity Model) to Resolution WSD-011, at 38 (Nov. 30, 2020). The proposed version of this model was used as the basis for the PSPS Notification Accuracy metric when PG&E included the metric in its 2020 plan.

Relative Total Shareholder Return ("TSR"): This financial stability-related metric was included in the 2020 LTIP program design that received approval in D.20-05-053, although at that time it was a modifier of LTIP metric scores as opposed to a metric in its own right. 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 that the Compensation Committee reviews annually to ensure its appropriateness). TSR is commonly used as a metric in long-term compensation plans—including at peer utilities in California and elsewhere—and is typically heavily weighted in such plans. TSR or a comparable financial performance metric is expected by institutional shareholders in order to help align executive incentives with long-term shareholder welfare.[12] TSR is being included as a formal metric in 2021 (as opposed to a modifier of LTIP scores) to more closely align with utility industry practices and to promote critical access to capital.

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Under the LTIP, certain qualifying principles will overlay payment of performance share awards as calculated based on achievement of the milestones. The PG&E Corporation Board or the Compensation Committee may at any time suspend, terminate, or amend the LTIP (subject to certain limitations set forth in the LTIP), and the Compensation Committee may cancel or amend any LTIP award provided that such action does not, without the employee's consent, adversely affect the employee's rights under LTIP awards previously granted. The PG&E Corporation Board and Compensation Committee thus retain considerable discretion to reduce or eliminate LTIP awards, subject to restrictions in the LTIP and law, if doing so is warranted in the totality of the circumstances.

Additionally, the LTIP specifically provides that the Compensation Committee has discretion to provide for the positive or negative adjustment of the performance award formula applicable to a performance share award, to reflect the recipient's individual performance or such other factors as the Committee may deem appropriate.

Compliance With AB 1054

AB 1054, as codified in Public Utilities Code § 8389(e), imposes two sets of requirements. First, § 8389(e)(4) provides:

> The electrical corporation [must show that it] 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

[12] *See, e.g.*, Blackrock, *Proxy Voting Guidelines for U.S. Securities* (2019) ("BlackRock supports equity plans that align the economic interests of directors, managers, and other employees with those of shareholders."); Glass Lewis, *Guidelines: An Overview of the Glass Lewis Approach to Proxy Advice*, at 34 (2020) ("When used appropriately, [long-term incentive programs] can provide a vehicle for linking an executive's pay to company performance, thereby aligning their interests with those of shareholders.").

> 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.

Second, § 8389(e)(6) provides:

> The electrical corporation [must show that it] 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:
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> (i) (I) Strict limits on guaranteed cash compensation, with the primary portion of the executive officers' compensation based on achievement of objective performance metrics[; and] (II) [n]o 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.

As discussed below, PG&E's 2021 executive compensation structure will satisfy all of these requirements.

1. <u>The Criteria of § 8389(e)(4)</u>

<u>Covered Officers</u>: Section 8389(e)(4) requires the requisite compensation structure to apply to "all executive officers, as defined in Section 451.5." As stated above, PG&E will apply the structure described herein to all of its executive officers, as defined.

<u>Safety Incentives</u>: Section 8389(e)(4) requires executive compensation to be "structured to promote safety as a priority and to ensure public safety." Both the 2021 STIP and the LTIP's 2021 performance share award design will do this. The 2021 STIP's metrics will be heavily weighted toward customer and workforce welfare, placing a priority on public safety. The LTIP's 2021 performance share metrics similarly will be weighted primarily to promote wildfire- and PSPS-related safety. (The PSPS Notification Accuracy metric, though placed in the "Customer Experience" category in the chart above, promotes customer safety. For example, timely notification facilitates the ability of medical baseline customers and access and functional needs customers to make timely arrangements for PSPS events.)

Additionally, LTIP awards promote safety over the long term because they are equity-based and their value depends over time on how PG&E Corporation common stock performs.

The stock's relative performance depends primarily on PG&E's performance, and PG&E's performance depends heavily on safety performance. If safety performance is poor—for example, if there is a catastrophic public safety incident—the effect on the stock can be devastating. Inasmuch as performance-based LTIP awards must be held for at least three years after grant, such awards necessarily promote safety over the long term.

Financial Stability Incentives: Section 8389(e)(4) also requires the compensation to be "structured to promote . . . utility financial stability." The 2021 STIP and the LTIP's 2021 performance share award design will do this. As noted, the 2021 STIP and the LTIP's 2021 award design collectively promote customer, public, and workforce safety, and thus contribute to financial stability. In addition, the 2021 STIP promotes financial stability directly via the Core Earnings Per Share metric, and the LTIP 2021 award design does so via the TSR and Customer Affordability metrics.

Objective Performance Metrics: Section 8389(e)(4) requires the compensation structure to use "performance metrics[] [and to] includ[e] incentive compensation based on meeting performance metrics that are measurable and enforceable." As described above and in the exhibits hereto, both the 2021 STIP and the LTIP's 2021 award design will use performance metrics that are objectively defined, measurable, enforceable, and auditable. The metrics are predominantly outcome-based.

Tying 100% of Incentive Compensation to Safety Performance: Section 8389(e)(4) provides in permissive, not mandatory, language that the compensation structure "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." PG&E believes that tying 100% of incentive compensation to safety metrics would not adequately align with PG&E's *overall* mission of providing safe, reliable, affordable, and clean energy to its customers. Though PG&E unequivocally views safety as the most important aspect of its mission, other aspects also are important and should be promoted. That said, as noted, the PG&E Board and the PG&E Corporation Compensation Committee have discretion to reduce or eliminate 2021 STIP awards for PG&E's executive officers for any reason (*e.g.*, in the event of a catastrophic public safety event), and they have done so in the past. Similarly, the PG&E Corporation Board and the Compensation Committee may at any time suspend, terminate, modify, or amend the LTIP, and may cancel or annul any grant of LTIP awards, subject to certain limitations described above. The Committee also has discretion to adjust the formula for a performance share award.

2. **The Criteria of § 8389(e)(6)**[13]

Cash/Incentive Compensation Mix: Section 8389(e)(6)(i)(I) provides that the compensation structure must place "[s]trict limits on guaranteed cash compensation, with the

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[13] Although § 8389(e)(6)'s requirements apply only to the "compensation structure [applicable to] any new or amended contracts for executive officers," Pub. Util. Code § 8389(e)(6), PG&E has "agree[d] that subsection (e)(6)'s requirements apply to [PG&E] even in the absence of written employment contracts

primary portion of the executive officers' compensation based on achievement of objective performance metrics." PG&E's 2021 compensation structure will do this. The only guaranteed cash compensation will be base salary (plus a modest cash stipend in lieu of broader perquisites), which is and will remain a minority of total compensation. The majority of executive compensation will be incentive compensation awarded under the 2021 STIP and the LTIP 2021 award design that is based on the objective performance metrics described above.

No Guaranteed Monetary Incentives: Section 8389(e)(6)(i)(I) provides that there must be "[n]o guaranteed monetary incentives in the compensation structure." PG&E executives' only guaranteed cash compensation for 2021 will be their foundational compensation. STIP awards are entirely "at risk" (as are LTIP awards, though PG&E does not believe that equity-based LTIP awards constitute "monetary" incentives).

Compliance With § 8389(e)(4): Section 8389(e)(6)(ii) provides that the compensation structure must "satisf[y] the compensation principles identified in paragraph (4)." The 2021 compensation structure does this, as outlined above.

Equity Awards: Section 8389(e)(6)(iii) provides that the compensation program must include "[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," with such "compensation . . . held or deferred for a period of at least three years." The LTIP's 2021 performance share award design will accomplish this because (i) performance share awards will comprise, on average, 40.19% of total executive compensation at target levels (ranging from 36% to 43% depending on the individual); and (ii) performance share awards must be held for at least three years from grant.

Minimization of Ancillary Compensation: Section 8389(e)(6)(iv) requires "[m]inimization or elimination of indirect or ancillary compensation that is not aligned with shareholder and taxpayer interest in the electrical corporation." As noted, although executives receive corporate perquisites such as parking and health club memberships, these are de minimis, are typical in the industry, and are aligned with shareholder and other stakeholder interests by serving recruiting and retention purposes.

Compliance With the Additional Requirements of D.20-05-053

D.20-05-053 adopted, with some modifications, the executive compensation-related proposals contained in a February 18, 2020 Assigned Commissioner's Ruling in the proceeding regarding PG&E's and PG&E Corporation's Chapter 11 Plan of Reorganization (I.19-09-016) (the "POR OII"). Since that Decision, PG&E has implemented all of those additional requirements (to the extent PG&E did not already adhere to those practices). Specifically:

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with its executives." (PG&E's Post-Hearing Brief and Comments on Assigned Commissioner's Proposals ("PG&E's POR Opening Brief"), filed Mar. 13, 2020 in I.19-09-016, at 160.)

Public Disclosure: D.20-05-053 requires "[p]ublicly disclosed compensation arrangements for executives."[14] As PG&E noted in the POR OII,[15] it historically has complied and continues to comply with this requirement through detailed disclosures in PG&E's and PG&E Corporation's joint proxy statements.[16] Additionally, on June 25, 2020, PG&E's Board adopted a Policy Statement further providing: "It is the policy of this Board that compensation provided to executive officers (as defined in Public Utilities Code §§ 451.5 and 8389(e)) . . . shall comply with the following: . . . Compensation arrangements for executives must be publicly disclosed."[17]

Annual Reporting: D.20-05-053 requires "[a]nnual reporting of awards to the CPUC through a Tier 1 advice letter compliance filing."[18] The PG&E Board's June 25, 2020 Policy Statement implements this requirement by providing that "[t]he Utility shall provide annual reporting of awards to the Commission through a Tier 1 advice letter compliance filing."[19] PG&E anticipates submitting the advice letters around the time of the filing of the PG&E and PG&E Corporation joint proxy statements.

Written Compensation Agreements: D.20-05-053 requires "[w]ritten compensation agreements for executives."[20] As PG&E stated in the POR OII,[21] PG&E understands this requirement to connote the written shareholder-approved LTIP, the use of written award contracts for awards provided under the LTIP, and public disclosure of the terms, features, and results of PG&E's compensation programs. PG&E generally does not have written employment contracts with its executives more broadly, and stated without objection in the POR OII that it does not support a requirement of using such contracts.[22] The Board's June 25, 2020 Policy Statement reiterates that "[t]he Utility shall have written compensation agreements for executives," "[c]onsistent with the Utility's written submissions to the Commission in the proceeding that culminated in the Decision Approving [the] Reorganization Plan of the Utility and PG&E Corporation (D.20-05-053)."[23]

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[14] D.20-05-053 at 88.

[15] *See* PG&E's POR Opening Brief at 164.

[16] *See, e.g.*, PG&E Corporation and PG&E Joint Proxy Statement at 55-94 (May 17, 2019), *available at* http://s1.q4cdn.com/880135780/files/doc_financials/2019/05/2019-Proxy-Statement-final-web-ready.pdf.

[17] Policy Statement of the Board of Directors of PG&E Regarding Executive Compensation Following Emergence from Chapter 11 ("June 25, 2020 Policy Statement").

[18] D.20-05-053 at 88.

[19] June 25, 2020 Policy Statement.

[20] D.20-05-053 at 88.

[21] *See* PG&E's POR Opening Brief at 164.

[22] *See id.*

[23] June 25, 2020 Policy Statement.

Annual Review: D.20-05-053 requires "[a]nnual review of awards by an independent consultant."[24] As noted, the PG&E Corporation Compensation Committee—which advises the PG&E Board of Directors regarding executive compensation matters—uses a nationally recognized independent compensation consultant, Meridian Compensation Partners, LLC as of January 1, 2021, to review awards for compliance with AB 1054, with D.20-05-053, and with best practices. Previously the Committee used the services of Pay Governance, LLC.

Guaranteed Cash Compensation Within Industry Norms: D.20-05-053 requires that "[g]uaranteed cash compensation as a percentage of total compensation . . . not exceed industry norms."[25] The Compensation Committee uses its independent consultant to help ensure that cash compensation as a percentage of total compensation does not exceed industry norms. The PG&E Board's June 25, 2020 Policy Statement further formalizes that "[g]uaranteed cash compensation as a percentage of total compensation shall not exceed industry norms."[26]

Safety/Financial Performance: D.20-05-053 requires "[b]asing a significant component of long-term incentive compensation on safety performance, as measured by a relevant subset of by [sic] the Safety and Operational Metrics to be developed, as well as customer satisfaction, engagement, and welfare."[27] The Decision provides that "[t]he remaining portion may be based on financial performance or other considerations."[28] Though the referenced Safety and Operational Metrics have yet to be developed in Commission proceedings, the LTIP's 2021 performance share award design will satisfy these substantive requirements because they will be based 35% on safety performance and 35% on customer satisfaction, engagement, and welfare. Additionally, as noted, the PSPS Notification Accuracy metric, though placed in the "Customer Experience" category in the chart above, promotes customer safety, in that timely notification facilitates, for example, the ability of medical baseline customers and access and functional needs customers to make timely arrangements for PSPS events.

Deferral of Equity Awards: D.20-05-053 requires "[h]olding or deferring the majority or super-majority of incentive compensation, in the form of equity awards, for at least 3 years."[29] As noted, *all* performance share awards to PG&E executives under the 2021 LTIP will be subject to a three-year hold. Additionally, the PG&E Board's June 25, 2020 Policy Statement requires that (i) "a significant portion of compensation, which may take the form of grants of PG&E Corporation common stock, [be] based on the Utility's long-term performance and value, with such compensation held or deferred for a period of at least three years"; and (ii) "[t]he majority

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[24] D.20-05-053 at 88.

[25] *Id.*

[26] June 25, 2020 Policy Statement.

[27] D.20-05-053 at 88.

[28] *Id.*

[29] *Id.*

or super-majority of incentive compensation, in the form of equity awards must be held or deferred for at least three years."[30]

Presumption of Withholding: As noted, D.20-05-053 imposes "[a] presumption that a material portion of executive incentive compensation shall be withheld if . . . 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."[31] The Decision clarified who bears responsibility for applying the presumption by adopting what it called a "hybrid" approach: "PG&E . . . make[s] the initial determination as to whether PG&E ha[s] caused a catastrophic event that warrants reduction or elimination of incentive compensation, [and] that . . . decision [is] subject to Commission review and modification."[32] PG&E implemented this portion of the Decision in the Board's June 25, 2020 Policy Statement, which provides in part: "There shall be a presumption that a material portion of executive incentive compensation shall be withheld if the Utility is the ignition source of a catastrophic wildfire, subject to any decision by the Board that such withholding would be inappropriate based on the conduct of the Utility. Any such determination by the Board shall be subject to Commission review and modification."[33]

Severance Policy: D.20-05-053 provides as follows: "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."[34] The Board's June 25, 2020 Policy Statement required PG&E's executive compensation severance policy to include such provisions. Thereafter, on September 24, 2020, the PG&E Corporation Compensation Committee approved amendments to the PG&E Corporation 2012 Officer Severance Policy (which applies to executives of PG&E). Under the amended policy, the Board has the right to restrict, limit, cancel, reduce, or require forfeiture of certain payments or benefits to executive officers in the event of, among other things, any felony conviction of PG&E related to public health and safety or financial misconduct by PG&E following its emergence from Chapter 11 (a "Company Conviction"), provided that such executive was serving as an executive at the time of the underlying conduct that led to the conviction.[35] Also, under the amended policy, PG&E may recoup or require reimbursement or repayment of rights, payments, and benefits under the policy from PG&E executive officers in the event such executives engaged in

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[30] June 25, 2020 Policy Statement.

[31] D.20-05-053 at 88.

[32] *Id.* at 92.

[33] June 25, 2020 Policy Statement.

[34] D.20-05-053 at 89.

[35] *See* PG&E Corporation and PG&E Form 8-K (Sept. 22, 2020).

misconduct that materially contributed to some of the actions or omissions on which the Company Conviction is based.[36]

* * *

PG&E believes that the foregoing demonstrates that its 2021 executive compensation structure complies with the requirements of AB 1054 and D.20-05-053. PG&E respectfully requests WSD approval of the structure pursuant to Public Utilities Code § 8389(e). If PG&E can provide any additional information that would be helpful to WSD as it considers this request, please do not hesitate to contact me.

Sincerely,

/s/ Lisa Laanisto

Director, Compensation
San Francisco, California 94105
Lisa.Laanisto@pge.com

cc: R.18-10-007 Service List

[36] *See id.*

EXHIBIT A – STIP METRICS

REPORTABLE FIRE IGNITIONS

Definition:	Power line-involved fire incidents annually reportable to the Commission per D.14-02-015 and within PG&E's High Fire Threat Districts. A reportable fire incident includes all of the following: (i) ignition is associated with PG&E's power lines (transmission or distribution); (ii) something other than PG&E facilities burned; and (iii) the fire traveled more than one meter from the ignition point.
Units and Calculation:	An index score of reportable fire ignitions will be based on the categories below. These categories are consistent with designations PG&E uses for ignition reporting to the Commission: • 40% – equipment and animal • 40% – vegetation • 20% – other Each component of the index will have its own set of milestones. The final score will be a summation of the weighted score for each component of the index.
Milestone Type:	Lower is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	None.

WIRES DOWN EVENTS DUE TO EQUIPMENT FAILURE

Definition:	Instances in which a normally energized electric primary distribution or transmission conductor experiences a component or asset failure (*e.g.*, pole or splice) that results in a conductor falling from its intended position and coming to rest on the ground or on a foreign object (*e.g.*, a vehicle or tree).
Units and Calculation:	Rate expressed as a decimal (three decimal places) based on a count of wire-down events due to equipment failure occurring on non-Major Event Days ("MED") divided by the number of non-MEDs. An MED is a day in which the daily System Average Interruption Duration Index ("SAIDI") exceeds an MED threshold value ("TMED"). For purposes of calculating daily SAIDI, any interruption that spans multiple calendar days is accrued to the day on which the interruption began. Statistically, days having a daily SAIDI greater than TMED are days on which the energy delivery system experienced stresses beyond that normally expected (such as during severe weather). A wire-down event due to equipment failure can sometimes have more than one actual wire down, but the count is by the event; it is not a count of the actual number of wires or spans.
Milestone Type:	Lower is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	• Wire-down events that are due to a cause other than equipment failure. • Any wire-down event that occurs on a declared MED as defined in Institute of Electrical and Electronics Engineers Standard 1366. • Secondary wires (lines normally operated at less than 1000 volts) down.

LARGE OVERPRESSURE EVENTS

Definition:	Number of large overpressure ("OP") events. An OP event occurs when the gas pressure exceeds the maximum allowable operating pressure ("MAOP") of the pipeline. The established pressure limits for large OP events are: • High pressure gas distribution (MAOP 1 pounds per square inch gauge ("psig") to 12 psig) greater than 50% above MAOP. • High pressure gas distribution (MAOP 12 psig to 60 psig) greater than 6 psig. • Low pressure gas distribution by 16 inches water-column. • Transmission pipelines by 10% (or >25 psig on pipelines operating over 250 psig).
Units and Calculation:	Simple count of total number of OP events.
Milestone Type:	Lower is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	OP events that exceed MAOP that have initially been deemed large OP events but are subsequently excluded based on additional data.

GAS DIG-IN REDUCTIONS

Definition:	Number of gas dig-ins per 1000 gas-specific Underground Service Alert ("USA") tickets received. This metric tracks all dig-ins to PG&E gas subsurface installations. A dig-in refers to damage that occurs during excavation activities (impact or exposure) and that results in repair or replacement of an underground gas facility. The following definitions adopted by PG&E are in compliance with the Common Ground Alliance: • Damage: Any impact or exposure that results in the need to repair an underground facility due to a weakening or the partial or complete destruction of the facility, including but not limited to the protective coating, lateral support, cathodic protection, or the housing for the line device or facility. • Excavate or Excavation: Any operation using non-mechanized or mechanized equipment, demolition, or explosives in the movement of earth, rock, or other material below existing grade.
Units and Calculation:	Ratio of dig-ins to 1000 tickets received.
Milestone Type:	Lower is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	Per American Gas Association benchmarking definition: • Pre-existing damages (*e.g.*, due to corrosion). • Any intentional damage to a pipeline (*e.g.*, drilling or cutting). • Damage caused by driving over a covered facility (*e.g.*, heavy vehicles damage a gas pipe). • Damage to abandoned facilities. • Damage due to materials failure. • Damage caused to gas lines by trench collapse or soldering work. • Damage occurring during the STIP reporting year that is reported to PG&E after the close of the STIP reporting for that year.

SAFE DAM OPERATING CAPACITY (SDOC)

Definition:	Operating capability of mechanical equipment used as main control to reduce enterprise risk of large uncontrolled water release.
Units and Calculation:	The metric will be calculated as one minus the ratio of controlled outlet days forced out ("CODFO") to controlled outlet days available ("CODA") for the metric dam population: *SDOC = 1 – (CODFO ÷ CODA).* The following guidance will be used to calculate SDOC performance: Spillways: • Gates will be considered inoperable when the primary source of energy and all backup sources are unavailable and the gate cannot be opened manually; or when a mechanical failure, physical damage, debris or other condition renders the gate unable to be opened. • If a gate is found inoperable, the metric count will be half the number of days since the gate was last operated. • Each gate will be counted separately and considered equal to all other gates (*i.e.*, each gate counts as one gate-day). • Inoperable means the gate is in the closed position and unable to be opened. Inoperable gates dogged in the open position are considered mitigated and do not count against the metric. • If a gate can be partially opened, the metric considers the gate to be derated based on the gate travel compared to the full design travel of the gate. (For example, if a gate travels five of 10 feet, it is derated by 50%. If it is derated 50% for 30 days, the resulting CODFO is 15 days.) • Uncontrolled overflow spillways, siphons, and flashboards are not counted. Low Level Outlets ("LLOs") • Inoperable means that the LLO cannot be physically operated through its design range. If the LLO can be partially operated, the forced outage days will be calculated using a derate factor calculated by dividing the amount traveled by the design range. (For example, if the valve travels three of six feet, the valve will be considered derated by 50%. If it is derated 50% for 30 days, the resulting CODFO is 15 days.) • If a LLO is found inoperable, the metric count will be half the number of days since the gate was last operated. • Inoperable does not include when the LLO cannot be opened due to potential environmental concerns with turbidity or sediment loading in the stream below the dam, or when opening the gate might cause debris to make it difficult to close the LLO gate or valve.

	Power Tunnels • The number of power tunnel entries for a dam is modeled based on the number of powerhouse units. • Power tunnels will be considered forced out when units are out of service and there is no alternate means of discharge. • Power tunnels that are taken out of service for safety reasons during high flows (normal operating practice) are not counted. • Power tunnel outages will be per the North American Electric Reliability Corporation's Generating Availability Data System outage definitions. Outages that are not included in the Power Generation Equivalate Forced Outage Factor calculation will not be included in the SDOC.
Milestone Type:	Higher is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	• Planned and maintenance outages for gates, LLOs, and power tunnels. • Known inoperable gates and LLOs as of December 31, 2020, for which the known risks are mitigated, are built into the metric targets and calculations. • Passive equipment and features, such as passive spillways, flashboards, and siphons.

DCPP RELIABILITY AND SAFETY INDICATOR

Definition:	The year-end combined (average) score for Unit 1 and Unit 2 at the Diablo Canyon Power Plant, representing a composite of 11 performance indicators for nuclear power generation developed by the nuclear industry and applied to all U.S. nuclear power plants. Indicator performance periods range from 18 months (rolling) to 36 months. The 11 performance indicators are: • Unit Capability Factor %. • Online Reliability Loss Factor %. • Loss Events (excluding scrams). • Unplanned Weighted Manual and Automatic Scrams. • High-Pressure Safety Injection System Performance. • Auxiliary Feedwater System Performance. • Emergency AC Power System Performance. • Sustained Fuel Reliability. • Chemistry Effectiveness Indicator Revised. • Collective Radiation Exposure. • Total Industrial Safety Accident Index.
Units and Calculation:	The composite score for each Unit is the weighted average of the 11 performance indicator scores. The metric result is the average of the two composite Unit scores.
Milestone Type:	Higher is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	None.

DAYS AWAY, RESTRICTED, AND TRANSFERRED (“DART”) RATE

Definition:	Occupational Safety and Health Administration (“OSHA”) recordable incidents that result in lost time or restricted duty per 200,000 hours worked, or for approximately every 100 employees. An OSHA-recordable incident is an occupational (job related) injury or illness that requires medical treatment beyond first aid, or results in work restrictions, lost time, death, or loss of consciousness.
Units and Calculation:	The DART rate is calculated as DART case count divided by 200,000 hours worked.
Milestone Type:	Lower is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	Contractor incidents and fatality incidents are not included in the DART calculation.

SERIOUS INJURIES ACTUALS

Definition:	A Serious Injury or Fatality ("SIF") Actual is defined as any injury or illness resulting from work at/for PG&E that results in: • A fatality – work related fatal injury or illness; • A life threating injury or illness, which if not addressed could lead to a fatality or work-related injury or illness that required immediate life-preserving rescue action, and if not applied immediately would likely have resulted in the death of that person; or • A life altering injury or illness (one that results in the loss or permanent impairment of a limb, organ or body function). For this metric, only SIF Actuals not resulting in a fatality will be counted. PG&E regards *any* fault-based worker fatality as unacceptable (and in the past has reduced STIP scores on account of an employee fatality).
Units and Calculation:	Count of SIF Actuals that do not result in a fatality. Count includes contractors and subcontractors.
Milestone Type:	Lower is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	• Fatalities. • SIF Potentials (including incidents initially classified as SIF Actuals that are later downgraded to SIF Potentials, which would require, for purposes of removal from the metric, review and approval of the Chief Safety Officer and the Director of the Enterprise Corrective Action Program).

SERIOUS INJURIES AND FATALITIES INVESTIGATION TIMELINESS

Definition:	SIF Actual and SIF Potential investigations completed within 30 days of classification of an incident as a SIF.
Units and Calculation:	Percentage of SIF Actual and SIF Potential investigations completed within 30 days of classification of an incident as a SIF.
Milestone Type:	Higher is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	Investigations dependent on third-party reports (*e.g.*, California Highway Patrol or other law enforcement) that would extend the investigation beyond the 30 days and that are outside PG&E's control.

SERIOUS INJURIES AND FATALITIES CORRECTIVE ACTION TIMELINESS

Definition:	Completion of corrective actions relating to SIF Actual or SIF Potential cause evaluations.
Units and Calculation:	Total count of on-time completion of SIF Actual and SIF Potential corrective actions divided by the total number of completion of corrective actions due in that calendar year.
Milestone Type:	Higher is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	Potential exceptions for unforeseen events such as a pandemic or an unforeseen inability to procure needed equipment from a vendor. For purposes of exclusion from the metric, any exception would require approval of the Chief Safety Officer and the Director of Enterprise Corrective Action Program.

GAS CUSTOMER EMERGENCY RESPONSE

Definition:	PG&E's mean response time from when it receives a customer call or notification reporting a gas odor or gas emergency, to when PG&E personnel arrive onsite to the emergency location.
Units and Calculation:	Total response minutes divided by the total number of gas emergency orders. Customer notification is defined as when a gas emergency order is created and timestamped.
Milestone Type:	Lower is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	The following immediate response gas emergency jobs are excluded from the total gas emergency orders volume count: • Level 2 and above emergencies, defined in the Gas Emergency Response Plan as a region-wide emergency event that may require one to two days for service restoration. • If the source is a non-planned release of PG&E gas, the original call is included but all subsequent related orders are excluded. • For multiple leak calls from the same Multi-Meter Manifold, the first order is included and all subsequent orders are excluded. • If the source is either a planned release of PG&E gas or another non-leak-related event (*e.g.*, skunk, chemical spill, no discernible cause, etc.), all related orders, including the original call, are excluded from the metric. • Duplicate orders for assistance. • Cancelled orders. • Unknown premise tag with no nearby gas facility. If a technician finds a leak that was not previously identified as non-hazardous by company personnel, the individual order at which the leak was found will be included in the metric, even if the leak was clearly not the source of the odor complaint.

911 EMERGENCY RESPONSE

Definition:	The percentage of time that PG&E personnel arrive onsite within 60 minutes after receiving a 911 call.
Units and Calculation:	Number of 911 calls where PG&E personnel arrive onsite within 60 minutes, divided by the total number of 911 calls received where agency personnel are standing by. Call start time is defined as when the call is received by PG&E personnel and entered into the PG&E's Outage Information System ("OIS"). Onsite time is defined as when PG&E personnel are recorded as at the site in the OIS database.
Milestone Type:	Higher is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	• Any day that qualifies as a Commission-defined Measured Event. Per General Order 166, a Measured Event is a Major Outage resulting from non-earthquake, weather-related causes, affecting between 10% (simultaneous) and 40% (cumulative) of a utility's electric customer base. • Canceled 911 calls – any call where the 911 agency cancels the call even if PG&E personnel already have responded or are on their way.

CUSTOMERS EXPERIENCING MULTIPLE INTERRUPTIONS

Definition:	The percentage of customers experiencing five or more service interruptions lasting six minutes or longer.
Units and Calculation:	Percentage of total customers.
Milestone Type:	Lower is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	• 2.5 Beta major event days based on Institute of Electrical and Electronics Engineers Standard 1366, generation/ISO (rotating outages), and momentary outages at the transmission and distribution system level. • Secondary outages are excluded from the count of customer outage minutes.

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AVERAGE SPEED OF ANSWER FOR EMERGENCIES

Definition:	The average speed of answer, in seconds, for emergency calls handled in PG&E's Contact Operations Center.
Units and Calculation:	Total emergency calls (as identified by the caller) handed, divided by total answer wait time for emergency calls. When a customer calls PG&E, the customer is prompted to denote whether the call relates to an emergency. If the customer denotes an emergency, the call is transferred into a queue at which point a speed-of-answer measurement begins, and then ends when the call is answered by a representative.
Milestone Type:	Lower is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	None.

NON-GAAP CORE EARNINGS PER SHARE

Definition:	A non-GAAP measure of financial performance from ongoing core operations, in dollars per share.
Units and Calculation:	GAAP earnings less non-core charges in dollars, divided by shares.
Milestone Type:	Higher is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	Non-core charges such as bankruptcy-related costs, interest on certain temporary debt, state wildfire fund contributions, and future recovery of wildfire claims.

EXHIBIT B – LTIP METRICS

SYSTEM HARDENING EFFECTIVENESS (RISK MILES)

Definition:	Count of circuit miles worked under system hardening program within high-fire risk areas to reduce wildfire risk through either (i) rebuild of overhead circuitry to current hardening design standards; (ii) undergrounding; (iii) removal of overhead circuitry (line removal); or (iv) enablement for remote grid. This work is performed in HFTD Tiers 2/3 and Tier 1 HFRA. Both of the following conditions must be met for the LTIP score for this metric to be greater than zero: • 80% of system hardening miles must be high-risk miles over the three-year reporting period. High risk areas are defined as (i) top 20% of approved risk model buydown curve; (ii) fire rebuild miles; and (iii) PSPS mitigation miles; and • At least 5% of the completed system hardening project portfolio over the three-year reporting period must be undergrounding or line removal work (with 10% and 15% required to achieve "target" and "maximum" milestones, respectively). Circuit miles are recorded as complete when individual spans/sections for each project are constructed and inspected for quality control and quality assurance against the hardening design standard and are passed as "fire safe."
Units and Calculation:	Number of circuit miles completed, rounded to whole miles.
Milestone Type:	Higher is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	• Butte County rebuild miles. • Projects completed before January 1, 2021 or after December 31, 2023. • System hardening work completed outside HFTD / HFRA.

ENHANCED VEGETATION MANAGEMENT EFFECTIVENESS (RISK MILES)

Definition:	Completed circuit miles of vegetation cleared consistent with Enhanced Vegetation Management ("EVM") program scope within high-fire risk areas to reduce wildfire risk through (i) achieving 12-foot recommended radial clearance; (ii) removing identified abate trees as identified through a tree assessment tool or an approved hazard tree assessment process; (iii) removing overhangs above and within four feet of power lines; and (iv) reducing vegetative fuels under and adjacent to power lines on a targeted basis. This work is performed in HFTD Tiers 2/3 and Tier 1 HFRA. The following condition must be met for the LTIP score for this metric to be greater than zero: 80% of EVM miles must be high-risk miles over the three-year reporting period. High-risk miles are defined as (i) top 20% of approved risk model buydown curve; and (ii) fire impacted miles. An EVM circuit mile is recorded as complete and included in the metric calculations when work validation has determined that all work has been identified and completed consistent with the scope applicable on the date of inspection.
Units and Calculation:	Number of circuit miles complete rounded to one decimal place.
Milestone Type:	Higher is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	• EVM miles completed before January 1, 2021 or after December 31, 2023. • Routine compliance clearing or work performed pursuant to PG&E's Catastrophic Event Memorandum Account program. • Work performed outside HFTD / HFRA.

CUSTOMER SATISFACTION SCORE

Definition:	Customer satisfaction as measured by a quarterly survey conducted by a third party retained by PG&E. The score is based on customer responses to a single overall question: "How would you rate the products and/or services offered by PG&E?"
Units and Calculation:	Customers rate PG&E, on a quarterly basis, on a scale of 1 to 10, with 1 meaning "extremely dissatisfied" and 10 meaning "extremely satisfied." Responses are weighted, at the case level, 60% for residential customers and 40% for small business customers. The quarterly score is calculated as the mean of the customer responses during the quarter, multiplied by 10 and rounded to one decimal. (*E.g.*, a mean score of 7.561 would be multiplied by 10 and then rounded to one decimal to become 75.6.) The final metric score is the average of the quarterly scores in 2023.
Milestone Type:	Higher is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	PG&E employees and customers on the "do not contact" list will be excluded. In the event of tragedies such as the Camp Fire, the San Bruno explosion, or a city evacuation, the research vendor may suppress surveys to the impacted customers until normal PG&E services are resumed or a reasonable recovery period is observed.

PSPS NOTIFICATION ACCURACY

Definition:	The percentage of PSPS-affected customers who receive notifications in advance of a PSPS outage.
Units and Calculation:	The number of PSPS-affected customers who receive notifications in advance of PSPS outages, divided by the total number of PSPS-affected customers. Only customers with electric accounts are included. The final metric score is the average of the percentages during all events across the performance period.
Milestone Type:	Higher is better.
Milestones:	Threshold: Maturity Level 2 in the Commission's Utility Wildfire Mitigation Maturity Model adopted in Resolution WSD-011 (page 38). Target: Maturity Level 3 in the Commission's Utility Wildfire Mitigation Maturity Model adopted in Resolution WSD-011 (page 38). Maximum: Maturity Level 4 in the Commission's Utility Wildfire Mitigation Maturity Model adopted in Resolution WSD-011 (page 38).
Exclusions/Exceptions:	Customers for whom PG&E has no contact information will be excluded.

GREATER AFFORDABILITY FOR CUSTOMERS

Definition:	Earnings from core operations excluding unrecoverable interest expense, under authorized earnings.
Units and Calculation:	Authorized Earnings – Core Earnings + Unrecoverable Interest Expense. Authorized Earnings = Authorized Equity Earning Ratebase × Authorized CPUC Return on Equity across the enterprise × Authorized CPUC Equity Ratio Percentage.
Milestone Type:	Lower is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	• Non-core items, which represent income or expenses associated with events or circumstances considered unusual and not part of ongoing core operations. • Unrecoverable interest expense.

RELATIVE TOTAL SHAREHOLDER RETURN

Definition:	The internal rate of return of all cash flows to a shareholder during the performance period, including price gains and dividends, relative to the TSR of comparator group companies (a group that is reviewed annually by the PG&E Corporation Compensation Committee).
Units and Calculation:	Beginning and ending values are measured in dollars. Return is expressed as a percentage, rounded to one decimal place. Beginning value is calculated as the average market close price for the security over the 20-trading day period prior to the first trading day of the year, modified for dividend shares earned during the 20-trading day period (if applicable). Ending value is calculated as the average market close price over the 20-trading day period inclusive of the last trading day of the year, modified for dividend shares earned during the year (if applicable).
Milestone Type:	Higher is better.
Milestones:	Threshold: Currently under development. Target: Currently under development. Maximum: Currently under development.
Exclusions/Exceptions:	None.