

PUBLIC UTILITIES COMMISSION

300 Capital Mall, 5th Floor
SACRAMENTO, 95814



April 14, 2021

Paul Marconi
President, Treasurer and Secretary
Bear Valley Electric Service, Inc.
Paul.Marconi@bveswinc.com

Subject: The Wildfire Safety Division Action Statement denying Bear Valley Electric Service, Inc's executive compensation structure submission of January 15, 2021 for lack of adherence to the required structure as outlined in Public Utilities Code 8389(e)(6)(A)(1).

To Mr. Marconi,

This Action Statement denies the Bear Valley Electric Service, Inc's (BVES) submission for its executive compensation structure submitted to the Wildfire Safety Division (WSD) on January 15, 2021.¹ The submission does not meet the requirements of Public Utilities Code (Pub. Util. Code) 8389(e)(6)(A)(1).

BVES shall file a new 2021 executive compensation structure that meets the requirements set forth in Pub. Util. Code 8389(e)(6)(A)(1) no later than 60 days from the date of this Action Statement. However, BVES is strongly encouraged to expeditiously file its new submittal so that WSD can make a determination on the outstanding safety certificate request.²

Background and Overview

On December 22, 2020, the WSD issued guidance to the electrical corporations to submit their executive compensation structures by January 15, 2021.³ The guidance outlined the authority given to the WSD in Pub. Util. Code 8389(e)(4) to approve the structure as part of the safety certificate process and the requirements the electrical corporations must follow as dictated by 8389(e)(6)(A).

¹ Bear Valley Electric Service, Inc. Overview of Executive Compensation Plan, submitted January 15, 2021, see https://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/About_Us/Organization/Divisions/WSD/BVES%20Executive%20Compensation%202021.pdf

² BVES's current safety certificate will remain valid during WSD's review of its pending safety certificate request. (Pub. Util. Code Sec. 8389 (f)(4))

³ See https://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/About_Us/Organization/Divisions/WSD/WSD%20Executive%20Compensation%20Guidance%2020201222.pdf

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The relevant portion of the code (Pub. Util. Code 8389(e)(4)) states:

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.

Pub. Util. Code 8389(e)(6)(A) further requires the following:

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

1. Strict limits on guaranteed cash compensation, with the primary portion of the executive officers' compensation based on achievement of objective performance metrics.
2. No guaranteed monetary incentives in the compensation structure.
3. It satisfies the compensation principles identified in 8389(e)(4).
[(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.]
4. 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.
5. Minimization or elimination of indirect or ancillary compensation that is not aligned with shareholder and taxpayer interest in the electrical corporation.

WSD's evaluation of BVES's executive compensation submission

BVES submitted its executive compensation structure on January 15, 2021. The WSD has evaluated the submission and concluded that BVES's executive compensation structure does

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not meet the strict limits on guaranteed cash compensation. The Code establishes a clear requirement that the primary portion of the executive officers' compensation should be based on achievement of objective performance metrics. BVES's submittal outlines an executive compensation structure with a guaranteed base pay representing 66.7% of the total compensation structure. Therefore, the compensation based on objective performance metrics does not comprise the primary portion of the compensation package as required by the Code.

Conclusion

BVES shall refile their executive compensation plan in a form that meets the requirements of Pub. Util. Code 8389(e)(6)(A)(1) no later than 60 days from the date of this Action Statement. However, BVES is strongly encouraged to refile as soon as it is available to facilitate an expeditious review.

The WSD expects BVES to submit complete and accurate documentation on time and within the parameters set forth in the Public Utilities Code, Commission decisions, orders, and rulings and guidance.

Sincerely,

A handwritten signature in blue ink, appearing to read 'C. Thomas Jacobs', with a long horizontal flourish extending to the right.

Caroline Thomas Jacobs
Director, Wildfire Safety Division
California Public Utilities Commission