SOUTHERN CALIFORNIA EDISON®
An EDISON INTERNATIONAL® Company

Carla Peterman
Senior VP of Strategy
and Regulatory Affairs

03/01/2021

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

SUBJECT: Southern California Edison Company's 2021 Executive Compensation Supplemental Submission

Director Thomas Jacobs,

Pursuant to your December 22, 2020 letter, Southern California Edison Company (SCE) submitted its 2021 Executive Compensation Structure approval request on January 15, 2021 (Initial Submission). On February 5, 2021, SCE supplemented that submission with its reply (February 5 Reply) to comments from the Public Advocates Office at the California Public Utilities Commission and The Utility Reform Network. As discussed in the Initial Submission and the February 5 Reply, this supplemental submission provides SCE's final 2021 annual incentive goals and metrics as approved by the SCE Board of Directors' Compensation and Executive Personnel Committee (Compensation Committee) on February 24, 2021.

INTRODUCTION

On July 2, 2020, SCE met with the Wildfire Safety Division (WSD) in anticipation of a stakeholder workshop, and provided SCE's 2021 corporate goal timeline to emphasize that SCE communicates preliminary goals to its employees in January and rolls out its complete goals by the end of February. Preliminary goals were approved by the Compensation Committee in December 2020 and communicated on January 15, 2021 to the WSD (in the Initial Submission) and to SCE employees. The goals and qualitative success measures described in the Initial Submission were approved as final by the Compensation Committee on February 24, 2021, except that the Public Safety Power Shutoff (PSPS) goal was revised as discussed in the February 5 Reply and in the Update to Public Safety Power Shutoff Goal section below. The quantitative metrics for SCE's 2021 goals are based in large part on information that was not available until mid- or late-January, so this supplemental submission provides the specific minimum, target, and aspirational levels approved by the Compensation Committee on February 24, 2021 and communicated to SCE employees on February 26, 2021.

UPDATE TO PUBLIC SAFETY POWER SHUTOFF GOAL

As mentioned in the February 5 Reply, SCE continues to reflect on and respond to the feedback received from the CPUC, our public safety partners, customers, and local communities regarding SCE's PSPS execution. To demonstrate our ongoing commitment to

improve, SCE is replacing the draft PSPS goal discussed in the Initial Submission with a more comprehensive PSPS goal focused on improving the PSPS customer experience. The final PSPS goal incorporates the activities outlined in our corrective action plan filed on February 12, 2021.

FINAL 2021 ANNUAL INCENTIVE GOALS AND METRICS

The following table summarizes SCE's final 2021 annual incentive goals, representative success measures (including minimum, target and aspirational performance values for quantitative metrics), and the scoring matrix approved by the Compensation Committee on February 24, 2021. The appendix to this supplemental submission includes definitions/descriptions for the representative success measures.

2021 SOUTHERN CALIFORNIA EDISON GOALS

Goal Category	Target Score for Goal Category [1]	Representative Success Measures for Goal Category
Overarching Goals Framework	Target is no deduction[2]	• The goals will be achieved while living the Company's values, which include safety
		• Safety and compliance are foundational and events such as fatalities or significant non-compliance issues can result in meaningful or full elimination of short-term incentive compensation
Safety & Resiliency	50	• Worker Safety: Make significant progress toward eliminating serious injuries and fatalities (SIF) ○ Reduce EEI SIF Injury Rate: ≤ 0.110, **0.086**, 0.062 ○ Reduce Employee DART Injury Rate: ≤ 0.90, **0.77**, 0.64 ○ Enhance worker safety programs (e.g., risk-based, corrective actions, hazard-based observations)
		• Public Safety: Reduce risk of public injuries related to our electric infrastructure ○ Improve public awareness of safety around electric lines and equipment as measured by awareness survey results and key outreach activities performed ○ Overhead Conductor Program: install ≥ 100, **130**, 160 circuit miles ○ Vegetation Line Clearing: execute ≥ 80%, **85%**, 90% of trims on time to support compliance with GO 95
		• Wildfire Resiliency: Reduce risk of catastrophic wildfires associated with electric infrastructure by executing our Wildfire Mitigation Plan (WMP) and programs ○ CPUC reportable ignitions in High Fire Risk Areas (HFRA): ≤ 50, **42**, 34 ○ Improve PSPS customer experience by executing comprehensive improvement plan focused on enhancing notifications and other PSPS capabilities ○ Covered Conductor: install ≥ 1,000, **1,400**, 1,800 circuit miles ○ Overhead Inspections: complete ground and aerial HFRA inspection scope and remediate ≥ 60%, **70%**, 80% of P2 findings 30 days before compliance due date[3] ○ Hazard Tree & Drought Relief: perform WMP assessment scope and complete ≥ 85%, **90%**, 95% of prescribed mitigations in active inventory[4] within 180 days of schedule
		• Cybersecurity: Maintain effective controls to prevent and mitigate significant disruptions, data breach or system failure ○ Execute cybersecurity improvements to mitigate risk of compromise, including key tools deployed on ≥ 97%, **98%**, 99% of desktops/laptops and ≥ 86%, **90%**, 94% servers ○ Mature enterprise-wide phishing program as measured by simulation exercise click rate of ≤ 6%, **4%**, 2%

		• Safety and Resiliency Capabilities: Advance foundational capabilities in operations ○ Electric Asset Data: Improve pole and wire data quality and enhance information governance ○ Critical Business Records: Complete risk analysis of records types and implement management plans for high-risk records ○ Field and Work Management Tools: Advance inspection and vegetation management applications, and build digital work order system
		• Contractor Management: Strengthen contractor management to improve safety and quality performance ○ Implement Contractor Management Plan: Increase safety and quality integration in procurement, clarity of performance triggers, and efficacy of corrective action mechanisms
Financial Performance	25	• Achieve SCE core earnings target
Operational Excellence & Strategic Advancement	25	• Reliability: Improve reliability for repair outages as measured by System Average Interruption Duration Index (SAIDI). Achieve SAIDI Repair: ≤ 97, **86**, 75 minutes
		• Capital Deployment: Execute grid, technology, electrification, and other improvements to deliver safe, reliable, clean, and affordable energy for customers. ○ Achieve CPUC and FERC jurisdictional capital improvement plan execution, consistent with CPUC direction
		• Policy Outcomes: Shape California legislative and regulatory policies to align with SCE's strategy ○ Advocate for effective implementation of wildfire policies and obtain Wildfire Mitigation Plan approval and annual Safety Certification ○ Advocate for prudent cost recovery and affordability decisions that secure funding to meet company and customer needs ○ Build support for SCE's Clean Power and Electrification Pathway/Pathway 2045 and achieve key policy outcomes that accelerate its development
		• Diversity, Equity and Inclusion: Improve diversity in our employees and supplier base and drive inclusion ○ Implement a comprehensive Diversity, Equity and Inclusion (DEI) Plan ○ Achieve Diverse Business Enterprise (DBE) spend ≥ 36%, **38%**, 40%
		• Customer Service Re-Platform (CSRP): Achieve go-live by end of Q2 2021 and post implementation stabilization by end of Q4 2021 within budget
		• San Onofre Nuclear Generating Station (SONGS) Decommissioning: Safely and effectively oversee contractors to complete Decommissioning and Dismantlement critical path activities
Total:	**100**	

(1) The potential score for each goal category (other than Overarching Goals Framework, which is discussed in footnote (2) below) ranges from zero to twice the target score for the goal category. The potential total score is from zero to 200.

(2) The Compensation and Executive Personnel Committee established certain safety and compliance values that it views as "foundational". The committee can eliminate up to 100% of the annual incentive awards based on the outcomes in this category.

(3) Includes structures with compliance inspections due in 2021. 2021 P1 findings will be remediated within the compliance timeframes. Remediation of P2 findings for goal measurement exclude those with GO95 exceptions and worker/public safety conditions.

(4) Active inventory consists of trees that SCE has authority and access to remove (excludes customer refusals, environmental restrictions, etc.).

CONCLUSION

SCE has established and communicated its final 2021 annual incentive goals in order to set expectations and incent the intended performance for the year. SCE's philosophy is to use the same goals for all employees—executives and non-executives—and to communicate those goals at the same time to all employees so that the entire company works together to achieve the company's goals.

As explained in the Initial Submission and supplemented in the February 5 Reply and this correspondence, we believe SCE's 2021 executive compensation structure, including SCE's

final 2021 annual incentive goals, fully complies with the requirements of Public Utilities Code Section 8389(e) and the WSD's guidance. We urge the WSD to promptly approve SCE's 2021 executive compensation structure.

If you have any questions, or require additional information, please contact me at carla.peterman@sce.com.

Sincerely,

//s//
Carla Peterman
Senior Vice President, Strategy and Regulatory Affairs
Southern California Edison

cc: Rachel Peterson, Executive Director
Service List for R.18-10-007
wildfiresafetydivision@cpuc.ca.gov

APPENDIX

SCE 2021 Annual Incentive Goals—
Definitions/Descriptions of Representative Success Measures

Goal	Representative Success Measure	Definition/Description of Measure	Outcome-based
Worker Safety	Reduce EEI SIF Injury Rate	Metric measures the rate of serious injury and fatalities (SIF) as defined by Edison Electric Institute (EEI). Metric is standardized, which enables direct comparison and benchmarking with peer utilities that participate in EEI's survey. Measurement is based on the volume of serious injuries observed among Edison employees, normalized through a rate. $$\text{EEI SIF} = \frac{\text{Number of Series Injurists and Fatalities } \times 200{,}000}{\text{Actual Hours Worked}}$$ Lower value indicates better performance.	Y
	Reduce Employee DART Injury Rate	Metric measures DART (Days Away Restrictions and Transfers) and is a standardized metric that enables comparison with other companies. $$\text{DART Injury Rate} = \frac{\text{Number of DART injuries x } 200{,}000}{\text{Actual Hours Worked}}$$ Lower value indicates better performance.	Y
	Enhance worker safety programs	Milestones within this measure are expected to improve worker safety through reduced injuries and fatalities associated with safety risks prioritized by this program.	
Public Safety	Improve public awareness of safety around electric lines and equipment as measured by awareness survey results and key outreach activities performed	Metric measures public awareness of safety messaging on how to stay safe around electricity and electric equipment among the general public, property owners with trees near power lines, and at-risk workers (e.g., tree workers). SCE develops and provides survey questions to a third-party administrator which will distribute via a web survey. Higher value indicates better performance.	

Goal	Representative Success Measure	Definition/Description of Measure	Outcome-based
	Overhead Conductor Program	Metric measures the quantity of overhead distribution conductor replaced that is susceptible to wire-down events during fault conditions. The scope of the Overhead Conductor Program spans all of SCE's distribution grid, including areas within and outside of SCE's High Fire Risk Areas (HFRA). Higher value indicates better performance.	
	Vegetation Line Clearing	Metric measures the timely completion of planned trims of vegetation near power lines across SCE's service area, which support compliance with General Order 95 requirements. On-time trims are defined as being complete within 60 days of planned trim month if the tree is not subject to Environmental Holds and within 90 days of planned trim month if the tree is subject to Environmental Hold. Higher value indicates better performance.	
Wildfire Resiliency	CPUC reportable ignitions in High Fire Risk Areas	Metric measures all ignitions within SCE's HFRA that are associated with SCE equipment and meet CPUC reportable ignition criteria, including: • A self-propagating fire of material other than electrical and/or communication facilities, • The resulting fire traveled greater than one linear meter from the ignition point, and • The utility has knowledge that the fire occurred Metric includes all events associated with SCE equipment, not necessarily caused by SCE equipment. Lower value indicates better performance.	Y
	Improve PSPS customer experience by executing comprehensive improvement plan focused on enhancing notifications and other PSPS capabilities	Activity-based measure of efforts to complete the corrective action plan activities SCE filed on February 12, 2021 that targets comprehensive advancements across PSPS capabilities focused on reducing use of PSPS as a result of grid hardening and other risk mitigation activities, executing PSPS effectively, mitigating impacts of PSPS, keeping partners and customers (e.g., local government, vulnerable customers) informed and enhancing post event reporting.	
	Covered Conductor	Metric measures the quantity of covered conductor installed within SCE's HFRA under the Wildfire Covered Conductor Program as well as other programs that install covered conductor in HFRA.	

Goal	Representative Success Measure	Definition/Description of Measure	Outcome-based
		Higher value indicates better performance.	
	Overhead Inspections	Metric measures the completion of the planned number of ground- and aerial-based inspections of overhead infrastructure in SCE's HFRA. Metric also measures the percentage of associated findings remediated 30 days before the compliance due date. Higher value indicates better performance.	
	Hazard Tree and Drought Relief	Metric measures the percentage of all trees mitigated through the Hazard Tree Management Program or Drought Relief Initiative within 180 active days from identification, measured on a cumulative basis: $$\%\ \text{mitigated} = \frac{(\text{YTD hazard trees mitigated within 180 days of identification date})}{(\text{YTD hazard trees requiring mitigation within 180 days of identification date})}$$ Active Days start when SCE has both access and authority to remove a tree and it is paused when authority or access conditions are interrupted. Higher value indicates better performance.	
Cybersecurity	Execute cybersecurity improvements to mitigate risk of compromise	Metric measures cyber tools saturation percentage for end-user desktops and laptops and saturation for servers $$\text{Cyber Tools Satruation}\ \% = \frac{\text{Number of endpoint devices with all (5)tools deployed}}{\text{Total number of endpoint devices}}$$ Higher value indicates better performance.	
	Mature enterprise-wide phishing program as measured by simulation exercise click rate	Metric measures the percentage of workers who clicked on a simulated email phish sent to them each quarter. Overall metric is computed as the average of the click rate from each quarter. Lower value indicates better performance.	
Safety and Resiliency Capabilities	Electric Asset Data	Activity-based measure of efforts to improve data quality associated with SCE's poles and wires.	
	Critical Business Records	Activity-based measure of efforts to improve the management of Critical Business Records by completing a risk analysis of various record types and implementing management plans used to manage the quality of high-risk records. SCE defines its Critical Business Records as those that, if mismanaged,	

Goal	Representative Success Measure	Definition/Description of Measure	Outcome-based
		has the potential for a significant negative impact associated with, among others, public or worker safety.	
	Field and Work Management Tools	Activity-based measure of efforts to advance digital tools used for inspections and vegetation management field activities to increase efficiency, simplify workflows, drive work quality, and improve information captured.	
Contractor Management	Implement Contractor Management Plan	Activity-based measure of efforts to improve contractor safety oversight and accountability, increasing collaboration with contractors and subcontractors to improve safety culture and more effectively manage risk. Activities within this metric focus on strengthening contractor management controls (e.g., clearer performance thresholds/triggers for corrective actions), embedding additional quality control reviews within contractor work, and advancing training and certification verification at the worker level.	
Financial Performance		Achieve SCE core earnings target Higher value indicates better performance.	Y
Reliability	Achieve System Average Interruption Duration Index (SAIDI), Repair	Metric measures System Average Interruption Duration Index (SAIDI) associated with repair outages. SAIDI Repair is the number of minutes, on average, a customer was without power in a year due to sustained interruptions from unplanned or emergent outages lasting five minutes or more. Excludes major event days and PSPS events. Lower value indicates better performance.	Y
Capital Deployment	Achieve CPUC and FERC jurisdictional capital improvement plan execution, consistent with CPUC direction	Metric is associated with implementing our overall plan to maintain and update our grid to serve our customers. A significant portion of the capital deployment plan is associated with wildfire mitigation and resiliency and other safety related work. In addition, reliability programs such as infrastructure replacement, load growth, preventive and breakdown maintenance, and safety are inextricably associated with reliability given the importance of electricity in our customer's lives at home, at work and in public places. Higher value indicates better performance.	Y

Goal	Representative Success Measure	Definition/Description of Measure	Outcome-based
Policy Outcomes	Advocate for effective implementation of wildfire policies and obtain WMP approval and annual Safety Certification	Activity-based measure of support for coordinated and informed wildfire policies directly helps develop and support WMP programs necessary to perform the activities which will mitigate the risk of wildfires. Given the State's focus on wildfire issues, policies need to be coordinated across agencies and jurisdictions in order to effectively move goals forward.	
	Advocate for prudent cost recovery and affordability decisions that secure funding to meet company and customer needs	Activity-based measure of a well-supported General Rate Case (with a heavy focus on wildfire mitigation and infrastructure reliability) and securing approval of cost recovery for wildfire objectives in Wildfire Expense Memorandum Account and Catastrophic Event Memorandum Account are critical to the ongoing effort to enhance public safety and reduce the risk of ignition that could result in catastrophic wildfires.	
	Build support for SCE's Clean Power and Electrification Pathway/Pathway 2045 and achieve key policy outcomes that accelerate its development	Activity-based measures of support for SCE's Clean Power and Electrification Pathway/Pathway 2045 and California's clean energy policy will advance efforts to reduce greenhouse gas emissions and impacts of climate change.	
Diversity, Equity, and Inclusion	Implement comprehensive Diversity, Equity and Inclusion (DEI) Plan	This goal consists of the ten internal and external actions listed on pages 15 and 18 of the company's August 2020 Diversity, Equity and Inclusion report, which is available at the following link: https://energized.edison.com/_gallery/get_file/?file_id=5f4541ce2cfac21437a9ff80&ir=1&file_ext=.pdf	
	Achieve Diverse Business Enterprise (DBE) spend	Metric measures purchases of materials and services from qualified and certified Women, Minority, Disabled Veteran, Lesbian, Gay, Bisexual and Transgender Business Enterprises divided by the total spend. Higher value indicates better performance.	Y

Goal	Representative Success Measure	Definition/Description of Measure	Outcome-based
Customer Service Re-Platform (CSRP)	Achieve go-live by end of Q2 2021 and post implementation stabilization by end of Q4 2021 within budget	Activity-based measure of timely completion of CSRP implementation and stabilization milestones in line with plan and within budget	
SONGS Decommissioning	Safely and effectively oversee contractors to complete Decommissioning and Dismantlement critical path activities	Activity-based measure of efforts to oversee contractors to complete Decommissioning and Dismantlement critical path activities in a safe and effective manner.	