Southern California Edison's Response to Data Request WSD SCE Exec Comp 1, Dated June 18, 2020

Data Request
On January 14, 2020, SCE responded to Wildfire Safety Division's (WSD) request for detailed information describing its executive compensation structures, in compliance with Public Utilities Code Section 8389. SCE's response included a table entitled "2020 Corporate Performance Scoring Matrix" that specified weights for categories of performance targets used in evaluating compensation awards.

Safety and Resiliency (weighted at 45 percent of the total), listed subcomponents for Worker Safety, Public Safety, Wildfire Resiliency, and Cyber Security. Similarly, the category of Operational Excellence and Strategic Advancement (25 percent) listed Capital Deployment, SONGS decommissioning, Reliability, Policy (wildfire) and Diversity.

DR 1 (a): Provide a breakout of the contribution to scoring for each of those subcomponents, and show exactly what performance metrics, goals and targets are being used to evaluate outcomes for those subcategories that contribute to the executive compensation awards for 2020 (this can be presented in table form as an expanded version of the table provided in SCE's reply comments).
DR 1 (b): Also, describe how these metrics contribute to safety improvements, particularly wildfire mitigation.

Please respond to this request by Monday June 22 COB in order for WSD to complete its evaluation of SCE's executive compensation structures.

SCE Response to DR 1(a):

As an update to our January 14, 2020 and February 11, 2020 submissions, please see the final 2020 annual incentive goals for SCE executives ("Final 2020 Goals") that are included in Appendix M of the 2020 Safety Certification Request that SCE submitted on June 19, 2020. The Final 2020 Goals were approved on February 26, 2020 by the SCE Board of Directors Compensation and Executive Personnel Committee ("Compensation Committee").

The Final 2020 Goals are intended to focus executives' attention on the foundational importance of safety, compliance and SCE's values, and the three main goal categories of Safety & Resiliency, Financial Performance and Operational Excellence & Strategic Advancement, with the highest weighting on Safety & Resiliency at 45 percent. As explained below, our philosophy around goal setting emphasizes the importance of these goal categories as a whole.

Under each goal category, executives are provided representative success measures, so they understand what is meant by the overarching goal category. The success measures are labeled as "representative" to reflect that the Compensation Committee has discretion to adjust these for real-world events. Every situation cannot be contemplated when annual goals and success measures are developed. We want executives to react in a dynamic manner to new issues as they arise–particularly in terms of safety.

The Final 2020 Goals do not assign specific weights for subcomponents because allocating small percentages to numerous subcomponents would mask the importance of the overarching goal categories. For example, the most important and heavily weighted category is Safety & Resiliency, which includes wildfire mitigation. Providing a weighting breakdown of subcomponents at the beginning of the

year might obscure the critical importance of all the representative success measures within the category. They are all necessary in our effort to increase the safety and resiliency of our communities and our workers. We want executives to be focused on achieving the main objectives and all the success measures, and not make tradeoffs due to small weighting differences between subcomponents.

When the year is complete, the Compensation Committee assesses all the individual representative success measures that are approved at the beginning of the year, as well as other important activities and developments during the year. At that time, the Compensation Committee evaluates the relative importance of the various success measures and scores the subcategories. The outcome of this process is publicly communicated in the EIX/SCE Joint Proxy Statement. Attached is the 2019 SCE Corporate Performance Scoring Matrix, as disclosed in the EIX/SCE 2020 Joint Proxy Statement. The "Actual Score for Goal" and "Actual Score for Goal Category" were determined by the Compensation Committee on February 26, 2020, based on its judgment after assessing SCE's 2019 performance. Similarly, in late February 2021, the Compensation Committee will assess SCE's 2020 performance and determine scores for 2020 goals. The scoring will be publicly disclosed in the EIX/SCE 2021 Joint Proxy Statement, which will be published in mid-March 2021.

SCE Response to DR 1(b)

As noted in SCE's response to DR 1(a), each main goal category contains representative success measures. SCE's approach to each of the success measures in the Safety & Resiliency, as well as the specific success measures within the Operational Excellence & Strategic Advancement categories called out by the data request, and how they contribute to safety improvements are described below. While the connection between a category such as Safety & Resiliency to safety improvements is very apparent, we believe the other categories also reinforce a culture that encompasses diverse perspectives and objectives that promote safety. The combination of these goals allows SCE to continuously incorporate best practices broadly and pursue critical policy outcomes – which ultimately reinforce the work that is accomplished around safety, resiliency, and pursuit of healthy communities. Below we provide specifics responsive to each category of information requested by the Wildfire Safety Division.

SAFETY & RESILIENCY

Worker Safety: Over the past few years, SCE has transformed its safety culture so safety is viewed as more than just metrics, and instead also includes a mindset of caring for the well-being of the people we work with and the customers we serve. When employees and contractors have the training, tools, and work processes to work safely, it means the quality of their work is better, they are able to show up for work and perform their assigned duties well, and can complete the work that is needed to serve our customers in a timely manner. Wildfire mitigation activities comprise a significant portion of SCE's work currently, and worker safety directly translates to high quality and timely implementation of these initiatives.

With this background as the context for its work, SCE uses the following performance metrics for the Worker Safety success measure:

- **EEI SIF Rate** - Edison Electric Institute (EEI) serious injury and fatality (SIF) rate measures the number of serious injuries and fatalities normalized by the actual hours worked. The definition of SIFs by EEI is standardized, which enables direct comparison and benchmarking with peer

utilities that participate in EEI's survey. Reductions in the EEI SIF Rate contribute to improved worker safety through reductions in serious injuries and fatalities.

- **DART Injury Rate** – Days Away Restrictions and Transfers (DART) injury rate is a measurement to describe the number of recordable injuries and illnesses per 100 full-time employees that resulted in days away from work, restricted work activity, and/or job transfer. DART is also a standardized metric that enables comparison with other companies. Reductions in the DART rate contribute to improved safety through reductions in injuries and illnesses that impact an employee's ability to perform their job.
- **Enhance Worker Safety Programs** – is comprised of two metrics:
    - ***Safety Predictive Model*** – measures efforts to develop capability to identify risks for field personnel related to particular types of work by utilizing work orders. This approach integrates risk management into work management processes, before the actual work is commenced, so that hazards can be proactively mitigated. Completion of milestones within this metric are expected to improve worker safety through reduced injuries and fatalities associated with higher-risk work orders.
    - ***Contractor Safety Management Program*** – measures efforts to improve contractor safety oversight, increasing collaboration with contractors and subcontractors to improve safety culture and more effectively manage risk. Completion of milestones within this metric are expected to improve worker safety through reduced serious injuries and fatalities with SCE contractors and subcontractors.

Public Safety: Our infrastructure is located throughout our communities and the public is often physically close to our infrastructure and work sites. Equipment or structure failure or lack of proper precautions at work sites can lead to injuries to the public. Reducing the risk of injuries to the public is an integral part of delivering safe and reliable service. Public awareness and education regarding the hazards around electrical infrastructure, such as what to do or not do when someone sees a wire down, is a key component of keeping the public safe. In addition, based on safety risk analysis, SCE has identified key drivers of potential public injury associated with utility infrastructure. One of these areas is underground vault explosions. These vaults are often located in populated areas. Restrained vault lids can help contain the explosion and prevent the lid from becoming dislodged and injuring individuals. Another key safety risk is associated with overhead conductor failures and wire down incidents and ignitions, which can be partly mitigated by vegetation clearing. Note that vegetation clearance is a subset of wildfire mitigation plans discussed below.

With this background as the context for its work, SCE uses the following performance metrics within the Public Safety success measure:

- **Improve public awareness of safety around electric lines and equipment as measured by awareness survey results and key outreach activities performed** – metric measures efforts to increase awareness for 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). Improvements in public awareness are expected to improve public safety through reduced injuries or fatalities associated with individuals coming into contact with energized power lines and equipment.
- **Covered Pressure Relieve and Restraint (CPRR) –** metric measures deployment of self-restraining pressure relieving underground vault covers. These covers have features that can

relieve the pressure generated from equipment failures occurring within the fault and also have shackles and chains that will restrain the cover and prevent it from becoming a projectile in the event the pressure is sufficient to dislodge the cover. The installation of CPRR covers is expected to improve public safety by mitigating potential injuries to the public due to underground equipment failures.

- **Vegetation Line Clearing –** metric measures the timely completion of planned trimming of vegetation near power lines across SCE's service area. The timely completion of vegetation trimming is expected to improve both public safety and provide wildfire mitigation by reducing the likelihood of contact between vegetation and energized power lines, which can lead to downed wires that are energized and/or the release of energy that can cause wildfire ignitions.

Wildfire Resiliency: This success measure addresses a key public safety risk. It encompasses deployment of SCE's wildfire mitigation plan (WMP) which includes infrastructure hardening, vegetation management, detailed inspections and remediations, and situational awareness. SCE's WMP also emphasizes targeted use of Public Safety Power Shutoff (PSPS) and focuses on continuing improvement of this effective tool and of efforts to mitigate customer impacts with particular focus on providing resiliency services for access and functional needs (AFN) customers.

With this background as the context for its work, SCE uses the following performance metrics for the Wildfire Resiliency success measure:

- **Covered Conductor** – this metric measures the quantity of covered conductor installed within SCE's High Fire Risk Areas (HFRA) under the Wildfire Covered Conductor Program as well as other programs that install covered conductor in HFRA. The installation of covered conductor improves public safety by mitigating wildfire ignitions that might otherwise occur on overhead lines with bare conductor. Covered conductor also improves public safety by mitigating the public's contact with overhead lines by replacing small conductors that are more prone to failure due to fatigue from cumulative mechanical stress and/or damage from electrical faults they have experienced during their service life (i.e., reduces likelihood of downed wires). Additionally, the conductor's covering offers improved safety protection for the public in the limited cases of high impedance faults, as tests and studies have demonstrated that incidental contacts with energized conductor that is covered do not result in injuries.
- **Overhead Inspections and Remediations** – this metric measures the completion of ground- and aerial-based inspections of overhead infrastructure in SCE's HFRA as well as the remediation of associated findings. This activity improves wildfire resiliency and public safety by identifying and remediating conditions that could lead to wildfire ignitions or equipment failure that could result in the public's contact with energized equipment.
- **Hazard Tree Management Program** – this metric measures the completion of the assessment and the timely remediation of hazard trees that are within the utility strike zone (e.g., trees taller than they are closer) of overhead lines in HFRA. This activity improves wildfire resiliency and public safety by identifying and remediating hazard trees that could fall into overhead lines and cause wildfire ignitions or other conditions that could result in the public's contact with energized equipment.
- **Weather Station Installation** – this metric measures the quantity of weather stations installed. This activity improves wildfire resiliency by improving situational awareness and weather

modeling capabilities that can be used to better forecast higher-risk wildfire weather conditions as well as monitor real-time weather conditions. Advancements in these capabilities improves wildfire resiliency by enabling SCE to better plan and implement various operational practices (e.g., recloser settings, Public Safety Power Shutoff, additional patrols/inspections) that reduce the risk of wildfire ignitions.

- **Public Safety Power Shutoff (PSPS)** – metric measures the completion of programmatic improvements in the areas of advancing tools and processes, ensuring compliance with newly adopted regulatory requirements, enhanced staffing and readiness, and increasing customer education, resiliency, and engagement. This activity improves wildfire resiliency and public safety by improving SCE's ability to manage PSPS events and customers' preparation and response to PSPS events.

Cybersecurity: It is imperative to maintain effective control of the grid and mitigate the possibility for bad actors to cause disruptions and unsafe situations. Given the increasing number and sophistication of cyberattacks, cybersecurity is a key component of providing safe service to our customers. Cybersecurity also aims to prevent data breaches which might put confidential information about our customers in malicious hands and expose them to unsafe situations.

With this background as the context for its work, SCE uses the following performance metrics for the Cybersecurity success measure:

- **Execute Cybersecurity Improvements** – this metric measures the execution of cybersecurity improvements to mitigate risk of compromise of SCE systems. This activity is expected to improve public safety by ensuring cyber threats do not compromise the reliable delivery of electricity to SCE's customers.
- **Mature Enterprise-Wide Phishing Program –** this metric measures the click rate of workers that have been sent a simulated email phish. This activity is expected to improve public safety by continuing a focus on employee training and attentiveness to cyber threats, thus ensuring cyber threats do not compromise the reliable delivery of electricity to SCE's customers.

OPERATIONAL & SERVICE EXCELLENCE AND STRATEGIC ADVANCEMENT

Capital Deployment: This goal 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, and preventive and breakdown maintenance are inextricably associated with safety given the importance of electricity to our customers and the communities in which they live.

Policy: This goal is associated with pursuit of policies that best position SCE to mitigate the risk of wildfires, as well as pursue associated operations that enhance customer reliability, safe operations, and accomplishment of the State's climate goals. The subcomponents of this goal address implementation of wildfire policies (including WMP and Safety Certification), as well as support for SCE's General Rate Case, and Clean Energy and Electrification Pathway. Each of these is addressed briefly below.

First, 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. Additionally, wildfire-related policy work includes receiving cost recovery authorization so that SCE can deploy capital and resources to get necessary work done for wildfire resilience, safety, reliability and other activities, while doing so in an affordable manner. The funding authorization also enables us to undertake key safety activities such as training and customer outreach.

Second, similar to the 2020 Capital Deployment objective, a well-supported General Rate Case (with a heavy focus on wildfire mitigation and infrastructure reliability) is critical to the ongoing effort to enhance public safety and reduce the risk of ignition that could result in catastrophic wildfires.
Third, SCE has a keen focus on wildfire mitigation and in the near-term has made choices, as outlined in SCE's General Rate Case application, to focus resources on the implementation of its Wildfire Mitigation Plan. However, the longer-term objective of reducing greenhouse gas emissions is critical in order to mitigate in a more permanent manner the impacts of climate change which drive catastrophic wildfires. Further, the clean energy future that is embedded in state legislation and is a cornerstone to the company's efforts, improves the overall health and well-being of our communities. Thus, the success measure related to clean energy policy aligns with a safety focus.

Diversity: This goal ensures actively pursuing different viewpoints and skills that help identify issues and new solutions in all aspects of our business, including how we approach worker safety, public safety and electrical infrastructure safety. It also ensures that all are included in the opportunities created by SCE's work in its communities.

San Onofre Nuclear Generation Station (SONGS) Decommissioning: Safe decommissioning and associated work, including fuel transfer, directly impact public safety.

Reliability: As mentioned earlier, reliability and safety go hand in hand. For example, helping assure reliable service means safe operations of medical equipment at homes and hospitals, and public safety related items such as traffic signals and street lighting.