

PUBLIC UTILITIES COMMISSION  
505 Van Ness Avenue  
San Francisco CA 94102-3298



**Pacific Gas & Electric Company**  
**ELC (Corp ID 39)**  
**Status of Advice Letter 4630G/6642E**  
**As of August 16, 2022**

Subject: Tier 1 Advice Letter re Executive Compensation

Division Assigned: Energy

Date Filed: 07-08-2022

Date to Calendar: 07-18-2022

Authorizing Documents: None

<b>Disposition:</b>	<b>Accepted</b>
<b>Effective Date:</b>	<b>07-08-2022</b>

Resolution Required: No

Resolution Number: None

Commission Meeting Date: None

CPUC Contact Information:

[edtariffunit@cpuc.ca.gov](mailto:edtariffunit@cpuc.ca.gov)

AL Certificate Contact Information:

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(415) 973-8794

[PGETariffs@pge.com](mailto:PGETariffs@pge.com)

**PUBLIC UTILITIES COMMISSION**  
505 Van Ness Avenue  
San Francisco CA 94102-3298



To: Energy Company Filing Advice Letter

From: Energy Division PAL Coordinator

Subject: Your Advice Letter Filing

The Energy Division of the California Public Utilities Commission has processed your recent Advice Letter (AL) filing and is returning an AL status certificate for your records.

The AL status certificate indicates:

- Advice Letter Number
- Name of Filer
- CPUC Corporate ID number of Filer
- Subject of Filing
- Date Filed
- Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)
- Effective Date of Filing
- Other Miscellaneous Information (e.g., Resolution, if applicable, etc.)

The Energy Division has made no changes to your copy of the Advice Letter Filing; please review your Advice Letter Filing with the information contained in the AL status certificate, and update your Advice Letter and tariff records accordingly.

All inquiries to the California Public Utilities Commission on the status of your Advice Letter Filing will be answered by Energy Division staff based on the information contained in the Energy Division's PAL database from which the AL status certificate is generated. If you have any questions on this matter please contact the:

Energy Division's Tariff Unit by e-mail to  
**[edtariffunit@cpuc.ca.gov](mailto:edtariffunit@cpuc.ca.gov)**



**Sidney Bob Dietz II**  
Director  
Regulatory Relations

Pacific Gas and Electric Company  
77 Beale St., Mail Code B13U  
P.O. Box 770000  
San Francisco, CA 94177  
Fax: 415-973-3582

July 8, 2022

**Advice 4630-G/6642-E**  
(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

**Subject: Tier 1 Advice Letter re Executive Compensation**

**Purpose**

The California Public Utilities Commission's (the "Commission") June 1, 2020 Decision Approving the Chapter 11 Reorganization Plan of Pacific Gas and Electric Company ("PG&E") and PG&E Corporation (D.20-05-053) (the "POR Decision") imposes requirements on compensation provided to PG&E executive officers. One such requirement is "[a]nnual reporting of awards to the CPUC through a Tier 1 Advice Letter compliance filing."<sup>1</sup> Pursuant to the Commission's directive, PG&E submits this Tier 1 Advice Letter to report on PG&E's 2021 executive officer compensation awards, and to address how such awards comply with certain requirements of the POR Decision and Assembly Bill ("AB") 1054. Pursuant to the Commission's Resolution E-5187, PG&E has conferred with the Energy Division and the Safety and Policy Division prior to submitting this letter.

**Discussion**

The following chart summarizes the mix of compensation granted to PG&E's executive officers<sup>2</sup> in 2021 in the form of salaries, cash incentive awards through PG&E's 2021

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<sup>1</sup> D.20-05-053 at 88.

<sup>2</sup> As used herein, "executive officers" refers to individuals who qualify as "executive officers" within the meaning of Public Utilities Code §§ 451.5 and 8389(e)(4). PG&E construes "executive officers" as used in these statutes to refer to utility officers who qualify as "executive officers" under 17 C.F.R. § 240.3b-7. *Compare* Pub. Util. Code § 451.5 (definition of "executive officer") with 17 C.F.R. § 240.3b-7 (similar definition); *see also* Resolution E-4963 at 8 (CPUC Dec. 13, 2018) (construing "officer" in Public Utilities Code § 706 to mean the executive officers encompassed by § 240.3b-7); Decision on Test Year 2021 General Rate Case for Southern California Edison Co., D.21-08-036, at 419 (CPUC Aug. 20, 2021) ("[W]e find it reasonable to continue to apply the definition of 'officer' adopted in Resolution E-4963."). Compensation for other officers of PG&E, or for individuals who are employed solely by PG&E Corporation, is not

Short-Term Incentive Plan (“STIP”), and performance share equity incentive awards through PG&E Corporation’s Long-Term Incentive Plan (“LTIP”):

<b>Executive Officer<sup>3</sup></b>	<b>Base Salary<sup>4</sup></b>	<b>STIP<sup>5</sup></b>	<b>LTIP<sup>6</sup></b>
EVP, Engineering, Planning and Strategy	\$675,000 (23.03%)	\$506,250 (17.27%)	\$1,750,000 (59.70%)
EVP and Chief Customer Officer	\$825,000 (19.80%)	\$742,500 (17.82%)	\$2,600,000 (62.39%)
EVP, Operations and Chief Operating Officer	\$825,000 (19.80%)	\$742,500 (17.82%)	\$2,600,000 (62.39%)
VP and Chief Financial Officer	\$364,000 (38.48%)	\$182,000 (19.24%)	\$400,000 (42.28%)
<b>Average</b>	<b>\$672,250 (25.28%)</b>	<b>\$543,313 (18.04%)</b>	<b>\$1,837,500 (56.69%)</b>

PG&E believes that the foregoing complies with AB 1054 and the POR Decision. In fact, on October 19, 2021, the Office of Energy Infrastructure Safety (“OEIS”) found that PG&E’s 2021 executive compensation structure met “the requirements set forth in Public Utilities Code sections 8389(e)(4) and (e)(6),” and that PG&E also had shown that “PG&E’s [2021] executive compensation plan meets th[e] requirements” of “CPUC

discussed herein. For more information on how PG&E construes “executive officers,” please refer to pages 1 and 2 of the May 2, 2022 letter from PG&E to the Office of Energy Infrastructure Safety seeking approval of PG&E’s 2022 executive compensation structure.

<sup>3</sup> As permitted by PG&E’s Bylaws, the PG&E Board of Directors has allocated the powers and duties of the office of PG&E President to the three EVPs listed in this chart. As such, no individual has the title of PG&E President, and each of these three EVPs serves as a chief executive officer and a principal executive officer of PG&E.

<sup>4</sup> Salary figures reflect annualized amounts. For any individual who was not in an executive officer position during the entirety of 2021, the base salary percentage reflects an annualized figure based on such individual’s salary during the period such individual was an executive officer.

<sup>5</sup> STIP figures reflect annualized award amounts at target levels for the 2021 STIP’s performance period. Payouts were provided in 2022, following conclusion of the 2021 performance period and certification of the STIP performance score by the People and Compensation Committee of the PG&E Corporation Board of Directors.

<sup>6</sup> LTIP percentages reflect annualized award values at target levels pursuant to 2021 LTIP performance share awards with a three-year performance period. Unlike the STIP, which has a one-year performance period, the 2021 LTIP performance shares have a performance period of January 1, 2021 through December 31, 2023. Accordingly, the final performance score, and actual payouts of 2021 LTIP performance shares, if any, will not be determined until after 2023.

Decision 20-05-053.”<sup>7</sup> In particular, PG&E believes that the foregoing complies with the following requirements:<sup>8</sup>

- Public Utilities Code § 8389(e)(6)(A)(i)(I) requires a compensation structure for any new or amended contracts with executive officers to be “based” on a “principle[]” of “[s]trict limits on guaranteed cash compensation, with the primary portion of the executive officers’ compensation based on achievement of objective performance metrics.” As reflected in the chart, guaranteed cash compensation was a minority of total executive officer compensation for 2021, with the primary portion of the executive officers’ compensation being “at risk” and granted through the STIP and the LTIP. Notably, OEIS found that “PG&E’s [2021] executive compensation structure meets the requirements of Public Utilities Code section 8389(e)(6)(A)(i)(I), with the primary portion of the executive officers’ compensation based on achievement of objective performance metrics.”<sup>9</sup>
- Public Utilities Code § 8389(e)(6)(A)(i)(II) requires a compensation structure for any new or amended contracts with executive officers to be “based” on a “principle[]” of “[n]o guaranteed monetary incentives in the compensation structure.” As reflected in the chart, there were no guaranteed monetary incentives for PG&E executive officers; the only cash incentive payments were granted through the STIP, and they were entirely “at risk.”<sup>10</sup> Notably, OEIS found that “PG&E’s executive [compensation] structure meets Public Utilities Code section 8389(e)(6)(A)(i)(II) since there is no guaranteed monetary compensation in the performance portion of the executive compensation package.”<sup>11</sup>
- Public Utilities Code § 8389(e)(6)(A)(iii) requires a compensation structure for any new or amended contracts with executive officers to be “based” on a “principle[]” of “[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

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<sup>7</sup> Approval of PG&E’s 2021 Executive Compensation Structure at 4, 6 (OEIS Oct. 19, 2021).

<sup>8</sup> Certain requirements of AB 1054 and the POR Decision are not implicated by the mix of compensation reported on in this letter (e.g., a requirement that a utility use performance metrics that are “measurable and enforceable”). Pub. Util. Code § 8389(e)(4). PG&E does not discuss such other requirements herein. For information on such other requirements, PG&E respectfully refers the Commission to PG&E’s January 15, 2021 submission to the Commission’s Wildfire Safety Division (now OEIS), including supplements filed by PG&E on March 2 and June 4, 2021.

<sup>9</sup> Approval of PG&E’s 2021 Executive Compensation Structure at 4 (OEIS Oct. 19, 2021).

<sup>10</sup> In 2021, PG&E provided limited non-salary cash payments to executive officers, such as modest stipends in lieu of a package of corporate perquisites. PG&E does not believe that such payments constitute “guaranteed monetary incentives.”

<sup>11</sup> Approval of PG&E’s 2021 Executive Compensation Structure at 4 (OEIS Oct. 19, 2021).

performance and value,” with such “compensation . . . held or deferred for a period of at least three years.” As reflected in the chart, a significant portion of executive officer compensation for 2021, ranging from 42.28% to 62.39% at target levels, consisted of equity-based performance share awards (with such awards being subject to a three-year hold). Notably, OEIS found that the 2021 executive compensation structure “appears to satisfy the principles outlined in . . . Public Utilities Code section 8389(e)(6)(A)(iii).”<sup>12</sup>

- The POR Decision requires a “majority or super-majority of incentive compensation, in the form of equity awards” to be held “or deferr[ed] . . . for at least 3 years.”<sup>13</sup> As OEIS found, “LTIP compensation,” which was both a majority and a super-majority of executive officer incentive compensation awards in 2021, “is awarded annually but not [paid] for at least three years after being awarded.”<sup>14</sup>
- The POR Decision requires that “[g]uaranteed cash compensation as a percentage of total compensation not exceed industry norms.”<sup>15</sup> In compliance with the POR Decision’s requirement that there be “[a]nnual review of awards by an independent consultant,”<sup>16</sup> the People and Compensation Committee of the PG&E Corporation Board of Directors uses a nationally recognized independent consultant (Meridian Compensation Partners, LLC) to confirm, among other things, that base salaries for executive officers as a percentage of total compensation do not exceed industry norms. PG&E believes that the base salary percentages in the chart are within industry norms.

The POR Decision also imposed the following requirement: “[There shall be 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.”<sup>17</sup> The Decision clarified who bears responsibility for applying the presumption, as follows:

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<sup>12</sup> Approval of PG&E’s 2021 Executive Compensation Structure at 4 (OEIS Oct. 19, 2021).

<sup>13</sup> D.20-05-053 at 88. Though PG&E does not read this portion of the POR Decision to require that a majority or super-majority of overall incentive compensation for executive officers be in the form of equity awards, to the extent it can be read that way, PG&E’s 2021 awards also would satisfy such a requirement. As indicated by the figures in the chart, LTIP performance share equity awards in 2021 at target levels averaged 75.47% of total executive officer incentive compensation in the aggregate, and comprised more than 68.72% of individual executive officer incentive compensation in every case.

<sup>14</sup> Approval of PG&E’s 2021 Executive Compensation Structure at 4 (OEIS Oct. 19, 2021).

<sup>15</sup> D.20-05-053 at 88.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

“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.”<sup>18</sup> As PG&E reported in its January 15, 2021 submission to the Commission’s Wildfire Safety Division, PG&E implemented this requirement on June 25, 2020, when PG&E’s Board of Directors adopted a Policy Statement providing 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 [PG&E]. Any such determination by the Board shall be subject to Commission review and modification.”

In February 2022, the PG&E Corporation People and Compensation Committee (the “Committee”) considered whether to exercise its discretion to materially reduce executive officer incentive compensation payouts for the 2021 STIP performance year and the LTIP’s three-year performance period ending in December 2023. The Committee considered with management the totality of circumstances over the course of 2021, including but not limited to the possibility that PG&E assets were the ignition source of the Dixie, Blue and Fly fires, PG&E’s overall public and workforce safety (which included three fatalities from contractor workforces and one public fatality), and PG&E’s entry into Step 1 of the Commission’s Enhanced Oversight and Enforcement Process in connection with its risk prioritization of vegetation management work. The Committee also considered available facts about the Dixie Fire, and the extent to which facts about the Dixie Fire were not yet fully available and/or were subject to ongoing review and discovery.

The Committee determined to exercise its discretion to reduce short-term incentive compensation paid in 2022 to all eligible employees by 25% for the 2021 STIP performance year. In addition, the short-term incentive payment was further reduced for certain PG&E executive officers, which resulted in a reduction of short-term incentive compensation by an average of approximately 40% from the otherwise applicable results for those executive officers.

At the time the Committee elected to exercise this negative discretion, the Committee did not make any determination that a presumption of withholding of a material portion of executive officer incentive compensation pursuant to the POR Decision should apply, or that the factual predicates for any such presumption existed. Nevertheless, the Committee intended that, to the extent such withholding was required by the POR Decision, such reduction in STIP payouts shall satisfy, in part, such requirement.

The Committee also recognized that LTIP performance share awards for 2021 will not be paid out, as applicable, until after December 31, 2023 (the end of the three-year performance period for performance shares granted in 2021). The Committee considered that an adjustment to such performance share payouts could be used to satisfy the POR

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<sup>18</sup> *Id.* at 92.

Decision's requirement to withhold a "material portion" of executive officer incentive compensation (if applicable). The Committee recognized that it has the ability and discretion at any time prior to such payouts to determine that reducing such payouts would be appropriate, or, alternatively, would not be appropriate. The Committee determined to address the issues after appropriate factual reviews regarding the Dixie Fire are complete (or such other time as the Committee determines in its discretion), and prior to PG&E making 2021 performance share payouts to PG&E executive officers.

For further information regarding PG&E's 2021 executive officer compensation awards, please refer to (i) pages 34 to 76 of PG&E and PG&E Corporation's 2022 joint proxy statement;<sup>19</sup> and (ii) PG&E's Report pursuant to General Order No. 77-M for the year ended December 31, 2021.<sup>20</sup>

### **Protests**

Anyone wishing to protest this submittal may do so by letter sent electronically via E-mail, no later than July 28, 2022, which is 20 days after the date of this submittal. Protests must be submitted to:

CPUC Energy Division  
ED Tariff Unit  
E-mail: EDTariffUnit@cpuc.ca.gov

The protest shall also be electronically sent to PG&E via E-mail at the address shown below on the same date it is electronically delivered to the Commission:

Sidney Bob Dietz II  
Director, Regulatory Relations  
c/o Megan Lawson  
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name and e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

### **Effective Date**

Pursuant to General Order (GO) 96-B, Rule 5.1, and D.20-05-053, this advice letter is submitted with a Tier 1 designation. PG&E requests that this Tier 1 advice submittal become effective upon date of submittal, which is July 8, 2022.

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<sup>19</sup> [https://s1.q4cdn.com/880135780/files/doc\\_financials/2020/ar/PCG011\\_PXY\\_2021\\_Web-\(003\).pdf](https://s1.q4cdn.com/880135780/files/doc_financials/2020/ar/PCG011_PXY_2021_Web-(003).pdf).

<sup>20</sup> [https://www.pge.com/pge\\_global/common/pdfs/about-pge/company-information/regulation/GO77M.pdf](https://www.pge.com/pge_global/common/pdfs/about-pge/company-information/regulation/GO77M.pdf).

**Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically to parties shown on the attached list and the parties on the service list for I.19-09-016. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process\_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter submittals can also be accessed electronically at: <http://www.pge.com/tariffs/>.

\_\_\_\_\_/S/

Sidney Bob Dietz II  
Director, Regulatory Relations

Attachments

cc: Service List I.19-09-016



# ADVICE LETTER SUMMARY

## ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Pacific Gas and Electric Company (ID U39 M)

Utility type:

- ELC       GAS       WATER  
 PLC       HEAT

Contact Person: Annie Ho  
 Phone #: (415) 973-8794  
 E-mail: PGETariffs@pge.com  
 E-mail Disposition Notice to: AMHP@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas      WATER = Water  
 PLC = Pipeline      HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 4630-G/6642-E

Tier Designation: 1

Subject of AL: Tier 1 Advice Letter re Executive Compensation

Keywords (choose from CPUC listing): Compliance

AL Type:  Monthly  Quarterly  Annual  One-Time  Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested?  Yes  No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required?  Yes  No

Requested effective date: 7/8/22

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: N/A

<sup>1</sup>Discuss in AL if more space is needed.

**Protests and correspondence regarding this AL are to be sent via email and are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:**

California Public Utilities Commission  
Energy Division Tariff Unit Email:  
[EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Contact Name: Sidnev Bob Dietz II. c/o Megan Lawson  
Title: Director, Regulatory Relations  
Utility/Entity Name: Pacific Gas and Electric Company  
  
Telephone (xxx) xxx-xxxx: (415)973-2093  
Facsimile (xxx) xxx-xxxx: (415)973-3582  
Email: PGETariffs@pge.com

Contact Name:  
Title:  
Utility/Entity Name:  
  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email:

CPUC  
Energy Division Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102

Clear Form

**PG&E Gas and Electric  
Advice Submittal List  
General Order 96-B, Section IV**

AT&T  
Albion Power Company

Alta Power Group, LLC  
Anderson & Poole

Atlas ReFuel  
BART

Barkovich & Yap, Inc.  
Braun Blasing Smith Wynne, P.C.  
California Cotton Ginners & Growers Assn  
California Energy Commission

California Hub for Energy Efficiency  
Financing

California Alternative Energy and  
Advanced Transportation Financing  
Authority  
California Public Utilities Commission  
Calpine

Cameron-Daniel, P.C.  
Casner, Steve  
Center for Biological Diversity

Chevron Pipeline and Power  
City of Palo Alto

City of San Jose  
Clean Power Research  
Coast Economic Consulting  
Commercial Energy  
Crossborder Energy  
Crown Road Energy, LLC  
Davis Wright Tremaine LLP  
Day Carter Murphy

Dept of General Services  
Don Pickett & Associates, Inc.  
Douglass & Liddell

East Bay Community Energy Ellison  
Schneider & Harris LLP  
Engineers and Scientists of California

GenOn Energy, Inc.  
Goodin, MacBride, Squeri, Schlotz &  
Ritchie  
Green Power Institute  
Hanna & Morton  
ICF  
International Power Technology

Intertie

Intestate Gas Services, Inc.  
Kelly Group  
Ken Bohn Consulting  
Keyes & Fox LLP  
Leviton Manufacturing Co., Inc.

Los Angeles County Integrated  
Waste Management Task Force  
MRW & Associates  
Manatt Phelps Phillips  
Marin Energy Authority  
McClintock IP  
McKenzie & Associates

Modesto Irrigation District  
NLine Energy, Inc.  
NRG Solar

OnGrid Solar  
Pacific Gas and Electric Company  
Peninsula Clean Energy

Pioneer Community Energy

Public Advocates Office

Redwood Coast Energy Authority  
Regulatory & Cogeneration Service, Inc.  
SCD Energy Solutions  
San Diego Gas & Electric Company

SPURR  
San Francisco Water Power and Sewer  
Sempra Utilities

Sierra Telephone Company, Inc.  
Southern California Edison Company  
Southern California Gas Company  
Spark Energy  
Sun Light & Power  
Sunshine Design  
Stoel Rives LLP

Tecogen, Inc.  
TerraVerde Renewable Partners  
Tiger Natural Gas, Inc.

TransCanada  
Utility Cost Management  
Utility Power Solutions  
Water and Energy Consulting Wellhead  
Electric Company  
Western Manufactured Housing  
Communities Association (WMA)  
Yep Energy