

2021 Incentive Plans- LTIP Deep Dive

January 14, 2021



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2021 Incentive Plans Action Items

2021 Incentive Plans

		Owner	Status
Jan 5 th	Informal CC Meeting with CEO (key decisions for Jan 15 th filing)	CC	Complete
<i>Jan 14th</i>	<i>Deep Dive on 2021 LTIP Targets with Patti and Metric Owners</i>	<i>Various</i>	<i>In Process</i>
	<i>Deep Dive on 2021 LTIP Targets with CC and Metric Owners</i>	<i>CC</i>	<i>In Process</i>
Jan 15 th	File Executive Incentive Letter with WSD	Legal	
Jan 21 st	Deep Dive on 2021 STIP Targets with CC and Metric Owners	CC	
Feb 1 st	Pre-Read Materials due to CC	HR	
Feb 9 th	CC Finalizes the 2021 Incentive Plan Design	CC	

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POR OII Consideration for 2020 Incentive

Scores

"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."

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2021 LTIP



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2021 LTIP Measures and Proposed Weightings

2021 LTIP Performance Shares Measures

Measures*	Weights
Customer	35%
Customer Satisfaction Score (CSS)	17.5%
Public Safety Power Shutoff (PSPS) Notification Accuracy	17.5%
Public Safety	35%
System Hardening Effectiveness (Risk Miles)	17.5%
Enhanced Vegetation Management Effectiveness (Risk Miles)	17.5%
Financial	30%
Greater Affordability for Customers	15%
Relative Total Shareholder Return (TSR)	15%

*Measures in red are new in 2021

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2021 LTIP Target Overview

2021 LTIP Measures	2021 Targets (3 year performance period)			2020 Targets (if metric is carried over)	
	Threshold (0.50)	Target (1.0)	Maximum (2.0)	Target (1.0)	YTD Results (estimates)
Customer					
Customer Satisfaction Score (CSS)	76.40%	77.60%	78.80%	72.30%	72%
Public Safety Power Shutoff (PSPS) Notification Accuracy	98.0%	99.0%	99.0%	99.0%	99.50%
Public Safety					
System Hardening Effectiveness (Risk Miles)	1,026	1,127	1,178		
Enhanced Vegetation Management Effectiveness (Risk Miles)	5,400	5,670	6,210		
Financial					
Greater Affordability for Customers (\$M)	92	17	(58)		
Relative Total Shareholder Return (TSR)	25th Percentile	50th Percentile	90th Percentile	50th Percentile	25th Percentile

Measures in red are new in 2021

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LTIP: Customer Satisfaction Score (CSS)

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?" Customers rate PG&E on a scale of 1 to 5, with 1 being the lowest and 5 being the highest. The score is calculated as the percentage of customers who rated PG&E as 4 or 5. The score is weighted by the number of responses from each level. The score is based on the responses of all customers who responded to the survey (including those who responded via the website, phone, or mail).

- Inactive customers
- PG&E employees
- Customers on the "do not contact" list

2021 Milestones/Activities	Drivers of Target Performance	Date	Owner
Large scale events may be temporarily suppressed until it is safe and practical for PG&E to contact them.			Case
ETOR Improvements Efforts	In Progress		Exec Ops
Planned Outage Communications Improvements	In Progress		CC/EO
VOC Platform (currently unfunded)	TBD		Customer Care

Historical & Projected Performance



YoY Performance Trend	2017	2018	2019	2020	2021	2022	2023	2024
Performance	74.4%	77.1%	72.4%	72.0%	74.8%	75.7%	77.6%	
Quartile (current or more-severe)	4 th	4 th	4 th	4 th	4 th	4 th	4 th	

2023 Performance Goals			
Status	2023 Threshold	% Improv. over '20	Quartile
0.5	76.4%	2.0%	4 th
1.0	77.6%	2.5%	4 th
2.0	78.8%	3.0%	4 th

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LTIP: PPS Notification Accuracy

Definition
 The percentage of PG&E Customers affected by PPS who receive notifications in advance of a PPS outage.

PPS events affect electric service, for purposes of this metric only those customers holding electric accounts with PG&E are included.

Changes from 2020:
 The 2020 WIP metric for PPS Notification Accuracy included a stipulation that customers must be notified at least 17 hours prior to de-energization. This requirement has been removed to align with the CPUC maturity model.
 Exclusions
 PG&E customers for whom PG&E has no contact information and/or those who receive a cancellation message and no information and/or those who have been notified via email.

2021 Milestones / Activities	Drivers of Target Performance	Date	Owner
PPS Notifications Process Improvements		9/1/2021	PPS PMO / Schoenberg

Historical & Projected Performance



YoY Performance Trend	2017	2018	2019	2020	2021	2022	2023	2024
Performance	n/a	n/a	89.8%	98.5%	98%	98%	98%	98%
Quartile				n/3				

2023 Performance Goals			
Status	2023 Threshold	% Improve. over '20	Quartile
0.5	98%	(1.5%)	N/A
1.0	99%	(0.5%)	N/A
2.0	99.5%	0.4%	N/A

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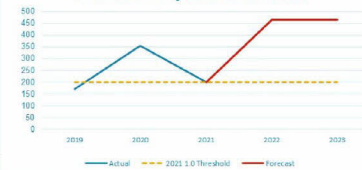
LTIP: System Hardening Effectiveness

Definition Count of "risk" circuit miles worked under System Hardening program within HFTD and HFRA to reduce wildfire risk through either (1) rebuild of overhead circuitry to current hardening design standards (2) undergrounding (3) removal of overhead circuitry (line removal) (4) enablement for remote grid. This work is performed in HFTD Tiers 2/3 and Tier 1 HFRA. Completed risk circuit miles must meet both of the following conditions to qualify for this measure:

Condition 1: 80% of system hardening miles have to be target setting methodology, targets are miles of highest risk miles over the three-year period or LTIP is 0.5. Risk Profile (Highest Risk Miles defined as): The total mileage of the proposed 2021 Project Portfolio on 20% of the proposed miles. The rebuild in 2022 reflects escalation of program. The goal for 2023 LTIP 0.5 goals is set equal to the 2021 goal. The 2023 goal is set equal to the 2021 goal. The 2023 goal is set equal to the 2021 goal.

2024 Milestones/Activities	Drivers of Target Performance	Date	Owner
System Hardening work performance with LTIP			
System Hardening project portfolio			

Historical & Projected Performance



YoY Performance Trend	2017	2018	2019	2020	2021	2022	2023	2024
Performance	n/a	n/a	171	354	150	464	464	n/a
Quartile	N/A							

2021-2023 Performance Goals			
Status	2023 Threshold	Avg. Annual % Impr. over '20	Quartile
0.5	1,026	(3.4%)	N/A
1.0	1,127	6.1%	N/A
2.0	1,178	10.9%	N/A

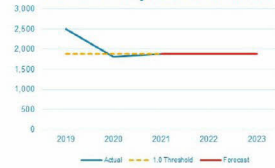
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LTIP: Enhanced Vegetation Management Effectiveness

Definition Completed "risk" circuit miles of vegetation cleared consistent with the EVM program scope within high-fire risk areas to reduce Wildfire Risk through (1) achieving 12' recommended radial clearance (2) removing identified abate trees as identified through the tree assessment tool (TAT) or a subsequent approved hazard tree assessment process (3) removing overhangs above and within 4 feet of power lines (4) reducing vegetative fuels under and adjacent to powerlines on targeted basis. This work is performed in High Fire Risk Areas (HFRA). Completed risk circuit miles for the proposed 2021 project portfolio was 5,670 miles, which is 10% above the 2021 target of 5,100 miles. The 2021 EVM miles have exceeded risk miles over the 12-month period of 1/1/2021 to 12/31/2021. Risk Profile (Highest Risk Miles defined) prior to 1/1/2021 or after 12/31/2021 risk model buydown curve.

Historical & Projected Performance



YOY Performance Trend	2017	2018	2019	2020	2021	2022	2023	2024
Performance	n/a	n/a	2,498	1,800 ¹	1,890 ²	1,890 ²	1,890 ²	n/a
¹ 2020 EOY forecast ² Current best case forecast; mid-years will depend on prior year completion								
2021 - 2023 Performance Goals								
Status	2023 threshold	Avg. Annual % Impr. over '20		Quartile				
0.5	5,400	0%		n/a				
1.0	5,670	5%		n/a				
2.0	6,210	15%		n/a				

2021 Milestones / Activities	Drivers of Target Performance	Date	Owner
Work performed outside of HFRA / HFRA			

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Definition

Earnings from core operations excluding unrecoverable interest expense, under authorized Target Setback Allowance. A non-GAAP measure (in millions) for 2021 is the midpoint of the estimated variance of actual earnings (excluding non-core items and unrecoverable interest) to authorized earnings as provided in the Q3 earnings guidance (i.e. the midpoint of the "net below the line and spend above authorized" provided in the Q3 Earnings Presentation). Target for 2022 and beyond is achieving a zero variance of actual earnings associated with events or circumstances considered unusual and not part of ongoing core operations, i.e. earning the authorized amount.

Unrecoverable interest expense is defined as interest

Drivers of Target Performance		
2021 Milestones / Activities	Date	Owner
Updated 2021 Financial Performance Plan	TBD	David Thompson
Issuance of initial guidance/SEC filing	TBD	Investor Relations

Historical & Projected Performance



YoY Performance	2017	2018	2019	2020	2021	2022	2023	2024
Trend								
Performance								
Quartile	N/A							
2021 - 2023 Performance Goals								
Status	2022 Threshold	% Improve over '20		Quartile				
0.5		(94%)		N/A				
1.0		60%		N/A				
2.0		216%		N/A				

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CC Question:

Explain the Greater Affordability for Customer Metric. What does it mean and how are the numbers determined?



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.

For 2021, PG&E Corporation's three-year stock performance will be measured as TSR relative to the Target Set of Comparator Companies by the Compensation Committee.

Threshold represents meeting at least the 25th percentile of the comparator group's TSR results.

Exclusions: None
 Stretch represents meeting at least the 90th percentile of the comparator group's TSR results.

Historical & Projected Performance



YoY Performance Trend	2017	2018	2019	2020	2021	2022	2023	2024
Performance	67.54%	4.54%	(50.5%)	(81.7%)	n/a	n/a	n/a	n/a
Quartile	1 st	2 nd	2 nd	2 nd	n/a	n/a	n/a	n/a

Drivers of Target Performance		
2021 Milestones / Activities	Date	Owner

2025 Performance Goals			
Status	2023 Threshold	% Improvement '20	Quartile
0.5	25 th Percentile	TBD	N/A
1.0	50 th Percentile	TBD	N/A
2.0	90 th Percentile	TBD	N/A

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CC Question:

Explain the Greater Affordability for Customer Metric. What does it mean and how are the numbers determined?



LTIP Performance Shares

	Number Performance Shares Granted (Based on Target)	X	LTIP Scores*	X	Modifier	=	Number of Shares Vested
2018	65th Percentile		0.25 - 2.0		N/A		25% - 200%
2019	N/A		N/A		N/A		N/A
2020	65th Percentile		0.5 - 2.0		0.75 - 1.25		37.5% - 250%
2021	Median		0.5 - 2.0		N/A		50% - 200%

** If scores are below the low end of the range, would equal zero*

The proposed 2021 range of 50%-200% is in line with market

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LTIP- 2021 Structure

2021 Plan Design: Differentiated structure for AB 1054 and Non-AB 1054 Officers

Key Decision: Confirm that Non-AB 1054 structure

		Recommendation	
		Performance Shares ⁽¹⁾	Restricted Stock Units ⁽²⁾
AB 1054 Officers	All	100%	0%
Non-AB 1054 Employees (align to Market)	Bands 1-3	70%	30%
	Band 4-5	60%	40%
	Non-Officers	0%	100%

⁽¹⁾ 3 Year performance period, 100% vesting in early 2024.

⁽²⁾ 3 Year pro-rata vesting; 1/3 vesting on March 2022, March 2023 and March 2024.

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Appendix



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Overview: CSS and Escalent Customer Satisfaction Surveys

	CSS	Escalent
Primary Use	Internal - STIP/TIP	External - Benchmarking
Overview	Proprietary survey developed to understand drivers of PG&E-specific customer satisfaction with ongoing survey results reported quarterly	Two industry-wide annual surveys: (1) Residential (Quarterly) (2) Business (Twice a Year)
Survey Methodology	Conducted via telephone & online survey with approximately 7,500 interviews per quarter	Conducted through online panels with approximately 1,200 residential and 400 business customer interviews each reporting period
Pros and Cons	PG&E controls the questions providing for consistent historical data for reference since 2007	The questions can change resulting in less consistent historical data
	Can match responses to customer accounts for additional analysis	Cannot identify which customers are surveyed
	Difficult to benchmark	Easy to benchmark with other utilities

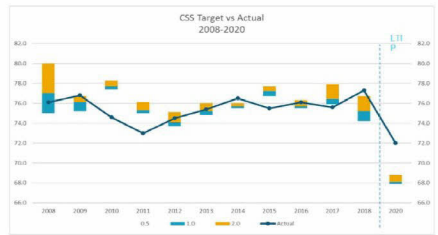
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CSS Metric Performance Over Time

Looking at 12-year history (excluding 2019):
 Exceeded 2.0 target = 4 years
 Within 0.5 - 2.0 target = 4 years
 Below 0.5 target = 4 years



Based on historical target setting, 2021 targets remain aggressive despite reduction from 2020 target levels

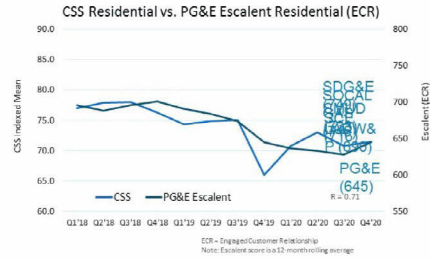
Percent Change	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	AVE	2019	Percent Change	2020	2021
STIP 1.0	0.8%	2.0%	2.0%	2.9%	2.0%	0.8%	1.6%	1.1%	2.4%	1.5%	1.7%	N/A	N/A	STIP 1.5	4.08%	3.05%
STIP 1.0	0.0%	1.2%	0.9%	1.5%	0.9%	0.4%	0.9%	0.3%	0.4%	-0.5%	0.6%	N/A	N/A	LTIP 1.0	3.03%	2.50%
STIP 0.5	-1.2%	0.8%	0.5%	1.0%	0.4%	0.1%	0.3%	0.0%	-0.3%	-1.9%	0.0%	N/A	N/A	LTIP 0.5	2.72%	2.08%
ACTUAL	76.1	76.8	74.6	73.0	74.5	75.4	76.5	75.5	76.1	75.6	77.3	75.6	72.6	ACTUAL	72.0	

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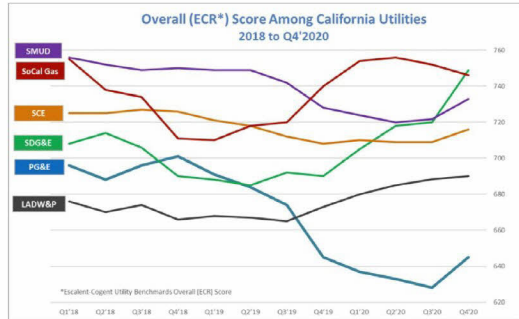
CSS Correlation to Escalent ECR Score

- CSS (Residential) and Escalent's ECR score is correlated ($R = 0.71$)
- For every 1-point increase in CSS, Escalent's ECR score would increase by ~4.5 points





Escalent Benchmark: California Utilities Residential Customers 2018 – Q4 2020



ECR = Engaged Customer Relationship

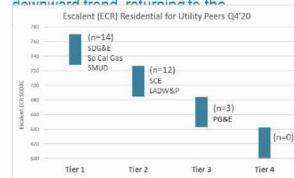
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Escalent Benchmark: Industry Comparators Residential Customers Past 5 Quarters

Though last among utility comparators in the Escalent-Cogent benchmarking survey, PG&E moved from Tier 4 into Tier 3 in Q4'20.

The Q4'20 score of 645 reverses a



Overall (ECR) Score	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Tier
Florida Power & Light	750	750	750	753	755	Tier 1
DTE Energy	746	752	752	755	753	Tier 1
Georgia Power	741	740	741	742	751	Tier 1
SG&E	690	705	718	720	749	Tier 1
Salt River Project	749	748	750	752	748	Tier 1
SO CAL GAS	740	754	756	752	746	Tier 1
Xcel Energy - Midwest	733	732	732	739	741	Tier 1
Xcel Energy - West	732	741	742	751	742	Tier 1
PSE&G	708	709	732	746	741	Tier 1
Portland General Electric	722	711	725	724	737	Tier 1
Pacific Power	711	712	711	720	733	Tier 1
SMUD	728	724	720	722	733	Tier 1
Duke Energy Carolinas	698	714	717	725	732	Tier 1
Dominion Energy Virginia	696	711	718	724	731	Tier 1
Puget Sound Energy	716	717	722	726	728	Tier 1
Alabama Power	723	718	712	712	727	Tier 1
Consumers Energy	719	716	719	709	727	Tier 1
Duke Energy Florida	683	697	705	711	724	Tier 1
Con Edison	710	705	714	726	723	Tier 1
Rocky Mountain Power	704	706	706	710	720	Tier 1
ComEd	718	727	723	711	719	Tier 1
National Grid	701	702	707	715	719	Tier 1
Southern California Edison	708	710	709	709	716	Tier 1
NV Energy	717	713	714	720	715	Tier 1
We Energies	689	686	697	694	699	Tier 1
Duke Energy Progress	691	678	690	695	697	Tier 1
LA Dept of Water & Power	673	680	685	688	690	Tier 2
PSEG Long Island	690	693	702	703	676	Tier 2
APS	675	671	670	670	678	Tier 3
PG&E	645	637	631	628	645	Tier 3
Peer Set Average	709	710	713	717	722	Tier 4

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Comparison of 2020 and 2021 LTIP

2020 LTIP Performance Shares Measures

Measures	Weights
Voice of the Customer:	50%
Customer Satisfaction Score (CSS)	25%
Public Safety Power Shutoff (PSPS) Notification Accuracy	25%
Public Safety:	50%
System Hardening (Miles)	25%
Substation Enablement	25%

Modifier	
Financial Stability - Relative Total Shareholder Return (TSR)	0.75 - 1.25

2021 LTIP Performance Shares Measures

Measures*	Weights
Customer	35%
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Public Safety Power Shutoff (PSPS) Notification Accuracy	17.5%
Public Safety	35%
System Hardening Effectiveness (Risk Miles)	17.5%
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Relative Total Shareholder Return (TSR)	15%

*Measures in red are new in 2021

External Requirements



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Source	Adopted Requirements re: Executive Compensation Following Emergence from Chapter 11 on July 1, 2020
AB 1054	<p>The executive compensation program shall:</p> <ol style="list-style-type: none">1. Be structured to promote safety as a priority and to ensure public safety and Utility financial stability.2. Have performance metrics, including incentive compensation based on leading performance metrics that are measurable and enforceable, and3. Be based on the following principles:<ol style="list-style-type: none">a) Direct and/or indirect cash compensation, with the primary portion of the executive officers' compensation based on achievement of objective performance metrics.b) No guaranteed monetary incentives in the compensation structure.c) A long term structure that provides a significant portion of compensation, which may take the form of PG&E Corporation stock, based on the Utility's long term performance and value, with such compensation held or deferred for a period of at least three years, andd) Minimization or elimination of indirect or ancillary compensation that is not aligned with shareholder and taxpayer interests in the Utility.
POR 011	<p>Guaranteed cash compensation as a percentage of total compensation shall not exceed industry norms.</p> <p>The executive compensation structure shall have a significant component (≥50%) of long-term incentive compensation on safety performance, as well as customer satisfaction, engagement, and utility. The remaining portion may be based on financial performance or other compensation.</p> <p>The majority or super-majority of incentive compensation, in the form of equity awards must be held or deferred for at least three years.</p> <p>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 context of the Utility. Any such determination by the Board shall be subject to Commission review and modification.</p> <p>The Utility's executive compensation policies shall include provisions that allow for restrictions, limitations, and cancellations of incentive payments in the event of any felony criminal conviction related to public health and safety or financial misconduct by the Utility, for executive officers serving at the time of the underlying conduct that led to the conviction. The implementation of such provisions should take into account the Utility's needs to attract and retain highly qualified executive officers.</p> <p>The Utility shall retain a nationally recognized independent consultant to help ensure that executive compensation plans meet the requirements of Assembly Bill 1054, and to provide annual reviews of executive compensation awards.</p> <p>Compensation arrangements for executives must be publicly disclosed. Additionally, the Utility shall provide annual reporting of awards to the Commission through a Tier 1 advice letter compliance filing.</p> <p>The Utility shall have written compensation agreements for executives. Consistent with the Utility's written submissions to the Commission in the proceeding that culminated in the Decision Approving the Recognition Plan of the Utility as PG&E Corporation (D. 20-05-053), the Board has determined that compliance with this requirement can be satisfied by the combination of the written shareholder-approved Long-Term Incentive Plan (LTIP), all the associated written agreements under the LTIP, and its public disclosure of the terms, features, and results of the Utility's compensation programs.</p>



Board Resolution
AB 1054 and POR

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