



**Pacific Gas and
Electric Company™**



PACIFIC GAS AND ELECTRIC COMPANY
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ENGINEERS AND SCIENTISTS OF CALIFORNIA
LOCAL 20, IFPTE, AFL-CIO AND CLC
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JOSHUA SPERRY
SR. UNION REPRESENTATIVE

May 6, 2019

Joshua Sperry, Senior Union Representative
Engineers and Scientists of California, Local 20
IFPTE (AFL-CIO & CLC)
810 Clay Street
Oakland, CA 94607

Dear Mr. Sperry:

Memorandum of Understanding

The Company and the Union have been in discussions about changes to the Short-Term Incentive Plan (STIP) for 2019, including increasing the frequency of awards and increasing STIP participation rates by twenty-five (25) percent for ESC members who are STIP-eligible under the current collective bargaining agreement. The STIP Plan will remain an annual plan, subject to PG&E Board of Director discretion and approval but may deliver employee awards on a quarterly basis based on year-to-date Company performance and, for fourth quarter awards, employees' annual performance ratings. The changes for the 2019 STIP program primarily focus on employee retention, safety and the financial performance of the Company. The definition of eligible earnings will now be calculated quarterly. If adjustments/corrections to earnings are needed, those adjustments will be applied to the calculation for the quarter during which the adjustment is made. In accordance with the Bankruptcy Court Order, the Company may change the safety metric to mirror any CPUC changes to PG&E's 2019 Wildfire Mitigation Plan. The Company Score is determined by the Company on a quarterly basis, instead of annually, and remains subject to Board of Director discretion and approval.

The proposed changes for the 2019 Plan include:

1. Payout frequency shifts from annually to quarterly.
2. While remaining subject to Board of Director discretion and approval, the STIP formula for the quarterly payments shifts from Company performance, with an Individual Performance Modifier, to 100 percent Company performance for the first three quarters. Subject to Board of Director approval, the Individual Performance Modifier ("IPM") approved by the Bankruptcy Court will be applied at the end of the year after the close of the fourth quarter. For purposes of this agreement, Individual Performance Modifier is equal to the average of the individual modifiers for non-represented LL20, PL20, LL30 and PL30 employees with the corresponding performance rating. Consistent with the Bankruptcy Court Order, the IPM will be based on year-end performance. IPMs may range from 0-150 percent for both upward and downward adjustments for all STIP participants, provided, however, that there will be no recoupment of STIP payments made to employees through the third quarter should an award calculation (based on the Company Score for the year and an employee's performance rating be less than the total amount paid through the third quarter).

3. Subject to the requirements of paragraph 6, employees must be active (i.e., not on Long Term Disability or Workers' Compensation) on the last day of a quarter to be eligible for a STIP award for that quarter.
4. To remain eligible for the annual IPM portion of the 2019 STIP Plan, employees must be active on December 31, 2019.
5. If an employee moves between jobs during the quarter, one with a higher STIP participation rate and one with a lower STIP participation rate, the employee will receive the higher STIP participation rate for that quarter.
6. Employees who terminate during the year, may be eligible for quarterly STIP payments, but not for the annual IPM portion of the 2019 STIP Plan. If separation is involuntary, and not for cause, employees will be entitled to a pro-rated share of the approved award for the quarter based on their termination date. Terminations prior to the last day of a quarter due to cause, retirement or voluntary resignation will not be eligible to receive an award for the quarter of termination or for any STIP payments thereafter. PG&E will not seek to collect any 2019 STIP payments made prior to termination date.
7. For the 2019 quarterly STIP awards, the normal participation rates shall be increased by 25% (example: the participation rate is fixed by job level at 10 percent, so an employee, who usually participates at 10%, would participate at 12.5% for the 2019 STIP Plan).

A 2018-vs-2019 STIP Plan Design Comparison and Plan Comparison Examples are attached to this Memorandum of Understanding (MOU) and incorporated by reference.

Subject to Board of Director approval for each quarter's payment, and the annual payment of the IPM portion, these changes to the 2019 STIP Plan shall be in effect for one year from January 1, 2019 through December 31, 2019 (including payment of the annual portion and fourth quarter 2019 awards in 2020). After December 31, 2019, the Company may retain the new modified quarterly Plan, revert to the prior annual Plan under the collective bargaining agreement, or the parties may agree to bargain a new Plan. All future STIP plans remain subject to approval by the Board of Directors and, if applicable, Bankruptcy Court approval.

In the event there are conflicts between the collective bargaining agreement and this Memorandum of Understanding (MOU), the MOU shall prevail.

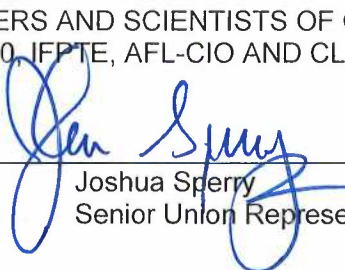
PACIFIC GAS AND ELECTRIC COMPANY

MAY 7, 2019

By: 
 Matthew Levy
 Director, Labor Relations

ENGINEERS AND SCIENTISTS OF CALIFORNIA
 LOCAL 20, IFPTE, AFL-CIO AND CLC

5/10, 2019

By: 
 Joshua Sperry
 Senior Union Representative

2018 – 2019 STIP Comparison



Together, Building
a Better California



Summary of Proposed 2019 Changes

- Under the Bankruptcy Court Order, changes being made to the overall 2019 STIP program as we shift our focus to employee retention and financial performance, while maintaining significant emphasis on Safety
- Five primary changes:
 - 1) Subject to Board of Director discretion and approval, 2019 plan performance period and payout frequency shifts from annual to quarterly
 - 2) Incentive targets increased by 25% (e.g., 10% participation rate increases to 12.5%)
 - 3) Increased weighting on Safety metric, decreases emphasis on Customer metric
 - 4) Maximum payout reduced from 200% to 150%
 - 5) Employees who involuntarily terminate, without cause, may be eligible for a prorated 2019 quarterly STIP payment in the quarter they were terminated



Plan Design Comparison

Design Element	2018 STIP	Proposed 2019 STIP	
Performance Period(s)	January 1 – December 31	January 1 – March 31 April 1 – June 30	July 1 – September 30 October 1 – December 31
Payment Frequency	Subject to Board of Director approval, annually in Feb. of following year	Subject to Board of Director approval, quarterly, as soon as practicable following quarter close	
Incentive Targets	Annual Target = Annual Eligible Earnings * Participation Rate	Quarterly Target = Quarterly Eligible Earnings * Participation Rate * 1.25	
Payout Mechanics	Subject to Board of Director Approval Company Score * Annual Target * IPM ⁽¹⁾	<ul style="list-style-type: none"> • Subject to Board of Director Approval • Cumulative Quarterly Company Score * Cumulative Incentive Target - YTD STIP Payments • IPM⁽¹⁾ applied at year-end as part of Q4 calculation 	
Performance Measures & Weights	Public Safety: 35% Employee Safety: 15% Customer: 25% Financial: 25%	Public Safety: 50% Employee Safety: 15% Customer: 10% Financial: 25%	
Payout Ranges	Threshold: 50% Target: 100% Maximum: 200%	Threshold: 50% Target: 100% Maximum: 150%	
Impact of Termination	No payout if terminated for any reason prior to December 31	Involuntary, not for cause: Prorated payment for the quarter. No payout for the IPM portion of the Plan if not employed on 12/31/19. Other reasons: no payment for quarter of termination if not employed on last day of quarter. <No recoupment of payments made prior to termination date>	

(1) Individual Performance Modifier is equal to the average of the individual modifiers for non-represented LL20, PL20, LL30 and PL30 employees with the corresponding performance rating.



2019 STIP Award Calculation Examples

These examples assume a salary of \$80,000 and STIP Participation Rate of 12.5% for a quarterly STIP target of \$2,500.

Example 1: Final Company Score is 110% and IPM for the year is 110%.

	Q1	Q2	Q3	Q4	IPM	Total 2019 STIP Payments
Cumulative Quarterly STIP Targets	2,500	5,000	7,500	10,000		
Cumulative Company Scores	90%	100%	110%	110%		
Cumulative Award Calculation	2,250	5,000	8,250	11,000		
Year-end IPM / Award				12,100	110%	
Cumulative STIP Awards Paid	-	2,250	5,000	8,250		
Quarterly Amounts Payable	2,250	2,750	3,250	3,850		12,100

Example 2: Final Company Score is 100% and IPM for the year is 100%.

	Q1	Q2	Q3	Q4	IPM	Total 2019 STIP Payments
Cumulative Quarterly STIP Targets	2,500	5,000	7,500	10,000		
Cumulative Company Scores	90%	100%	110%	100%		
Cumulative Award Calculation	2,250	5,000	8,250	10,000		
Year-end IPM / Award				10,000	100%	
Cumulative STIP Awards Paid	-	2,250	5,000	8,250		
Quarterly Amounts Payable	2,250	2,750	3,250	1,750		10,000

Example 3: Final Company Score is 90% and IPM for the year is 70%.

	Q1	Q2	Q3	Q4	IPM	Total 2019 STIP Payments
Cumulative Quarterly STIP Targets	2,500	5,000	7,500	10,000		
Cumulative Company Scores	90%	100%	100%	90%		
Cumulative Award Calculation	2,250	5,000	7,500	9,000		
Year-end IPM / Award				6,300	70%	
Cumulative STIP Awards Paid	-	2,250	5,000	7,500		
Quarterly Amounts Payable	2,250	2,750	2,500	-		7,500

Note: in this case the employee earned a total 2019 STIP award of \$6,300 [.70 x (2,250 + 2,750 + 2,500 + 1,500)] and was paid \$7,500 through Q3, so there would be no Q4 payment (and even though the total amount paid through Q3 would be greater than the amount earned for the year, there would be no claw-back of amounts paid through Q3).