

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



Brian Cherry
Vice President, Regulatory Relations
Pacific Gas & Electric Company
P.O. Box 770000
Mail Code B10C
San Francisco, CA 94177

Re: Smart Meter Performance

Dear Mr. Cherry:

As you are aware, on April 18, 2011, Mr. Sid Dietz of PG&E, apprised Mr. Alope Gupta of the CPUC's Energy Division that PG&E had learned of a flaw affecting the performance of 1,480 of its smart meters. In a subsequent meeting representatives from PG&E and its equipment vendor, Landis and Gyr, provided additional detail. As I understand them, the key points are as follows:

- The defective meters inaccurately record electricity consumption during intervals when the ambient temperature is in the approximate range of 100-115 degrees F, though it has been represented to vary across individual meters. The companies believe that at temperatures both above and below this range these meters provide accurate readings.
- An initial analysis found that during the relevant temperature range the defective meters consistently overstate energy use by a factor that ranges from 5-13% in most cases.
- Two simultaneous error flags generated by the smart meters themselves prompted the investigation that led to discovery of the malfunction.
- The manufacturing defect occurs on a chip that is included in approximately 485,000 of the meters supplied by Landis and Gyr. However, the companies' analysis indicates that the flaw is present in only the 1,480 meters that have actually transmitted multiple error signals. The companies believe that the other meters in this batch are working properly.

While I appreciate that PG&E took the initiative to bring this problem to the CPUC's attention and is already taking corrective measures, it is imperative that PG&E resolve this situation in a way that makes affected customers whole, holds all customers harmless, and enhances public confidence in its smart meter program. Below I have outlined a series of steps I expect PG&E will take to meet these objectives.

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1. PG&E must provide prompt refunds to affected customers and avoid further erroneous bills by replacing the defective meters as soon as possible. To support that objective, by April 29, 2011, please provide the following:
 - A description of the approach PG&E proposes to use to adjust customers' bills, including the method for determining energy use during intervals with invalid usage data and the timeframe in which appropriate refunds will be issued.
 - A proposed schedule for replacing all malfunctioning meters.
 - A description of how PG&E intends to explain the meter malfunction and corrective measures to affected customers, communities, elected officials, and the news media. Please provide drafts of any letters, media advisories/releases, telephone scripts, and other materials to be used for this purpose.
2. PG&E's customers should not bear the expense of meter replacement. PG&E's shareholders must absorb any costs that the company cannot recover from Landis and Gyr. Also by April 29, 2011, please provide an explanation of how PG&E intends to identify and track these expenses.
3. Finally, PG&E must demonstrate convincingly that the fault is indeed limited to the 1,480 meters that have transmitted dual error flags. By May 9, 2011, please provide to CPUC staff analysis and data supporting this finding. Upon review of the evidence, Energy Division may require further analyses. All data from affected meters must be retained and meters that are removed from customer premises must be preserved, to allow for further testing in the future, should it become necessary.

I appreciate your cooperation. Please let me know if you have any questions.

Sincerely,



Julie A. Fitch
Director, Energy Division

Cc: Michael R. Peevey, CPUC President
Paul Clanon, CPUC Executive Director
Nancy Ryan, CPUC Deputy Executive Director
Sidney Dietz, PG&E Regulatory Relations