



LETTER NO. L-21-00

ROBERT J. PELLATT
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

Log. No. 2608, 2861

VIA FACSIMILE
294-4120

June 2, 2000

Mr. Keith W. Sashaw
Executive Director
Electrical Contractors
Association of B.C.
201 – 3989 Henning Drive
Burnaby, B.C. V5C 6N5

Dear Mr. Sashaw:

Re: British Columbia Hydro and Power Authority
Electrical Contractors Association of B.C. –
Complaint regarding Padmounted Transformers

Currently, B.C. Hydro customers that need transformers over 500 kVA are required to provide their own transformation and take electricity from B.C. Hydro at primary voltage. B.C. Hydro is proposing to offer 750, 1000 and 1500 kVA transformers such that customers requiring the larger transformers may, at their option, choose to receive electricity at secondary voltage. Customers receiving electricity at secondary voltage would avoid the installation and maintenance costs related to the transformer, but would forego the \$0.25/kW rate discount available to customers providing their own transformation.

In a letter dated February 4, 2000, the Electrical Contractors Association of B.C. ("ECA") filed a complaint with the Commission related to B.C. Hydro's decision to supply the larger transformers. The ECA argued that B.C. Hydro's provision of the larger transformers would impede future efforts towards deregulation and impose economic hardship on the electrical contracting/manufacturing industry. The ECA also argued that B.C. Hydro operates under different regulations and has an artificial competitive advantage in providing transformation. This competitive advantage appears to be related to the electrical code requirement that customers providing their own transformation must install a primary disconnect switch, while other less expensive alternatives are available if B.C. Hydro supplies the transformation.

The Commission finds that the provision of larger transformers by B.C. Hydro would not significantly affect future efforts towards deregulation. Transformers are and will continue to be a normal part of the regulated distribution infrastructure. The possible impact of the provision of transformers on the electrical contracting/manufacturing industry is beyond (not within) the jurisdiction of the Commission. The competitive advantage issue appears to be primarily related to electrical code requirements, which are, again, beyond the Commission's jurisdiction.

The Commission was concerned about the possible impact on other ratepayers of B.C. Hydro's proposal to supply larger transformers. Furthermore, the Commission acknowledges that an unfair economic advantage could exist if B.C. Hydro's other ratepayers are required to subsidize customers with transformers in excess of 500 kVA. To verify that other ratepayers will not be required to subsidize customers with larger transformers, the Commission requested that B.C. Hydro provide a comparison of incremental costs and revenues related to providing these transformation services. A copy of B.C. Hydro's May 19, 2000 response is attached for your information.

.../2

Upon review of B.C. Hydro's May 19, 2000 response, the Commission is satisfied that B.C. Hydro's decision to supply larger transformers will not require subsidization by other ratepayers. The Commission notes that B.C. Hydro's estimates of the incremental benefits to the customer were not taken into account in arriving at this determination.

The provision of larger transformers by B.C. Hydro is in response to customer requests and enables greater customer choice. This service is already available from other electrical utilities. It allows businesses to be more competitive and will provide benefits to B.C. Hydro's ratepayers. Accordingly, the Commission will allow B.C. Hydro to offer electricity at secondary voltage to customers requiring 750, 1000, and 1500 kVA transformers under the same terms and conditions currently available to customers requiring transformers no larger than 500 kVA.

Yours truly,

Original signed by:

Robert J. Pellatt

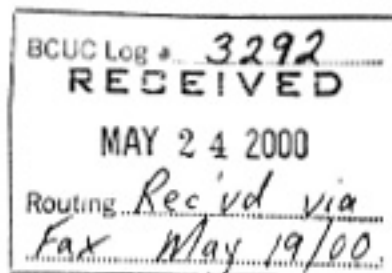
MG/cms
Enclosure

cc: Mr. Ray Aldeguer, Senior Vice President
Legal and Regulatory Affairs and General Counsel
British Columbia Hydro and Power Authority

Ray Aldeguer
Senior Vice-President
Legal, Regulatory Affairs and
General Counsel

Phone: (604) 623-4513

Fax: (604) 623-4407



19 May 2000

Mr. Robert J. Pellatt
Commission Secretary
British Columbia Utilities Commission
P.O. Box 250
600-900 Howe Street
Vancouver, B.C.
V6Z 2N3

Dear Mr. Pellatt:

**RE: British Columbia Hydro and Power Authority ("BC Hydro")
Complaint from the Electrical Contractors Association of B.C.
Concerning Padmounted Transformers**

We provide the following information in response to your letter of April 20, 2000 concerning a complaint from the Electrical Contractors Association of B.C. (the "ECA").

Summarized below are the incremental net benefits for BC Hydro and illustrative customers for the supply of padmounted transformers in the three larger sizes being offered: 750kV.A, 1000kV.A and 1500kV.A. The data are presented at two representative load factors. For the purposes of these calculations, we have considered initial capital costs, maintenance costs, and electricity cost/revenue, including the \$0.25 per kW discount applied to customer-owned transformers. The net benefits are annualized, and based upon a 15 year period with an 8% discount rate for BC Hydro and a 10% discount rate for customers.

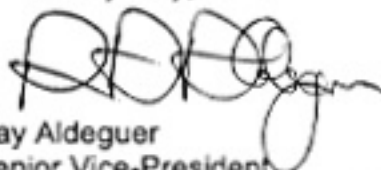
We have not included line losses or the 1.5% discount for primary metering. Line losses will be essentially the same whether the customer or BC Hydro owns the transformer. The 1.5% discount applies equally to customer-owned and BC Hydro-owned transformers if BC Hydro meters on the primary side of the transformer. BC Hydro will meter on the secondary side of the transformer whenever practical as there are substantial savings for the metering installation.

Size	Load Factor	Annualized Net Total Incremental Benefits (\$)	
		BC Hydro	Customer
750 kV.A	50%	44	9,822
	70%	606	9,259
1000 kV.A	50%	333	9,749
	70%	1,083	8,999
1500 kV.A	50%	982	9,127
	70%	2,107	8,002

Note: a positive number indicates a positive cash flow

The actual costs for installation of the larger padmounted transformers will be calculated by the same methodology currently used for the 500 kV.A and smaller units, using our System Extension Test (SET) that compares installation costs to future revenue.

Yours very truly,



Ray Aldeguer
Senior Vice-President
Legal, Regulatory Affairs and
General Counsel