



Ontario  
Energy  
Board | Commission  
de l'énergie  
de l'Ontario

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## **DECISION AND ORDER**

**EB-2023-0144**

### **HYDRO ONE NETWORKS INC.**

An order granting Hydro One Networks Inc. an interim distribution licence to operate the electricity distribution system in the Township of Chapleau.

### **CHAPLEAU PUBLIC UTILITIES CORPORATION**

An order requiring Chapleau Public Utilities Corporation to surrender possession and control of the electricity distribution system in the Township of Chapleau to Hydro One Networks Inc.

**BEFORE: Emad Elsayed**  
Presiding Commissioner

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**May 23, 2023**

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**DECISION AND ORDER**

Chapleau Public Utilities Corporation (CPUC) owns and operates the electricity distribution system in the Township of Chapleau, Ontario. CPUC holds Ontario Energy Board (OEB) electricity distribution licence ED-2002-0528, and serves approximately 1,200 customers. The Township of Chapleau (Township) is the sole shareholder of CPUC.

On May 9, 2023, CPUC filed a letter with the OEB stating that CPUC is experiencing difficulty managing day-to-day operations of the utility and would not be able to continue providing reliable electricity distribution service due to financial and staffing issues. CPUC explained in the letter that in recent years, it

has experienced difficulty attracting and retaining qualified staff to oversee the general and financial management of the utility. As of May 1, 2023, the only two management staff have departed/retired and the Chair of the CPUC Board has assumed the General Manager role on an interim basis. Given this situation, and with the increasing regulatory oversight and capital upgrade requirements, the Township and the CPUC have been looking at all options to ensure electricity ratepayers within the Township continue to receive excellent electricity distribution services.

Beyond its immediate staffing and succession planning challenges, CPUC states that ongoing changes in the electricity sector that increase responsibilities of the electricity distributors beyond simply delivering power to consumers will require adoption and management of distributed energy resources, battery storage, and other technologies, and this will require “skillsets and resources beyond the capacity of our small utility”. Aging infrastructure and growing electricity loads associated with the onset of electric vehicles and transitioning heating loads to electricity will trigger the need for large capital investments to rejuvenate and grow CPUC’s electricity distribution system, and those investment requirements will “quickly outpace the financial capabilities of CPUC and the Township”. Therefore, the Township and CPUC are considering a potential sale of the CPUC’s distribution assets to a larger utility and hope to enter into a sale agreement in 2023, although CPUC acknowledges that any such transaction will take time, as it will involve due diligence, and the Township has objectives that include retention of local jobs and ensuring electricity ratepayers within the Township and neighbouring areas, including First Nations communities, will continue to receive safe and reliable electricity service and access to emerging technologies.

In the interim, CPUC and the Township want Hydro One Networks Inc. (HONI) to assume management of the day-to-day operations CPUC’s business. As stated in the

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letter, CPUC believes that HONI is well positioned to fulfill this role as it is already has a local presence in the area – CPUC’s service territory is embedded within HONI’s service territory, and HONI already serves Indigenous communities and businesses on the outskirts of the Township of Chapleau. CPUC also submits that HONI is an established and dependable Ontario electricity distributor that is supportive of the request (HONI signed the May 9, 2023 letter) and willing to assist CPUC. The letter was signed by the Chair of the CPUC Board; HONI; and the Mayor of the Township of Chapleau.

Under sections 59(1) and 59(2) of the *Ontario Energy Board Act, 1998* (OEB Act), the OEB may issue an interim licence authorizing a person to operate a distribution system if the OEB considers it necessary to do so to ensure the reliable supply of electricity to consumers. If the OEB determines that a licensed distributor is likely to fail to sell electricity to its customers in accordance with its obligations under section 29 of the *Electricity Act, 1998*, then the OEB has the authority to appoint an interim licensee to take possession and control of the distributor’s business. Based on the letter from CPUC, the OEB has determined that CPUC is likely to fail to meet its obligations relating to the supply of electricity to consumers in the Township of Chapleau.

The OEB has determined that it will appoint HONI as interim licensee for the CPUC service area. The OEB agrees that HONI is well-positioned to provide safe and reliable service to the Township of Chapleau, for the reasons identified by CPUC, and particularly because HONI is the host distributor for CPUC and therefore has experience in dealing with CPUC. The OEB, therefore, is appointing HONI as interim licensee for a period of six months, as permitted under the OEB Act, subject to the OEB’s authority to extend that term.

During the term of the interim licence, HONI will be responsible for providing all distribution services within the Township of Chapleau, including the connection of new customers, and the reliable supply and distribution of electricity to the customers of CPUC in accordance with good utility practice; and customers of CPUC will continue to be billed based on the same rates and charges as have been applicable with CPUC.

As discussed above, CPUC and the Township are considering a sale of the utility. It does not appear that the Township has made a determination in that regard, or that it has progressed to the point of soliciting offers to purchase the shares or assets of CPUC, whether from HONI or any other potential purchaser. The OEB reminds CPUC, HONI and the Township that section 59 of the OEB Act clearly states that despite the powers given to HONI by this Order and the interim licence, and subject to HONI’s power to dispose of such assets as are ordinarily disposed of in the normal course of

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carrying on CPUC's business, CPUC retains ownership of any assets of the business that the it owned before this Order was issued, subject to any encumbrances.

The OEB expects that HONI, and any HONI employee assigned to the management and operation of the CPUC distribution system, will cooperate with the Township and provide information about CPUC as directed by the Township should the Township determine that it wishes to pursue the sale of the utility. The OEB considers this analogous to situations addressed in the OEB's *Affiliate Relationships Code for Electricity Distributors and Transmitters* (ARC), in which the OEB attempts to ensure a level playing field between a competitive affiliate of a distributor and non-affiliated third parties. For example, the ARC provides that a utility may provide system planning information to an affiliate that is an energy service provider (as that term is defined in the ARC) if (among other factors) the system planning information is made available to non-affiliated third parties at the same time, or has previously been made available to non-affiliated third parties, on a non-confidential basis in substantially the same form and on the same terms and conditions as it is made available to the affiliate; or if the system planning information is, at the time of provision to the affiliate, publicly available in substantially the same form as it is made available to the affiliate.

The OEB is issuing this Order without notice and without a hearing in accordance with section 59(5) of the OEB Act.

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**IT IS ORDERED THAT:**

1. Hydro One Networks Inc. shall:
  - a. Comply with the interim distribution licence shown in Appendix A, which authorizes Hydro One Networks Inc. to take possession and control of the electricity distribution system owned and operated by Chapleau Public Utilities Corporation as soon as possible and, in any event, no later than June 13, 2023.
  - b. Collect revenue from customers within the service area of Chapleau Public Utilities Corporation based on the rates and charges set out in the most current Schedule of Rates and Charges applicable to Chapleau Public Utilities Corporation.
  - c. Record revenues collected from customers within the service area of Chapleau Public Utilities Corporation and the costs of operation and maintenance of the system in a deferral account under the Uniform System of Accounts.
  - d. In the period leading up to the transfer of possession and control of the Chapleau Public Utilities Corporation distribution system, provide, on a best efforts basis and in accordance with good utility practice, any resources necessary to deal with required maintenance as requested by Chapleau Public Utilities Corporation.
  - e. Inform the OEB immediately upon taking possession and control of the business of Chapleau Public Utilities Corporation.
2. Chapleau Public Utilities Corporation shall:
  - a. Surrender possession and control of its distribution assets to Hydro One Networks Inc.
  - b. Not be entitled to any compensation from the Crown, the OEB or any person for being required to surrender possession and control of its distribution assets and business.
  - c. Provide full cooperation and assistance to Hydro One Networks Inc. to affect the transfer.

- d. Continue to be responsible for meeting all requirements under its current licence until the transfer is complete.
3. In terms of the transfer of possession and control of the Chapleau Public Utilities Corporation distribution system to Hydro One Networks Inc., both Hydro One Networks Inc. and Chapleau Public Utilities Corporation will ensure public, system and employee safety.
4. The term of the interim electricity distribution licence is for a period of six months to November 23, 2023, subject to the OEB's authority to extend that term.

**DATED** at Toronto May 23, 2023

**ONTARIO ENERGY BOARD**

Nancy Marconi  
Registrar

**Appendix “A”**

**Interim Distribution Licence**

**ED-2023-0144**

**Effective May 23, 2023**