

**Hydro One Networks Inc.**

483 Bay Street  
7th Floor South Tower  
Toronto, Ontario M5G 2P5  
HydroOne.com

**Joanne Richardson**

Director, Major Projects and  
Partnerships

416.902.4326

Joanne.Richardson@HydroOne.com

**BY EMAIL AND RESS**

October 24, 2023

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Marconi,

**ED-2023-0144 - Hydro One Networks Inc. (Hydro One) Request for an Extension to its Interim License for Chapleau Public Utilities Corporation (CPUC).**

Hydro One is seeking an extension to the term of its interim distribution licence ED-2023-0144, in order to allow for additional time to negotiate a sale transaction of CPUC with the Town of Chapleau, and any subsequent regulatory approvals required.

On May 23, 2023, the Ontario Energy Board (OEB) issued Hydro One an Order<sup>1</sup>, under section 59 of the Ontario Energy Board Act, 1998 (OEB Act), for Hydro One to take possession and control of CPUC's distribution system and continue to provide its customers with electricity service and supply. Together with the Order, the OEB provided Hydro One with an interim distribution licence for a term of six months, expiring on November 23, 2023.

Since taking possession of the CPUC's system under the OEB's S.51 Order, Hydro One now has a more thorough understanding regarding the condition and status of the utility's assets and operations. The new General Manager, Ted Lyberogiannis, has provided the OEB with an Observation Report outlining Hydro One's findings<sup>2</sup>.

Hydro One and CPUC are currently in the process of preparing an Asset Purchase Agreement (APA) with the owners of CPUC which is expected to be executed shortly. Hydro One is therefore requesting the OEB extend its interim license (ED-2023-0144) for an additional six months to allow CPUC, Chapleau Township, and Hydro One adequate time to develop and execute an APA.

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<sup>1</sup> EB-2023-0144

<sup>2</sup> Attachment 1 – Hydro One's Observation Report on the Operations of Chapleau Public Utilities Corporation, dated September 29, 2023.

An electronic copy of this letter has been submitted using the Board's Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in black ink, appearing to read "Joanne Richardson", with a stylized, cursive script.

Joanne Richardson

Cc: Ted Lyberogiannis - General Manager - Chapleau Public Utilities Corporation

Cc: Brian Hewson – OEB Staff

Cc: Mayor Ryan Bignucolo - Mayor of Chapleau

# **ATTACHMENT 1**

## **HYDRO ONE'S OBSERVATION REPORT ON OPERATION OF CHAPLEAU PUBLIC UTILITIES CORPORATION (EB-2023-0144)**

On May 23, 2023, the OEB ordered Hydro One Networks Inc. to take possession and control of the electricity distribution system owned and operated by Chapleau Public Utilities Corporation (CPUC). On June 13, 2023, Hydro One took over management and control of CPUC.

Hydro One met with OEB staff on August 17, 2023, and provided an oral status report on the operations and the condition of the assets of CPUC. This report provides written documentation of Hydro One's comments on findings since managing the operations of CPUC.

### **EXISTING ASSET CONDITION**

In general, lines assets are in relatively good condition. Hydro One has significant concerns however with the station assets and the submarine cables. There may also need to be several replacements based on the discovery of PCB oil.

### **STATIONS ASSETS**

The biggest risk to the supply of power in Chapleau is the failure of station equipment – specifically the two transformers located inside the station. The CPUC station is located next to Hydro One's Distribution station. The relatively small customer base and the desire to mitigate rate impacts are likely why a large investment to renew the station has not been executed in the past.



**Panorama View of Hydro One & Chapleau Stations**

The transformers at the station are more than 50 years old and diagnostic testing has confirmed that they are at their expected service life. In addition, the manufacturer, General Electric, has released a bulletin indicating that certain transformer components, as contained in the transformers at the CPUC station, are defective.



**Side View of Both Transformers**

Although the transformers can back each other up most of the year, there are likely certain periods during the peak winter season where the failure of one unit may result in rotating blackouts for the community. The transformers are a non-Hydro One standard voltage (115kV-4kV) and therefore neither CPUC nor Hydro One have any spares. An appropriate contingency plan to restore power to customers in the event of a transformer failure during peak winter season would be to utilize a Mobile Unit Substation. This is not currently available to CPUC customers however, in the interim, this contingency plan could be addressed via Hydro One Mobile Unit Substations in conjunction with another temporary transformer, to be delivered and set up in Chapleau during the event of a failure.

In addition to the transformer condition, there are another four major concerns within the station. First, the clearances from live equipment to ground are not consistent with current industry standards and extra care and safety steps and processes are required when working within the station when compared to current standard-compliant stations.

Second, the CPUC station has fuses instead of reclosers. The existence of this old fuse technology means that any time a temporary fault occurs on a feeder, customers will remain

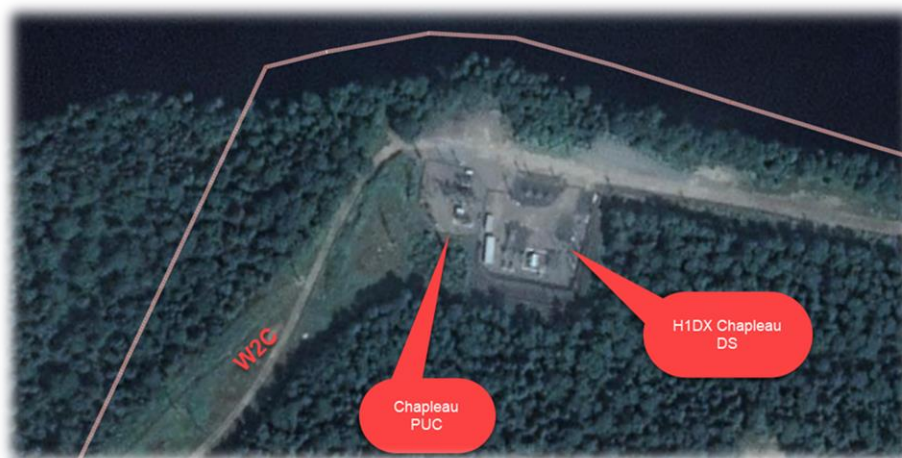
without power until the fuse is replaced manually by field staff. Comparatively, the Hydro One standard requires Distribution station to be fitted with reclosers that can automatically restore power when a temporary fault occurs.



**Fuses on Station Structure**

Thirdly, with CPUC's station secondary voltage at 4kV, CPUC's distribution system is subject to a large number of line losses. A consultant (METSCO) report from 2018 calculated the system losses to be more than \$100k per year when compared to the system if converted to 25kV.

Finally, the station is located next to a body of water often used by the community. In the event of a catastrophic transformer failure, oil may be released into the water.



**Overhead View of Hydro One & Chapleau Stations**



Given the above reasons, Hydro One believes that a large-scale investment to address the station assets' age and safety related deficiencies will be required within the next few years. Planning for this should begin immediately such that the Town's reliability and quality of service do not deteriorate.

### **SUBMARINE CABLES**

CPUC has a submarine feeder (4 separate cables) that leaves the station and supplies the northern part of the town. Earlier this year, Hydro One assisted CPUC field staff with a temporary assessment and repair of several exposed cables. Based on observations made at that time, Hydro One believes that these cables have reached their expected service life and will need to be replaced within the next few years. Hydro One recommends testing to validate the remaining expected service life of these cables.



**Hydro One and Chapleau PUC Staff Repairing Sub Cable**

### **PCB EQUIPMENT REPLACEMENTS**

CPUC will be testing approximately 150 pieces of oil-filled equipment for PCB. Depending on how many of them test above the PCB threshold, investments may be required to replace equipment to be compliant with the 2025 deadline.



**A Pole-Mounted Transformer**

### **OBSOLETE BILLING SYSTEM**

CPUC is currently using a very old billing system that is being supported by a single external individual who is the only person that knows how to program and make changes. Updating of rates and extracting reports from the system is cumbersome and the utility is entirely dependent on this individual.

### **CONCLUSION**

The issues identified in this report encapsulate the findings of Hydro One to date. Should any further material observations be made, Hydro One will update this report and the OEB, accordingly.