



EB-2005-0255

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF an application by Chatham-Kent
Energy Inc. and Middlesex Power Distribution Corporation
under section 86 of the *Ontario Energy Board Act, 1998*
seeking an order granting Chatham-Kent Energy Inc. leave
to acquire all outstanding shares in Middlesex Power
Distribution Corporation.

BEFORE: Paul Sommerville
Presiding Member

Cynthia Chaplin
Member

Paul Vlahos
Member

DECISION AND ORDER

On March 24, 2005, Chatham-Kent Energy Inc. (“CKEI”) and Middlesex Power Distribution Corporation (“MPDC”) (collectively, the “Applicants”) filed an application with the Ontario Energy Board (the “Board”) seeking leave for CKEI to acquire all outstanding shares in MPDC (the “Application”). CKEI is a holding company that holds all of the shares of Chatham-Kent Hydro Inc. (“CKHI”). Both CKHI and MPDC are licensed electricity distributors.

CKEI is wholly owned by the Municipality of Chatham-Kent. Currently, the Township of Strathroy-Caradoc and the Township of North Middlesex hold 100 percent of

the outstanding shares in MPDC, through a holding company called Middlesex Power Corporation.

Upon approval and completion of the proposed transaction, the Municipality of Chatham-Kent would hold 100 percent of the outstanding shares in MPDC through CKEI.

Following the acquisition of shares, MPDC would be a subsidiary of CKEI. MPDC and CKHI would serve approximately 6,700 and 32,000 customers respectively in the service territories that they currently serve. These service territories are not geographically contiguous.

The Applicants have stated that CKHI and MPDC will maintain separate rate bases and will not harmonize rates.

A Notice of Application and Written Hearing was published as directed by the Board. No interventions were filed in response to the Notice, and the Board has proceeded by way of a written hearing.

The full record of this proceeding is available for review at the Board's offices. While the Board has considered the full record, the Board has summarized and referred only to those portions of the record that it considers helpful to provide context to its findings.

Board Findings

The acquisition of certain interests in electricity distributors is governed by the *Ontario Energy Board Act, 1998* (the "Act"). Section 86 of the Act provides, among other things, that no person may acquire voting securities in an electricity distributor without leave of the Board if, as a result of the acquisition, the person would hold more than 20 percent of these voting securities of the distributor.

Section 1 of the Act states that the Board, in carrying out its responsibilities under the Act in relation to electricity, shall be guided by the following objectives:

1. To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service; and

2. To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.

The Applicants stated that Chatham-Kent Utilities Services Inc., an affiliate of CKEI, began providing management, administrative and billing and collection services to MPDC in June 2002. The Applicants further stated that as a result of this arrangement, MPDC's operating costs decreased by 23 percent between 2002 and 2004.

The Applicants submitted that by completing the proposed transaction, further efficiency gains can be realized in areas such as conservation and demand management programs, a smart meter pilot project that would be initiated in MPDC's service area, and billing system updates. The Applicants also note that CKEI has an A- rating from Standard and Poors, which would assist MPDC in its future financial requirements.

Based on a capital expenditure plan that outlines projected capital expenditures to the year 2008, the Applicants submit that many of the planned capital projects will improve quality and reliability of service in the MPDC service territory. In addition, the Applicants intend to maintain service centres in Strathroy-Caradoc and Chatham.

The Board accepts the Applicants' uncontested evidence and concludes that the proposed transaction is consistent with the Board's objectives.

THE BOARD ORDERS THAT:

1. Chatham-Kent Energy Inc. is granted leave to acquire all outstanding shares in Middlesex Power Distribution Corporation.
2. Notice of completion of the transaction shall be promptly given to the Board.
3. The Board's leave to acquire the shares shall expire 18 months from the date of this Decision and Order. If the transaction has not been completed by that date, a new application for leave to acquire the shares will be required in order for the transaction to proceed.

ISSUED at Toronto, June 24, 2005.

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary