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January 20, 2012

Kirsten Walli, Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli,

Re: EB-2011-0054 - Hydro Ottawa Limited 2012 Cost of Service Rate Application

Please find enclosed two (2) copies of Hydro Ottawa Limited's ("Hydro Ottawa") response to the Ontario Energy Board staff's comments on Hydro Ottawa's Draft Rate Order ("DRO"), which was submitted on December 28, 2011 with an Addendum filed on January 16, 2012.

On January 12, 2012, the School Energy Coalition indicated that they had no comments on Hydro Ottawa's DRO. No other submissions on the DRO were received.

Yours truly,

Jane Scott
Manager, Rates and Revenue

cc EB-2011-0054 Intervenors
Violet Binette (Ontario Energy Board)
Fred Cass (Aird & Berlis)

EB-2011-0054

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 Hydro Ottawa Limited for
an order approving or fixing just and reasonable rates and other charges
for the distribution of electricity to be effective January 1, 2012.

**DRAFT RATE ORDER OF HYDRO OTTAWA LIMITED
REPLY SUBMISSION TO ONTARIO ENERGY BOARD STAFF'S SUBMISSION
DELIVERED JANUARY 20, 2012**

INTRODUCTION

Hydro Ottawa Limited ("Hydro Ottawa") filed an application (the "Application") on June 17, 2011, requesting an order or orders of the Ontario Energy Board (the "Board") approving distribution rates and other charges effective January 1, 2012. The Application was updated on September 14, 2011.

On December 28, 2011, the Board issued its Decision and Order on Hydro Ottawa's Application for 2012 electricity rates. The Decision required Hydro Ottawa to file its Draft Rate Order ("DRO") within seven business days of the issuance of the Decision. Hydro Ottawa filed its DRO on January 6, 2012, with an Addendum filed on January 16, 2012.

Board staff and intervenors were required to file any comments on the DRO within seven business days of the date of filing of the DRO.

The School Energy Coalition indicated on January 12, 2012 that they had no comments on the DRO. All other intervenors did not make a submission on Hydro Ottawa's DRO. Board staff submitted comments on the DRO on January 17, 2012 and Hydro Ottawa's reply to that submission is provided below.

Sub-accounts of Account 1595

Board staff submitted that Hydro Ottawa should follow the direction provided in Question 6 of the December 2010 Accounting Procedures Handbook Frequently Asked Questions (“FAQs”), with respect to the establishment of sub-accounts for Account 1595. Hydro Ottawa has reviewed the response to Question 6 of the December 2010 Accounting Procedures Handbook FAQs and Questions 5 & 6 of the October 2009 FAQs (which are referred to in Question 6 of the December 2010 FAQs) and will comply with the approach proposed in these answers and understands that as this approach is in agreement with Board’s past practice, there is no need to address these accounts in an accounting order.

1575 IFRS-CGAAP Transitional PP&E Accounts

Board staff requested that Hydro Ottawa update the recovery of the deferral account to record the differences arising from the transition from CGAAP to MIFRS as a result of the Decision issued on December 28, 2011. Hydro Ottawa has updated the information in Exhibit J4-1-1 Attachment AZ to reflect the change in the IFRS rate base, and the Weighted Average Cost of Capital and the results are as follows:

Deferral Account	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000
Opening Balance	0	(44)	(33)	(22)	(11)
Amount added in the year	(44)	0	0	0	0
Amortization	0	11	11	11	11
Closing Balance	(44)	(33)	(22)	(11)	0

Effect on Revenue Requirement	\$000
Amortization	11
Return on rate base associated with deferred balance at WACC (6.7%)	3
Amount included in Revenue Requirement on rebasing	14

Hydro Ottawa understands that an accounting order is not necessary for this account as the Board authorized the creation of a generic IFRS PP&E deferral account to record differences arising from the transition from CGAAP to MIFRS in the Addendum to Report of the Board,

Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment.

1508 Other Regulatory Assets, Sub-account P&OPEB Deferral Account

Board staff has requested further information on the P&OPEB deferral account. As part of the MIFRS Supplement Agreement to the Settlement Agreement filed on November 10, 2011, the parties accepted Hydro Ottawa's proposal to establish a deferral account to capture the opening balance sheet adjustment (a liability of approximately \$2.8M) required to pensions as a result of converting to IFRS and to amortize the amount over the average remaining expected lives of the employees (13.3 years, as per Exhibit K11-1-13(2)). Three year from now (for 2016) rates, when Hydro Ottawa does its next valuation, a further adjustment (if required) will be made and the net balance in the deferral account will be recalculated. The amortization will then also be recalculated (if required) at that time. No carrying charges will be recorded on this account as the liability recognized is a non-cash item.

Hydro Ottawa accepts that the name of the sub-account will be 1508, Other Regulatory Assets, Sub-account OPEB Deferral Account.

-All of which is respectfully submitted-

Jane Scott
Manager, Rate & Revenue
Hydro Ottawa Limited