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October 2, 2012

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

Attention: Kirsten Walli
Board Secretary

**Re: Hydro Ottawa Limited 2013 Distribution Rate Application, EB-2012-0138
Reply to Ontario Energy Board Staff Submission**

Enclosed please find two hard copies of Hydro Ottawa Limited's ("Hydro Ottawa") response to Ontario Energy Board Staff's (the Board's) submission related to Hydro Ottawa's 2013 Third Generation Incentive Rate Mechanism Distribution Rate Application (EB-2012-0138). An electronic version has been uploaded through the Board's Regulatory Electronic Submission System.

If there are questions concerning this submission, please do not hesitate to contact the undersigned by phone at 613-738-5499, ext. 7499 or by email at janescott@hydroottawa.com.

Yours truly,

Original signed by

Jane Scott
Manager, Rates & Revenue
Hydro Ottawa

Hydro Ottawa Limited

Reply to Board Staff Submission

Hydro Ottawa Limited ("Hydro Ottawa") has reviewed the written submission prepared by staff of the Ontario Energy Board (the "Board"), issued on September 28, 2012. Board staff provided written submissions on three topics contained in Hydro Ottawa Limited's ("Hydro Ottawa") 2013 Electricity Distribution Rates Application (EB-2012-0138). Hydro Ottawa addresses each of the issues below:

Review and Disposition of Group 1 Deferral and Variance Account Balance

Board staff submitted that the Group 1 deferral and variance account balances should be disposed of on a final basis and recommends that a one-year disposition period be adopted. Hydro Ottawa agrees and has no submission to make on this issue.

Retail Transmission Service Rates ("RTSR") Adjustment Workform

Board staff submitted that Hydro Ottawa should use the most recent Board approved loss factor of 1.0358 in completing Sheet '4 RRR Data' of the RTSR Workform. Hydro Ottawa agrees that this loss factor is a better predictor of the wholesale costs and therefore a better proxy to recalibrate RTSRs. Hydro Ottawa presumes that Board staff will revise the loss factor on 'Sheet '4 RRR Data' of the RTSR Workform at the same time the model is adjusted to reflect the most recent Uniform Transmission Rates.

Shared Tax Savings

Board staff agreed with Hydro Ottawa's proposal to forgo the recovery of the tax sharing debit of \$71,225. Hydro Ottawa has no submission to make on this issue.

All of which is respectfully submitted.