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January 21, 2013

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
P.O Box 2319
Toronto, Ontario M4P 1E4

RE: Implementation of International Financial Reporting Standards

Dear Ms. Walli,

On April 30, 2012, the Ontario Energy Board (OEB) provided guidance to all licensed electricity distributors on the announcement of the Canadian Accounting Standards Board (AcSB) decision to defer the mandatory date for the implementation of International Financial Reporting Standards (IFRS) to January 1, 2013 for entities with qualifying rate-regulated activities.

On July 17, 2012, the OEB provided additional guidance to all licensed electricity distributors on the issue of converting from Canadian Generally Accepted Accounting Principles (CGAAP) to Modified International Financial Reporting Standards (MIFRS) for regulatory reporting purposes.

In September 2012, the AcSB announced a further deferral of the mandatory date for implementation of IFRS for entities with qualifying rate-regulated activities to January 1, 2014.

At its December 17, 2012 meeting, the International Accounting Standards Board (IASB) voted in favour of an interim IFRS standard on rate-regulated activities that "grandfathers" existing recognition and measurement policies for those entities that currently recognize regulatory assets and liabilities in accordance with their local accounting standards.



It is anticipated that the interim standard, once available, will only be applicable to rate-regulated entities that are first time adopters of IFRS as the basis for external financial reporting. Hydro Ottawa management believes that IFRS, supplemented with the interim standard, will provide meaningful and relevant financial information. However, entities who adopt IFRS for the year ended December 31, 2012 or earlier will present IFRS financial statements without regulatory assets and liabilities, which in Hydro Ottawa's opinion is not useful or relevant to the users. Hydro Ottawa believes that the interim IFRS standard will prevail for a number of years until the final IFRS standard is published.

Considering the impact of this very recent announcement from the IASB, Hydro Ottawa management is recommending to the Hydro Ottawa Audit Committee on February 5, 2013 that Hydro Ottawa defer the IFRS implementation date as allowed by the AcSB and continue to report externally under CGAAP for the year ended December 31, 2012 and until the IASB adopts the interim IFRS standard. This will ensure that the interim standard can be applied by Hydro Ottawa when it is available, and therefore that the financial statements under IFRS will provide meaningful and relevant financial information.

Hydro Ottawa wishes to point out that this recommendation is for external financial reporting purposes only and Hydro Ottawa will use MIFRS for its regulatory reporting purposes for 2012 in keeping with the guidance provided in the OEB's April 30, 2012 letter and Hydro Ottawa's rate application. Hydro Ottawa will complete all regulatory reporting in accordance with all of the OEB's rules, standards, and guidance.

If you have any questions, please do not hesitate to contact me at 1-613-738-5499 ext 7472 or patrickhoey@hydroottawa.com.

Yours truly,

A handwritten signature in black ink, appearing to read "Patrick Hoey", written over a horizontal line.

Patrick Hoey
Director, Regulatory Affairs