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July 3, 2013

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
EB-2013-0143: Notice of a Z-factor Event**

As per section 2.3.3 of the Ontario Energy Board (the "Board") Filing Requirements for Electricity Transmission and Distribution Applications, last revised on June 28, 2012, electric distribution utilities are required to notify the Board by letter to the Board Secretary of all Z-factor events. Failure to notify the Board within six months of the event may result in disallowance of the claim.

Hydro Ottawa Limited ("Hydro Ottawa") is hereby notifying the Board of the occurrence of a Z-factor event within the last six months. This event is the discovery that the Rex 1 Smart Meters which were installed as part of our Smart Meter Program are deficient and are having to be replaced before their normal retirement date.

Based on International Financial Reporting Standards, Hydro Ottawa is required to capture gains or losses on the disposal of pooled assets. A preliminary analysis of the total value of the meters to be derecognized as a result of the deficiency is \$2.5M, with the total for 2013 exceeding Hydro Ottawa's materiality threshold.

As a result, Hydro Ottawa is planning to request a Z-factor deferral account as a component of its 2014 Incentive Regulation Mechanism application (EB-2013-0143), which is to be filed before the end of August. As part of the application, Hydro Ottawa will be providing details on the cause of the Z-factor event, the unseen nature of the event, the prudence of the spending and further details on the materiality.

If there are questions concerning this letter, 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
Regulatory Affairs
Hydro Ottawa

cc. All Intervenors of Record for EB-2011-0054