



# Exhibit 5

COST OF CAPITAL AND CAPITAL STRUCTURE

<Blank Page>



## Table of Contents

Exhibit 5: Cost of Capital and Capital Structure.....	2
5.1 Capital Structure.....	2
5.1.1 Long Term Debt .....	3
5.1.2 Short Term Debt.....	5
5.1.3 Return on Equity .....	5
5.1.4 Notional Debt .....	5
5.2 Not-for-Profit Corporations.....	6
Appendix 5 – 1: City of Kitchener Promissory Note.....	
Appendix 5 – 2: Township of Wilmot Promissory Note.....	
Appendix 5 – 3: Infrastructure Ontario Loan Document .....	
Appendix 5 – 4: Required OEB Filing Appendices .....	

<Blank Page>



## 1 **Exhibit 5: Cost of Capital and Capital Structure**

2 In this Exhibit, KWHI is providing evidence regarding its capital structure, component  
3 costs, and the calculation of return on equity and debt for the 2020 Test Year. This  
4 Exhibit has been prepared in a manner consistent with the Report of the Board on Cost  
5 of Capital for Ontario's Regulated Utilities (EB-2009-0084) issued December 11, 2009  
6 (Cost of Capital Report). KWHI has relied on the Board's letter titled "Cost of Capital  
7 Parameter Updates for 2019 Applications" dated November 22, 2018 for the cost of  
8 capital parameters. KWHI acknowledges that these rates are subject to update at such  
9 time as the 2020 Cost of Capital parameters are issued by the Board.

10 KWHI was incorporated July 1, 2000 in accordance with the requirements of the  
11 Electricity Act, 1998, S.O. 1998, c. 15, Schedule A. KWHI is a wholly owned subsidiary  
12 of Kitchener Power Corp, which is owned by the Corporation of the City of Kitchener  
13 (92.25%) and the Corporation of the Township of Wilmot (7.75%). Share capital  
14 consists of 10,000 shares in the amount of \$63,689,499.

15 Since KWHI last filed a Cost of Service rate application in June of 2013 (EB-2013-  
16 0147), there have been no additional issuances or redemption of any type of shares  
17 (common or preferred) and as such, there has been no profit or loss associated with the  
18 redemption of shares.

19 The purpose of this evidence is to summarize the method and cost of financing capital  
20 requirements for the 2020 test year.

### 21 **5.1 Capital Structure**

22 KWHI has a current deemed capital structure of 60% debt (56% long term debt and 4%  
23 short term debt) and 40% equity. The current short- and long-term debt rates are  
24 deemed at 2.11% and 4.83% respectively and deemed return on equity of 9.36% as  
25 approved in its 2014 Cost of Service decision EB-2013-0147.



1 Filing requirement Appendix 2-OA and Appendix 2-OB have been filed in live Excel  
2 format (EB-2019-0049\_KWHI\_Appl\_2019\_Filing\_Req\_Chap2\_Appendices\_20190430) and are  
3 attached to this document as [Appendix 5-4](#).

4 [Table 5.1-1](#) details KWHI's proposed deemed capital structure for 2020:

5 **Table 5.1-1 – Deemed Capital Structure**

	(%)	(\$)	(%)	(\$)
<b>Debt</b>				
Long-term Debt	56.00%	\$ 134,045,953	4.13%	\$ 5,536,098
Short-term Debt	4.00%	9,574,711	2.82%	270,007
<b>Total Debt</b>	<b>60.00%</b>	<b>\$ 143,620,664</b>	<b>4.04%</b>	<b>\$ 5,806,105</b>
<b>Equity</b>				
Common Equity	40.00%	\$ 95,747,110	8.98%	\$ 8,598,090
Preferred Shares	0.00%	-	0.00%	-
<b>Total Equity</b>	<b>40.00%</b>	<b>\$ 95,747,110</b>	<b>8.98%</b>	<b>\$ 8,598,090</b>
<b>Total</b>	<b>100.00%</b>	<b>\$ 239,367,774</b>	<b>6.02%</b>	<b>\$ 14,404,195</b>

6  
7 KWHI is requesting a deemed short-term interest expense of \$270,007, deemed long-  
8 term interest expense of \$5,536,098 and a deemed return on equity (ROE) of  
9 \$8,598,090 for a total regulated return on capital of \$14,404,195 for the 2020 Test year.

### 10 **5.1.1 Long Term Debt**

11 The City of Kitchener and the Township of Wilmot hold promissory notes. Copies of  
12 these Promissory notes are attached as [Appendix 5-1](#) and [Appendix 5-2](#) respectively.  
13 The interest rate on these notes is the “established rate.” The “established rate” is  
14 defined as the rate at which the Ontario Energy Board permits KWHI to pay for rate  
15 making purposes in the establishment of distribution rates. The promissory notes are  
16 open and may be repaid at any time without notice or bonus.



1 KWHI does not have a schedule for retirement of affiliated debt or buy back of common  
 2 shares. The changes in the actual capital structure are mainly due to the growing rate  
 3 base, rather than increases to debt.

4 In May 2010, KWHI borrowed \$10 million from Infrastructure Ontario in the form of a  
 5 debenture to finance the Smart Meter Initiative. The loan agreement is attached in  
 6 [Appendix 5-3](#). The annual interest rate is 4.28% and a schedule for repayment is  
 7 included with the loan agreement. The last payment is due May 19, 2020, at which time  
 8 the loan will be paid in full.

9 KWHI has projected cash balances and forecasts that it will not need to borrow  
 10 additional cash prior to the next Cost of Service application. KWHI will endeavor to find  
 11 competitive financing to support its operations in the future when financing its  
 12 operations becomes necessary.

13 KWHI is requesting a return on long term debt for the 2020 Test Year using its weighted  
 14 average debt rate of 4.13% on the existing long-term loans totaling \$76,962,142 owing  
 15 to its shareholders (the City of Kitchener and the Township of Wilmot).

16 The amount of deemed debt in excess of the current long-term debt is calculated as the  
 17 amount of the calculated deemed debt less the actual amount of long-term debt. The  
 18 actual long-term debt is comprised of the promissory notes to the City and the  
 19 Township, and the Infrastructure Ontario loan and is shown in [Table 5.1.1-1](#) below:

20 **Table 5.1.1-1 – Deemed Debt in Excess of Current Long-Term Debt**

Deemed Debt in Excess of Current Long Term Debt		
Deemed Long Term Debt Percentage		56%
2020 Rate Base		\$ 239,367,774
Deemed Long Term Debt Percentage		134,045,953
City of Kitchener Promissory Note	\$ 70,997,576	
Township of Wilmot Promissory Note	5,964,566	
Infrastructure Ontario Loan	-	
Actual Long Term Debt		76,962,142
Deemed Debt in Excess of Current Long Term Debt		\$ 57,083,811

21



1 **5.1.2 Short Term Debt**

2 KWHI has available to it a demand revolving credit facility of \$5,000,000 with the Bank  
3 of Montreal. The interest rate is prime with a minimum amount to be borrowed at any  
4 one time of \$500,000. The facility has been in place for quite some time, however,  
5 KWHI has yet to use it.

6 KWHI is requesting a Short-Term Debt rate of 2.82% for the 2020 Test Year in  
7 accordance with the Cost of Capital Parameter Updates for 2019 Cost of Service  
8 Applications issued by the Board on November 22, 2018. KWHI understands that the  
9 Board may provide future updates to the Cost of Capital parameters applicable to 2020  
10 Cost of Service Applications. KWHI's use of a Return on Short Term Debt of 2.82% is  
11 without prejudice to any revisions that may be adopted by the Board in late 2019.

12 **5.1.3 Return on Equity**

13 KWHI is requesting a ROE for the 2020 Test year of 8.98%, in accordance with the Cost  
14 of Capital Parameter Updates for 2019 Cost of Service Applications issued by the OEB  
15 on November 22, 2018. KWHI understands that the Board may provide future updates  
16 to the Cost of Capital parameters applicable to 2020 Cost of Service Applications.  
17 KWHI's use of a ROE of 8.98% is without prejudice to any revised ROE that may be  
18 adopted by the Board in late 2019.

19 **5.1.4 Notional Debt**

20 KWHI's deemed and actual long-term debt are different. For the 2020 Test year, the  
21 actual amount of Long-Term debt is \$76,692,142 and the deemed long-term debt is  
22 \$134,045,953 (see [Table 5.1-1](#)). KWHI has positive notional debt. KWHI is requesting  
23 the weighted average cost of actual long-term debt on its notional debt rather than the  
24 current long-term debt rate issued by the Board. As shown in [Table 5.1.1-1](#), KWHI has  
25 \$57,353,811 in notional debt for the 2020 Test Year.





1 **5.2 Not-for-Profit Corporations**

2 KWHI is a For-Profit Corporation.

<Blank Page>



File Number: EB-2019-0049

Exhibit: 5

Filed: April 30, 2019

## **Appendix 5 – 1: City of Kitchener Promissory Note**

<Blank Page>

## PROMISSORY NOTE

FOR VALUE RECEIVED, Kitchener-Wilmot Hydro Inc. ("Kitchener-Wilmot Hydro") hereby promises to pay to or to the order of The Corporation of the City of Kitchener (the "City of Kitchener") the Principal sum of \$70,997,576.00 (the "Principal") with interest at the rate specified herein.

### Repayment on Demand

The City of Kitchener may demand repayment of all or any part of the outstanding Principal with interest at the Established Rate upon eighteen (18) months written notice of demand to Kitchener-Wilmot Hydro.

### Interest

The outstanding Principal shall bear interest at the Established Rate, such interest to be calculated and paid quarterly on March 31, June 30, September 30, and December 31 of each year, not in advance.

Interest at the Established Rate shall accrue from January 1, 2001 until the Principal is paid in full.

"Established Rate" means the interest rate which is equal to the interest rate on debt (the "Debt Rate") which the Ontario Energy Board or its successor may permit Kitchener-Wilmot Hydro to pay for rate making purposes in the establishment of distribution rates, and the interest rate as aforesaid shall change from time to time.

As at the date of this Promissory Note, the Established Rate is as follows:

For the year 2001	-	3.75%
For the year 2002	-	4.68%
Effective January 1, 2003	-	the Ontario Energy Board Established Rate (presently 7.00%)

Kitchener-Wilmot Hydro shall notify in writing, the City of Kitchener forthwith, of any change in the Established Rate approved by the Ontario Energy Board. Any change in the Established Rate shall be effective thirty (30) days from the date of approval.

If the Board of Directors of Kitchener-Wilmot Hydro approve capital expenditures requiring borrowing that causes the debt/equity ratio to exceed 55/45, the interest payable will be reduced to bring the overall total interest payable to the deemed allowable interest expense for regulatory purposes.

The payment of the Principal amount and all interest on this Promissory Note is subordinated to debt issued by Kitchener-Wilmot Hydro from time to time to a financial institution or other third party for the purposes of Kitchener-Wilmot Hydro and the City of Kitchener shall execute such documents as may reasonably be required by Kitchener-Wilmot Hydro to evidence the subordination.


This Promissory Note is open and may be repaid by Kitchener-Wilmot Hydro at any time without notice or bonus.

This Promissory Note is not assignable by the City of Kitchener without the consent of Kitchener-Wilmot Hydro. Such consent is not to be unreasonably withheld.

For value received, Kitchener-Wilmot Hydro confirms that it paid interest on the principal sum to the City of Kitchener for a portion of the year 2000 and will seek no recourse to recover this amount at any future date.

DATED as of the 27<sup>th</sup> day of NOVEMBER 2001.

**KITCHENER-WILMOT HYDRO INC.**

Per:   
\_\_\_\_\_

Authorized Signing Officer

Name: **B. SIMS CHAIR**

Title:   
\_\_\_\_\_

Authorized Signing Officer

Name: **R. CHARIE**

Title: **PRESIDENT & C.E.O.**

Seal



File Number: EB-2019-0049

Exhibit: 5

Filed: April 30, 2019

## **Appendix 5 – 2: Township of Wilmot Promissory Note**

<Blank Page>



**PROMISSORY NOTE**

FOR VALUE RECEIVED, Kitchener-Wilmot Hydro Inc. ("Kitchener-Wilmot Hydro") hereby promises to pay to or to the order of The Corporation of the Township of Wilmot (the "Township of Wilmot") the Principal sum of \$5,964,566.00 (the "Principal") with interest at the rate specified herein.

Repayment on Demand

The Township of Wilmot may demand repayment of all or any part of the outstanding Principal with interest at the Established Rate upon eighteen (18) months written notice of demand to Kitchener-Wilmot Hydro.

Interest

The outstanding Principal shall bear interest at the Established Rate, such interest to be calculated and paid quarterly, on March 31, June 30, September 30, and December 31 of each year, not in advance.

Interest at the Established Rate shall accrue from January 1, 2001 until the Principal is paid in full.

"Established Rate" means the interest rate which is equal to the interest rate on debt (the "Debt Rate") which the Ontario Energy Board or its successor may permit Kitchener-Wilmot Hydro to pay for rate making purposes in the establishment of distribution rates, and the interest rate as aforesaid shall change from time to time.

As at the date of this Promissory Note, the Established Rate is as follows:

For the year 2001	-	3.75%
For the year 2002	-	4.68%
Effective January 1, 2003	-	the Ontario Energy Board Established Rate (presently 7.00%)

Kitchener-Wilmot Hydro shall notify in writing, the Township of Wilmot forthwith, of any change in the Established Rate approved by the Ontario Energy Board. Any change in the Established Rate shall be effective thirty (30) days from the date of approval.

If the Board of Directors of Kitchener-Wilmot Hydro approve capital expenditures requiring borrowing that causes the debt/equity ratio to exceed 55/45, the interest payable will be reduced to bring the overall total interest payable to the deemed allowable interest expense for regulatory purposes.

The payment of the Principal amount and all interest on this Promissory Note is subordinated to debt issued by Kitchener-Wilmot Hydro from time to time to a financial institution or other third party for the purposes of Kitchener-Wilmot Hydro and the Township of Wilmot shall execute such documents as may reasonably be required by Kitchener-Wilmot Hydro to evidence the subordination.

This Promissory Note is open and may be repaid by Kitchener-Wilmot Hydro at any time without notice or bonus.

This Promissory Note is not assignable by the Township of Wilmot without the consent of Kitchener-Wilmot Hydro. Such consent is not to be unreasonably withheld.

For value received, Kitchener-Wilmot Hydro confirms that it paid interest on the principal sum to the Township of Wilmot for a portion of the year 2000 and will seek no recourse to recover this amount at any future date.

DATED as of the 27<sup>th</sup> day of NOVEMBER 2001.

**KITCHENER-WILMOT HYDRO INC.**

Per:   
\_\_\_\_\_  
Authorized Signing Officer

Name: **B. SIMS CHAIR**  
Title:   
\_\_\_\_\_  
Authorized Signing Officer

Name: **R. CHARIE**  
Title: **PRESIDENT & C.E.O.** Seal



File Number: EB-2019-0049

Exhibit: 5

Filed: April 30, 2019

## **Appendix 5 – 3: Infrastructure Ontario Loan Document**

<Blank Page>

## DEBENTURE

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS DEBENTURE MUST NOT TRADE THE DEBENTURE BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) MAY 17, 2010, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

KITCHENER-WILMOT HYDRO INC.

SENIOR UNSECURED DEBENTURE DUE MAY 19, 2020

No. 05-17-2010

Cdn.\$10,000,000.00

KITCHENER-WILMOT HYDRO INC. (hereinafter referred to in such capacity as the "Borrower"), for value received, hereby acknowledges itself liable and indebted and promises to pay to ONTARIO INFRASTRUCTURE PROJECTS CORPORATION or its registered assigns by May 19, 2020 the principal sum of Ten Million Dollars (\$10,000,000.00) in lawful money of Canada by semi-annual payments on the 15<sup>th</sup> day of November and the 15<sup>th</sup> day of May in each of the years 2010 to 2020, both inclusive, in the amounts set forth in the attached Schedule A which forms part of this Debenture (the "Payment Schedule") and to pay interest on the said principal sum from time to time outstanding from the date hereof, or from the last interest payment date to which interest shall have been paid or made available for payment on this Debenture, whichever is later, at a rate of interest set forth in the Payment Schedule in arrears on the 15<sup>th</sup> day of November and the 15<sup>th</sup> day of May in each of the years 2010 to 2020 (each a "Payment Date") with the first payment due on November 17, 2010. Upon default interest shall be paid at the rate specified in the attached Schedule B which forms part of this Debenture. The applicable rate of interest, the payment of principal and interest and the principal balance outstanding under this Debenture in each year are shown in the Payment Schedule.

This Debenture is one of the Borrower's Senior Unsecured Debentures originally authorized in the aggregate principal amount of Cdn.\$10,000,000.00 pursuant to the financing agreement (the "Financing Agreement") dated as of December 15, 2009 and made between the Borrower and Ontario Infrastructure Projects Corporation (herein called "OIPC"). Capitalized terms not defined herein shall have the meanings assigned to them in the Financing Agreement.

For the purposes of disclosure pursuant to the *Interest Act* (Canada), the yearly rate of interest which is equivalent to a rate of interest payable in respect of the principal for any period of less than a year may be determined by multiplying the rate of interest for such period by a fraction, the numerator of which is the actual number of days in a year commencing on and including the first day in such period and ending on but excluding the corresponding day in the next calendar year and the denominator of which is the actual number of days in such period.

Reference is hereby expressly made to the Financing Agreement and all instruments supplemental thereto for a statement and description of, among other things, the liability of the Borrower for payment of the Debenture, the terms, conditions, covenants and warranties upon which the Debenture is issued and held, and the rights and remedies of the holder of the Debenture issued thereunder and of the Borrower in respect thereof, all to the same effect as if the provisions of the Financing Agreement were herein set out, to all of which provisions the holder hereof by acceptance hereof assents.

The undersigned authorizes the registered holder of this Debenture to record on the reverse of this Debenture or on any attachment to this Debenture all repayments of principal and interest and the unpaid balance of principal from time to time. The undersigned agrees that in the absence of manifest error the record kept by the registered holder on this Debenture or any attachment shall be conclusive evidence of the matters recorded, provided that the failure of the registered holder to record or correctly record any amount or date shall not affect the obligation of the undersigned to pay the outstanding principal amount and interest.

In case an Event of Default (as defined in the Financing Agreement) shall occur and be continuing, the full unpaid principal amount of this Debenture, together with interest accrued thereon, may become or be declared due before stated maturity by the registered holder of this Debenture in its sole discretion.

This Debenture is also subject to the conditions set forth in the attached Schedule B.

This Debenture shall be construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

The parties hereto have declared that they have required that these presents and all other documents related hereto be in the English language.

Les parties aux présentes ont déclaré qu'elles ont exigé que le présent certificat, de même que tous les documents s'y rapportant, soient rédigés en anglais.

IN WITNESS HEREOF the Borrower has caused this Debenture to be executed and delivered as of the 17<sup>th</sup> day of May 2010.

KITCHENER-WILMOT HYDRO INC.

By: J. Van Ooteghem

Name: Jerry Van Ooteghem

Title: President & CEO

By: B. L. Guthrie

Name: Gerry Guthrie

Title: Vice President Finance & CFO

[Please Affix Seal]

**SCHEDULE A**

**Amortizing Debenture Schedule**

Organization Name                      Kitchener-Wilmot Hydro Inc.  
 Principal Amount                      \$10,000,000.00  
 Annual Interest Rate                    4.28%  
 Loan Term (Year)                      10  
 Debenture Date (m/d/yyyy)            5/17/2010  
 Maturity Date (m/d/yyyy)            5/19/2020  
 Payment Frequency                      Semi Annual  
 Loan Type                                Amortizing

Payment Date	Total Payment	Principal Amount	Interest Amount	Principal Balance
11/17/2010	\$619,860.79	\$405,860.79	\$214,000.00	\$9,594,139.21
5/17/2011	\$619,860.79	\$414,546.21	\$205,314.58	\$9,179,593.00
11/17/2011	\$619,860.79	\$423,417.50	\$196,443.29	\$8,756,175.50
5/17/2012	\$619,860.79	\$432,478.63	\$187,382.16	\$8,323,696.87
11/19/2012	\$619,860.79	\$441,733.68	\$178,127.11	\$7,881,963.19
5/17/2013	\$619,860.79	\$451,186.78	\$168,674.01	\$7,430,776.41
11/18/2013	\$619,860.79	\$460,842.17	\$159,018.62	\$6,969,934.24
5/20/2014	\$619,860.79	\$470,704.20	\$149,156.59	\$6,499,230.04
11/17/2014	\$619,860.79	\$480,777.27	\$139,083.52	\$6,018,452.77
5/19/2015	\$619,860.79	\$491,065.90	\$128,794.89	\$5,527,386.87
11/17/2015	\$619,860.79	\$501,574.71	\$118,286.08	\$5,025,812.16
5/17/2016	\$619,860.79	\$512,308.41	\$107,552.38	\$4,513,503.75
11/17/2016	\$619,860.79	\$523,271.81	\$96,588.98	\$3,990,231.94
5/17/2017	\$619,860.79	\$534,469.83	\$85,390.96	\$3,455,762.11
11/17/2017	\$619,860.79	\$545,907.48	\$73,953.31	\$2,909,854.63
5/17/2018	\$619,860.79	\$557,589.90	\$62,270.69	\$2,352,264.73
11/19/2018	\$619,860.79	\$569,522.32	\$50,338.47	\$1,782,742.41
5/17/2019	\$619,860.79	\$581,710.10	\$38,150.69	\$1,201,032.31
11/18/2019	\$619,860.79	\$594,158.70	\$25,702.09	\$606,873.61
5/19/2020	\$619,860.71	\$606,873.61	\$12,987.10	\$0.00
<b>Total</b>	<b>\$12,397,215.72</b>	<b>\$10,000,000.00</b>	<b>\$2,397,215.72</b>	



## CONDITIONS AND DEFINITIONS

Schedule B to the Senior Unsecured Debenture dated as of May 17, 2010 issued by the Borrower in favour of Ontario Infrastructure Projects Corporation

### 1. Definitions

"Net Present Value" will be calculated based on the following formulae: For Amortizing Debenture –  $[\text{loan payment} / (r/2)] * (1 - 1 / (1 + (r/2))^n]$ , where "r" is the prevailing lending rate less an appropriate basis point deduction for costs incurred and "n" is the number of semi-annual periods to maturity.

"Prime Rate" means, on any day, the annual rate of interest which is the arithmetic mean of the prime rates announced from time to time by the five major Canadian Schedule I banks, as of the issue date of this Debenture, Royal Bank of Canada, Canadian Imperial Bank of Commerce, The Bank of Nova Scotia, Bank of Montreal and The Toronto-Dominion Bank (the "Reference Banks") as their reference rates in effect on such day for Canadian dollar commercial loans made in Canada. If fewer than five of the Reference Banks quote a prime rate on such days, the "Prime Rate" shall be the arithmetic mean of the rates quoted by the remaining Reference Banks.

### 2. Form and Registration of the Debenture

(a) The Debenture is a direct, unsecured, senior and unsubordinated obligation of the Borrower and shall rank *pari passu* with all other unsecured senior debt obligations of the Borrower.

(b) The Borrower shall maintain at its designated office a register in respect of the Debenture in which shall be recorded the names and addresses of the registered holders and in which particulars of the cancellation, exchanges, substitutions and transfers of the Debenture, may be recorded and the Borrower is authorized to use electronic, magnetic or other media for records of or related to the Debenture or for copies of them.

### 3. Title

The Borrower shall not be bound to see to the execution of any trust affecting the ownership of this Debenture or be affected by notice of any equity that may be subsisting in respect thereof. The Borrower shall deem and treat the registered holder of this Debenture as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary and all payments to or to the order of the registered holder shall be valid and effectual to discharge the liability of the Borrower on the Debenture to the extent of the sum or sums so paid. Where a Debenture is registered in more than one name, the principal of and interest from time to time payable on such Debenture shall be paid to or to the order of all the joint registered holders thereof, failing written instructions to the contrary from all such joint registered holders, and such payment shall constitute a valid discharge to the Borrower. In the case of the death of one or more joint registered holders, despite the foregoing provisions of this section, the principal of and interest on the Debenture registered in their names may be paid to the survivor or survivors of such holders and such payment shall constitute a valid discharge to the Borrower.

4. Payments of Principal and Interest

(a) The record date for purposes of payment of principal of and interest on the Debenture is as of 5:00 p.m. on the sixteenth calendar day preceding any Payment Date including a maturity date. Principal of and interest on the Debenture are payable by the Borrower to the persons registered as holders in the register on the relevant record date. The Borrower shall not be required to register any transfer, exchange or substitution of the Debenture during the period from any record date to the corresponding Payment Date.

(b) The Borrower shall make all payments in respect of semi-annual combined principal and interest on the Debenture on each Payment Date commencing on November 17, 2010 (other than in respect of the final payment of principal and outstanding interest which the Borrower shall pay on the final maturity date upon presentation and surrender of this Debenture) in lawful money of Canada by pre-authorized debit in respect of such interest and principal to the credit of the registered holder on such terms as to which the registered holder and the Borrower may agree.

(c) The Borrower shall pay to the registered holder interest on any overdue amount of principal or interest in respect of any Debenture, both before and after default and judgment, at a rate per annum equal to the greater of the rate specified on the Payment Schedule for such amount plus 200 basis points or Prime Rate plus 200 basis points, calculated on a daily basis from the date such amount becomes overdue for so long as such amount remains overdue and the Borrower shall pay to the registered holder any and all costs incurred by the registered holder as a result of the overdue payment.

(d) Whenever it is necessary to compute any amount of interest in respect of the Debenture for a period of less than one full year, other than with respect to regular semi-annual interest payments, such interest shall be calculated on the basis of the actual number of days in the period and a year of 365 days.

(e) Delivery of payments in respect of principal of and interest on the Debenture as provided on the Payment Schedule shall be made only on a day on which banking institutions in Toronto, Ontario, are not authorized or obligated by law or executive order to be closed (a "Toronto Business Day"), and if any date for delivery of payment is not a Toronto Business Day, payment as specified on the Payment Schedule shall be made on the next following Toronto Business Day.

(f) The Debenture is transferable or exchangeable at the office of the President of the Borrower upon presentation for such purpose accompanied by an instrument of transfer or exchange in a form approved by the Borrower and which form is in accordance with the prevailing Canadian transfer legislation and practices, executed by the registered holder thereof or such holder's duly authorized attorney or legal personal representative, whereupon and upon registration of such transfer or exchange and cancellation of the Debenture, a new Debenture will be delivered as directed by the transferee, in the case of a transfer or as directed by the registered holder in the case of an exchange.

(g) The Borrower shall issue and deliver a new Debenture in exchange or substitution for the Debenture outstanding on the register with the same maturity and of like form which has become lost, stolen, mutilated, defaced or destroyed, provided that the applicant therefor shall have: (i) paid such costs as may have been incurred in connection therewith; (ii) (in the case of a lost, stolen or destroyed Debenture) furnished the Borrower with such evidence (including evidence as to the certificate number of the Debenture in question) and indemnity in respect thereof satisfactory to the Borrower in its discretion; and (iii) surrendered to the Borrower any mutilated or defaced Debenture in respect of which the new Debenture is to be issued in substitution.

(h) The Debenture(s) issued upon any registration of transfer or exchange or in substitution for the Debenture(s) or part thereof shall carry all the rights to interest if any, accrued and unpaid which were carried by such Debenture(s) or part thereof and shall be so dated and shall bear the same maturity date and shall be subject to the same terms and conditions as the Debenture(s) in respect of which the transfer, exchange or substitution is effected.

(i) The cost of all transfers and exchanges, including the printing of authorized denominations of the new Debenture(s), shall be borne by the Borrower. When the Debenture is surrendered for transfer or exchange the President of the Borrower shall: (i) in the case of an exchange, cancel and destroy the Debenture surrendered for exchange; (ii) in the case of an exchange, certify the cancellation and destruction in the register; and (iii) enter in the register particulars of the new Debenture issued in exchange.

(j) Reasonable fees for the substitution of a new Debenture for the Debenture that is lost, stolen, mutilated, defaced or destroyed may be imposed by the Borrower. Where new Debentures are issued in substitution in these circumstances the Borrower shall: (i) treat as cancelled and destroyed the Debentures in respect of which new Debentures will be issued in substitution; (ii) certify the deemed cancellation and destruction in the register; (iii) enter in the register particulars of the new Debentures issued in substitution; and (iv) make a notation of any indemnities provided.

## 5. Notices

Except as otherwise expressly provided herein, any notice required to be given to a registered holder of the Debenture will be sufficiently given if a copy of such notice is mailed or otherwise delivered to the registered address of such registered holder. If the Borrower or any registered holder is required to give any notice in connection with the Debenture on or before any day and that day is not a Toronto Business Day then such notice may be given on the next following Toronto Business Day.

## 6. Time

Unless otherwise expressly provided herein, any reference herein to a time shall be considered to be a reference to Toronto time.

7. Assignment and Benefit of Debenture

The Borrower may not assign its rights or transfer its obligations under this Debenture without the prior written consent of the registered holder of the Debenture. The registered holder of this Debenture may assign or transfer its rights under this Debenture without the prior written consent of the Borrower by giving thirty (30) days notice of such assignment or transfer to the Borrower. This Debenture enures to the benefit of and binds the Borrower and the registered holder of the Debenture and their respective successors and permitted assigns.

8. Amendment

Any amendment to this Debenture shall be in writing signed by each of the Borrower and the registered holder of the Debenture except that any waiver of any provision of this Debenture or consent to any departure by the Borrower herefrom, shall be effective if the same is in writing and signed by the registered holder of the Debenture.

9. No Waiver

No failure on the part of the registered holder to exercise, and no delay in exercising, any right under the Debenture shall operate as a waiver thereof; nor shall any single or partial exercise of any right under the Debenture preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

10. Waiver of Protest

The Borrower waives diligence, demand, presentment, protest and notice of any kind and agrees that it will not be necessary for the registered holder to first initiate suit in order to enforce payment of this Debenture pursuant to the terms and conditions of this Debenture.

11. Termination of Financing Agreement

If OIPC elects to terminate its obligations under the financing agreement entered into between the parties, OIPC, at its discretion, shall assess any losses that it may incur as a result of the termination as follows: if on the date of termination the outstanding principal balance on the Debenture is less than the Net Present Value of the Debenture, the Borrower shall pay the difference between these two amounts to OIPC.



File Number: EB-2019-0049

Exhibit: 5

Filed: April 30, 2019

## **Appendix 5 – 4: Required OEB Filing Appendices**

<Blank Page>

## Appendix 2-OA Capital Structure and Cost of Capital

This table must be completed for the last Board-approved year and the test year.

Year: 2014

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
<b>Debt</b>					
1	Long-term Debt	56.00%	\$118,205,100	4.83%	\$5,709,306
2	Short-term Debt	4.00% (1)	\$8,443,221	2.11%	\$178,152
3	<b>Total Debt</b>	<b>60.0%</b>	<b>\$126,648,321</b>	<b>4.65%</b>	<b>\$5,887,458</b>
<b>Equity</b>					
4	Common Equity	40.00%	\$84,432,214	9.36%	\$7,902,855
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	<b>Total Equity</b>	<b>40.0%</b>	<b>\$84,432,214</b>	<b>9.36%</b>	<b>\$7,902,855</b>
7	<b>Total</b>	<b>100.0%</b>	<b>\$211,080,535</b>	<b>6.53%</b>	<b>\$13,790,314</b>

**Notes**  
(1)

4.0% unless an applicant has proposed or been approved for a different amount.

## Appendix 2-OA Capital Structure and Cost of Capital

This table must be completed for the last Board-approved year and the test year.

Year: 2020

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
<b>Debt</b>					
1	Long-term Debt	56.00%	\$134,045,953	4.13%	\$5,536,098
2	Short-term Debt	4.00% (1)	\$9,574,711	2.82%	\$270,007
3	<b>Total Debt</b>	<b>60.0%</b>	<b>\$143,620,664</b>	<b>4.04%</b>	<b>\$5,806,105</b>
<b>Equity</b>					
4	Common Equity	40.00%	\$95,747,109	8.98%	\$8,598,090
5	Preferred Shares	0.00%	\$ -		\$ -
6	<b>Total Equity</b>	<b>40.0%</b>	<b>\$95,747,109</b>	<b>8.98%</b>	<b>\$8,598,090</b>
7	<b>Total</b>	<b>100.0%</b>	<b>\$239,367,773</b>	<b>6.02%</b>	<b>\$14,404,195</b>

**Notes**  
(1)

4.0% unless an applicant has proposed or been approved for a different amount.

### Appendix 2-OB Debt Instruments

This table must be completed for all required historical years, the bridge year and the test year.

Year 2014

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>	Additional Comments, if any
1	Shareholder Loan	City of Kitchener	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 70,997,576	4.88%	\$ 3,464,681.71	
2	Shareholder Loan	Township of Wilmot	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 5,964,566	4.88%	\$ 291,070.82	
3	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	1-May-10	5.33	\$ 6,018,453	4.28%	\$ 288,240.11	
4									\$ -	
5									\$ -	
6									\$ -	
7									\$ -	
8									\$ -	
9									\$ -	
10									\$ -	
11									\$ -	
12									\$ -	
<b>Total</b>							\$ 82,980,595	4.87%	\$ 4,043,992.64	

### Appendix 2-OB Debt Instruments

This table must be completed for all required historical years, the bridge year and the test year.

Year 2015

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>	Additional Comments, if any
1	Shareholder Loan	City of Kitchener	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 70,997,576	4.88%	\$ 3,464,681.71	
2	Shareholder Loan	Township of Wilmot	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 5,964,566	4.88%	\$ 291,070.82	
3	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	1-May-10	4.33	\$ 5,025,812	4.28%	\$ 247,080.97	
4									\$ -	
5									\$ -	
6									\$ -	
7									\$ -	
8									\$ -	
9									\$ -	
10									\$ -	
11									\$ -	
12									\$ -	
<b>Total</b>							\$ 81,987,954	4.88%	\$ 4,002,833.50	

### Appendix 2-OB Debt Instruments

This table must be completed for all required historical years, the bridge year and the test year.

Year 2016

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>	Additional Comments, if any
1	Shareholder Loan	City of Kitchener	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 70,997,576	4.88%	\$ 3,464,681.71	
2	Shareholder Loan	Township of Wilmot	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 5,964,566	4.88%	\$ 291,070.82	
3	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	1-May-10	3.33	\$ 3,990,232	4.28%	\$ 204,141.36	
4									\$ -	
5									\$ -	
6									\$ -	
7									\$ -	
8									\$ -	
9									\$ -	
10									\$ -	
11									\$ -	
12									\$ -	
<b>Total</b>							\$ 80,952,374	4.89%	\$ 3,959,893.89	



**Appendix 2-OB  
 Debt Instruments**

This table must be completed for all required historical years, the bridge year and the test year.

Year 2017

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>	Additional Comments, if any
1	Shareholder Loan	City of Kitchener	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 70,997,576	4.88%	\$ 3,464,681.71	
2	Shareholder Loan	Township of Wilmot	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 5,964,566	4.88%	\$ 291,070.82	
3	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	1-May-10	2.33	\$ 2,909,855	4.28%	\$ 159,344.27	
4									\$ -	
5									\$ -	
6									\$ -	
7									\$ -	
8									\$ -	
9									\$ -	
10									\$ -	
11									\$ -	
12									\$ -	
Total							\$ 79,871,997	4.90%	\$ 3,915,096.80	

**Appendix 2-OB  
 Debt Instruments**

This table must be completed for all required historical years, the bridge year and the test year.

Year 2018

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>	Additional Comments, if any
1	Shareholder Loan	City of Kitchener	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 70,997,576	4.88%	\$ 3,464,681.71	
2	Shareholder Loan	Township of Wilmot	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 5,964,566	4.88%	\$ 291,070.82	
3	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	1-May-10	1.33	\$ 1,782,742	4.28%	\$ 112,609.36	
4									\$ -	
5									\$ -	
6									\$ -	
7									\$ -	
8									\$ -	
9									\$ -	
10									\$ -	
11									\$ -	
12									\$ -	
Total							\$ 78,744,884	4.91%	\$ 3,868,361.89	

**Appendix 2-OB  
 Debt Instruments**

This table must be completed for all required historical years, the bridge year and the test year.

Year 2019

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>	Additional Comments, if any
1	Shareholder Loan	City of Kitchener	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 70,997,576	4.88%	\$ 3,464,681.71	
2	Shareholder Loan	Township of Wilmot	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 5,964,566	4.88%	\$ 291,070.82	
3	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	1-May-10	0.33	\$ 606,874	4.28%	\$ 63,852.78	
4									\$ -	
5									\$ -	
6									\$ -	
7									\$ -	
8									\$ -	
9									\$ -	
10									\$ -	
11									\$ -	
12									\$ -	
Total							\$ 77,569,016	4.92%	\$ 3,819,605.31	

**Appendix 2-OB  
 Debt Instruments**

This table must be completed for all required historical years, the bridge year and the test year.

Year 2020

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>	Additional Comments, if any
1	Shareholder Loan	City of Kitchener	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 70,997,576	4.88%	\$ 3,464,681.71	
2	Shareholder Loan	Township of Wilmot	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 5,964,566	4.88%	\$ 291,070.82	
3	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	1-May-10	0	\$ -	4.28%	\$ 12,987.18	
4									\$ -	
5									\$ -	
6									\$ -	
7									\$ -	
8									\$ -	
9									\$ -	
10									\$ -	
11									\$ -	
12									\$ -	
									\$ -	
									\$ -	
									\$ -	
									\$ -	
									\$ -	
									\$ -	
									\$ -	
Total							\$ 76,962,142	4.90%	\$ 3,768,739.71	

**Notes**

- 1 If financing is in place only part of the year, separately calculate the pro-rated interest in the year and input in the cell.
- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or with any subsequent update issued by the Board.
- 3 Add more lines above row 12 if necessary.