

# Exhibit 5:

# Cost of Capital

## TABLE OF CONTENTS

5	Cost of Capital.....	1
5.1	Capital Structure .....	4
5.1.1	Overview .....	4
5.1.2	Calculation of the 2010 Board Approved Proxy.....	4
5.2	Cost of Capital .....	11
5.2.1	Cost of Debt: Long Term .....	11
5.2.2	Cost of Debt: Short Term .....	14
5.2.3	Return on Equity .....	14
5.2.4	Profit or Loss on Redemption of debt and/or Preference Shares .....	14
5.2.5	Notional Debt.....	14
5.2.6	Weighted Average Cost of Capital .....	14
5.3	Not for Profit Corporations.....	16

1    **LIST OF ATTACHMENTS**

---

- 2        5-A.    Municipality – Note Payable 1
- 3        5-B.    Parent Company – Note Payable 2
- 4        5-C.    Parent Company – Note Payable 3
- 5        5-D.    Parent Company – Note Payable 4
- 6        5-E.    Parent Company – Note Payable 5
- 7        5-F.    Parent Company – Note Payable 6
- 8        5-G.    Debt Instruments, Board Appendix 2-OB
- 9        5-H.    Capital Structure, Board Appendix 2-OA

## 5.1 CAPITAL STRUCTURE

### 5.1.1 OVERVIEW

The purpose of this evidence is to summarize the method and cost of financing capital requirements for the 2016 Test Year.

Entegrus Powerlines Inc. ("EPI") has followed the Report of the Board on *Cost of Capital for Ontario's Regulated Utilities* (the "Cost of Capital Report") dated December 11, 2009, to determine its capital structure and relied on the Board's letter titled *Cost of Capital Parameter Updates for 2015 Applications* dated November 20, 2014 for the cost of capital parameters.

EPI acknowledges these rates are subject to update at such time as the 2016 Cost of Capital parameters are issued by the Board.

EPI has prepared this Application with a deemed capital structure of 56% Long Term Debt, 4% Short Term Debt and 40% Equity to comply with the Cost of Capital Report. EPI's existing debt and equity mix is fairly consistent with the deemed capital structure and no significant changes in this mix are expected.

Overall, EPI is requesting a deemed interest expense of \$2,386,884 and a deemed return on equity of \$3,219,905 for a total regulated return on capital of \$5,606,789 for its 2016 Test Year.

### 5.1.2 CALCULATION OF THE 2010 BOARD APPROVED PROXY

As described in Exhibit 1, EPI's last Cost of Service application (EB-2009-0261) was filed by the former Chatham-Kent Hydro Inc. ("CKH") for 2010 rates.

On January 1, 2012, CKH merged with the former Middlesex Power Distribution Corporation ("MPDC") to form EPI. The last MPDC Board Approved amounts were established using the 2006 EDR methodology in OEB file EB-2005-0351. Further, in 2009, MPDC acquired Dutton Hydro ("Dutton") and Newbury Power ("Newbury"). Similar to MPDC, Dutton and Newbury were also last rebased using the 2006 EDR methodology.

Since CKH and MPDC operated separately until 2012, the CKH capital structure in the 2010 COS application did not include MPDC, Dutton or Newbury. As a result of this organizational evolution, EPI has developed proxy 2010 Board-Approved Capital Structure and Cost of Capital Proxy Figures. EPI wishes to stress that this does not represent an attempt to revisit or deviate from the 2010 CKH figures previously approved by the Board. Rather, it is an attempt to facilitate comparison of the capital structure and cost of capital in a manner consistent with the current EPI corporate structure, in recognition that the only 2010 Board-Approved figures available represent only the CKH component of what is now EPI.

Accordingly, EPI's 2010 Board Approved Proxy amount represents the combined capital structure and cost of capital from the former CKH, MPDC, Dutton and Newbury LDCs, and is comprised of the following amounts from each of the former LDCs.

Each rate zone has a separate previously Board Approved cost of capital. Each rate zone is discussed independently below. For comparison purposes, EPI has created a combined cost of capital amount that represents the entire EPI service territory.

#### **CHATHAM-KENT HYDRO INC.**

---

The CK rate zone's cost of capital was last approved in CKH's 2010 Cost of Service Application, Board file number EB-2009-0261. This is the largest rate zone of EPI and represents a significant portion of the rate base.

The following cost of capital was approved in the Settlement Agreement dated May 10, 2010:

- 56% long term debt with a rate of return of 5.87%,
- 4% short term debt with a rate of return of 2.07%, and
- 40% share equity with a rate of return of 9.85%.
- Cost of Capital of 7.31%

**TABLE 5-1: CKH APPROVED CAPITAL STRUCTURE**

Line No.	Description	As Approved in EB-2009-0261 on May 10, 2010			
		Capitalization Ratio		Cost Rate	Return
		%	\$	%	\$
<b>1</b>	<b>Debt</b>				
2	Long Term Debt	56.00%	\$31,521,111	5.87%	\$1,850,289
3	Short Term Debt	4.00%	\$2,251,508	2.07%	\$46,606
<b>4</b>	<b>Total Debt</b>	<b>60.00%</b>	<b>\$33,772,619</b>	<b>5.62%</b>	<b>\$1,896,895</b>
<b>5</b>	<b>Equity</b>				
6	Common Equity	40.00%	\$22,515,080	9.85%	\$2,217,735
7	Preferred Shares	0.00%	\$0		\$0
<b>8</b>	<b>Total Equity</b>	<b>40.00%</b>	<b>\$22,515,080</b>	<b>9.85%</b>	<b>\$2,217,735</b>
<b>9</b>	<b>Total</b>	<b>100.00%</b>	<b>\$56,287,699</b>	<b>7.31%</b>	<b>\$4,114,631</b>

**MIDDLESEX POWER DISTRIBUTION CORP.**

The cost of capital for the Strathroy, Mt. Brydges & Parkhill ("SMP") rate zone was last approved in MPDC's 2006 EDR Application, Board file number EB-2005-0351. The following cost of capital components were approved:

- 50% total debt with a rate of return of 7.25%,
- 50% total equity with a rate of return of 9.00%, and
- Cost of Capital of 8.13%.

Based on the 2nd generation IRM methodology, during the 2008 to 2010 IRM periods, the SMP rates were adjusted for a K-Factor. The K-Factor adjustment was used to move base rates from the 50% debt/50% equity capital structure shown above to the following:

- 60% total debt with a rate of return of 7.25%,
- 40% total equity with a rate of return of 9.0%, and
- Cost of capital of 7.95%.

For purposes of comparison, EPI has recalculated the cost of capital in the table below. The left section shows the original approved situation, while the right reflects adjustments for the K-Factor and the total

Rate Base has been inflated to 2010. For comparison purposes, EPI inflated the Rate Base values for each 2007, 2008, 2009 and 2010 by the annual Board Approved IRM inflation factors.

**TABLE 5-2: SMP BOARD APPROVED PROXY**

Line No.	Description	As Approved in EB-2005-0351 on Feb 8, 2006				K-Factor Adjusted, Inflated to 2010			
		Capitalization Ratio		Cost Rate	Return	Capitalization Ratio		Cost Rate	Return
		%	\$			%	\$		
1	<b>Debt</b>								
2	Long Term Debt	50.00%	\$4,715,431	7.25%	\$341,869	60.00%	\$5,864,829	7.25%	\$425,200
3	Short Term Debt	0.00%	\$0		\$0	0.00%	\$0		\$0
4	<b>Total Debt</b>	<b>50.00%</b>	<b>\$4,715,431</b>	<b>7.25%</b>	<b>\$341,869</b>	<b>60.00%</b>	<b>\$5,864,829</b>	<b>7.25%</b>	<b>\$425,200</b>
5	<b>Equity</b>								
6	Common Equity	50.00%	\$4,715,431	9.00%	\$424,389	40.00%	\$3,909,886	9.00%	\$351,890
7	Preferred Shares	0.00%	\$0		\$0	0.00%	\$0		\$0
8	<b>Total Equity</b>	<b>50.00%</b>	<b>\$4,715,431</b>	<b>9.00%</b>	<b>\$424,389</b>	<b>40.00%</b>	<b>\$3,909,886</b>	<b>9.00%</b>	<b>\$351,890</b>
9	<b>Total</b>	<b>100.00%</b>	<b>\$9,430,862</b>	<b>8.13%</b>	<b>\$766,258</b>	<b>100.00%</b>	<b>\$9,774,715</b>	<b>7.95%</b>	<b>\$777,090</b>

## DUTTON HYDRO INC.

The cost of capital for the Dutton rate zone was last approved in MPDC's Cost of Service application based on the 2006 EDR process, in Board file number EB-2009-0177. The following cost of capital was approved:

- 56.7% total debt with a rate of return of 6.25%,
- 43.3% total equity with a rate of return of 9.00%, and
- Cost of capital of 7.44%.

Based on the 2nd generation IRM methodology, during the 2008 to 2010 IRM periods, the Dutton rates were adjusted for a K-Factor. The K-Factor adjustment was used to move base rates from the 50% debt/50% equity capital structure shown above to the following:

- 60.0% total debt with a rate of return of 6.25%,
- 40 total equity with a rate of return of 9.0%, and
- Cost of capital of 7.35%.

For purposes of comparison, EPI has recalculated the cost of capital in the table below. The left section shows the original approved situation, while the right reflects adjustments for the K-Factor and the total Rate Base has been inflated to 2010. For comparison purposes, EPI inflated the Rate Base values for each 2007, 2008, 2009 and 2010 by the annual Board Approved IRM inflation factors.

**TABLE 5-3: DUTTON HYDRO BOARD APPROVED PROXY**

Line No.	Description	As Approved in EB-2009-0177 on Mar 19, 2010				K-Factor Adjusted, Inflated to 2010			
		Capitalization Ratio		Cost Rate	Return	Capitalization Ratio		Cost Rate	Return
		%	\$	%	\$	%	\$	%	\$
<b>1</b>	<b>Debt</b>								
2	Long Term Debt	56.70%	\$239,216	6.25%	\$14,951	60.00%	\$262,368	6.25%	\$16,398
3	Short Term Debt	0.00%	\$0		\$0	0.00%	\$0		\$0
4	<b>Total Debt</b>	<b>56.70%</b>	<b>\$239,216</b>	<b>6.25%</b>	<b>\$14,951</b>	<b>60.00%</b>	<b>\$262,368</b>	<b>6.25%</b>	<b>\$16,398</b>
<b>5</b>	<b>Equity</b>								
6	Common Equity	43.30%	\$182,681	9.00%	\$16,441	40.00%	\$174,912	9.00%	\$15,742
7	Preferred Shares	0.00%	\$0		\$0	0.00%	\$0		\$0
8	<b>Total Equity</b>	<b>43.30%</b>	<b>\$182,681</b>	<b>9.00%</b>	<b>\$16,441</b>	<b>40.00%</b>	<b>\$174,912</b>	<b>9.00%</b>	<b>\$15,742</b>
9	<b>Total</b>	<b>100.00%</b>	<b>\$421,897</b>	<b>7.44%</b>	<b>\$31,392</b>	<b>100.00%</b>	<b>\$437,280</b>	<b>7.35%</b>	<b>\$32,140</b>

## **NEWBURY POWER INC.**

The cost of capital for the Newbury rate zone was last approved in NPI's 2006 EDR Application, board file number EB-2005-0392. The following cost of capital was approved:

- 50.0% total debt with a rate of return of 7.25%,
- 50.0% total equity with a rate of return of 9.00%, and
- Cost of Capital of 8.13%.

Based on the 2nd generation IRM methodology, during the 2008 to 2010 IRM periods, the Newbury rates were adjusted for a K-Factor. The K-Factor adjustment was used to move base rates from above approved cost of capital components to the following:

- 60.0% total debt with a rate of return of 7.25%,
- 40.0 total equity with a rate of return of 9.0%, and
- Cost of capital of 7.95%.



For purposes of comparison, EPI has recalculated the cost of capital in the table below. The left section shows the original approved situation versus the right has been adjusted for the K-Factor and the total Rate Base has been inflated to 2010. For comparison purposes, EPI inflated the Rate Base values for each 2007, 2008, 2009 and 2010 by the annual Board Approved IRM inflation factors.

**TABLE 5-4: NEWBURY POWER INC. BOARD APPROVED PROXY**

Line No.	Description	As Approved in EB-2005-0392 on Dec 20, 2006				Inflated to 2010			
		Capitalization Ratio		Cost Rate	Return	Capitalization Ratio		Cost Rate	Return
		%	\$	%	\$	%	\$	%	\$
<b>1</b>	<b>Debt</b>								
2	Long Term Debt	50.00%	\$109,362	7.25%	\$7,929	60.00%	\$136,019	7.25%	\$9,861
3	Short Term Debt	0.00%	\$0		\$0	0.00%	\$0		\$0
4	<b>Total Debt</b>	<b>50.00%</b>	<b>\$109,362</b>	<b>7.25%</b>	<b>\$7,929</b>	<b>60.00%</b>	<b>\$136,019</b>	<b>7.25%</b>	<b>\$9,861</b>
<b>5</b>	<b>Equity</b>								
6	Common Equity	50.00%	\$109,362	9.00%	\$9,843	40.00%	\$90,680	9.00%	\$8,161
7	Preferred Shares	0.00%	\$0		\$0	0.00%	\$0		\$0
8	<b>Total Equity</b>	<b>50.00%</b>	<b>\$109,362</b>	<b>9.00%</b>	<b>\$9,843</b>	<b>40.00%</b>	<b>\$90,680</b>	<b>9.00%</b>	<b>\$8,161</b>
9	<b>Total</b>	<b>100.00%</b>	<b>\$218,724</b>	<b>8.13%</b>	<b>\$17,771</b>	<b>100.00%</b>	<b>\$226,699</b>	<b>7.95%</b>	<b>\$18,023</b>

## EPI BOARD APPROVED PROXY

The following table provides the aggregated CKH, MPDC, Dutton and Newbury Capital Structure and Cost of Board Approved Proxy totals. These aggregated Board Approved Proxy figures have been used in preparing Appendix 2-OA.

1 **TABLE 5-5: EPI BOARD APPROVED PROXY**

Line No.	Rate Zone	Approved in EB-2009-0261, EB-2005-0351, EB-2009-0177, EB-2005-0392				Board Approved Proxy			
		Capitalization Ratio		Cost	Return	K-Factor Adjusted, Inflated to 2010			
		%	\$	Rate	\$	Capitalization Ratio	Cost	Return	
		%	\$	Rate	\$	%	\$	Rate	\$
<b>1</b>	<b>Long Term Debt</b>								
2	CK	56.00%	\$31,521,111	5.87%	\$1,850,289	56.00%	\$31,521,111	5.87%	\$1,850,289
3	SMP	50.00%	\$4,715,431	7.25%	\$341,869	60.00%	\$5,864,829	7.25%	\$425,200
4	Dutton	56.70%	\$239,216	6.25%	\$14,951	60.00%	\$262,368	6.25%	\$16,398
5	Newbury	50.00%	\$109,362	7.25%	\$7,929	60.00%	\$136,019	7.25%	\$9,861
6	<b>Total LT Debt</b>	<b>55.13%</b>	<b>\$36,585,120</b>	<b>6.05%</b>	<b>\$2,215,038</b>	<b>56.62576101%</b>	<b>\$37,784,328</b>	<b>6.09%</b>	<b>\$2,301,749</b>
<b>7</b>	<b>Short Term Debt</b>								
8	CK	4.00%	\$2,251,508	2.07%	\$46,606	4.00%	\$2,251,508	2.07%	\$46,606
9	SMP	0.00%	\$0	0.00%	\$0	0.00%	\$0		\$0
10	Dutton	0.00%	\$0	0.00%	\$0	0.00%	\$0		\$0
11	Newbury	0.00%	\$0	0.00%	\$0	0.00%	\$0		\$0
12	<b>Total ST Debt</b>	<b>3.39%</b>	<b>\$2,251,508</b>	<b>2.07%</b>	<b>\$46,606</b>	<b>3.374238992%</b>	<b>\$2,251,508</b>	<b>2.07%</b>	<b>\$46,606</b>
<b>13</b>	<b>Common Equity</b>								
14	CK	40.00%	\$22,515,080	9.85%	\$2,217,735	40.00%	\$22,515,080	9.85%	\$2,217,735
15	SMP	50.00%	\$4,715,431	9.00%	\$424,389	40.00%	\$3,909,886	9.00%	\$351,890
16	Dutton	43.30%	\$182,681	9.00%	\$16,441	40.00%	\$174,912	9.00%	\$15,742
17	Newbury	50.00%	\$109,362	9.00%	\$9,843	40.00%	\$90,680	9.00%	\$8,161
18	<b>Total Common Equity</b>	<b>41.48%</b>	<b>\$27,522,554</b>	<b>9.70%</b>	<b>\$2,668,408</b>	<b>40.00%</b>	<b>\$26,690,557</b>	<b>9.72%</b>	<b>\$2,593,528</b>
<b>19</b>	<b>Preferred Shares</b>								
20	CK	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
21	SMP	0.00%	\$0	0.00%	\$0	0.00%	\$0		\$0
22	Dutton	0.00%	\$0	0.00%	\$0	0.00%	\$0		\$0
23	Newbury	0.00%	\$0	0.00%	\$0	0.00%	\$0		\$0
24	<b>Total Preferred Shares</b>		<b>\$0</b>		<b>\$0</b>		<b>\$0</b>		<b>\$0</b>
<b>25</b>	<b>Grand Total</b>	<b>100.00%</b>	<b>\$66,359,183</b>	<b>7.43%</b>	<b>\$4,930,052</b>	<b>100.00%</b>	<b>\$66,726,393</b>	<b>7.41%</b>	<b>\$4,941,883</b>

2

## 5.2 COST OF CAPITAL

### 5.2.1 COST OF DEBT: LONG TERM

EPI is requesting a return on long term debt for the 2016 Test Year of 4.77% as all actual long term debt is with related parties.

This rate is based upon the Board's letter titled *Cost of Capital Parameter Updates for 2015 Applications* dated November 20, 2014 for the cost of capital parameters.

EPI acknowledges the rate is subject to update at such time as the 2016 Cost of Capital parameters are issued by the Board.

EPI's long term debt is comprised of a number of notes from related parties.

EPI has a long term note payable with the Municipality of Chatham which is a major shareholder of Entegrus Inc., EPI's parent company. This debt was put into place upon the incorporation of the former CKH on September 20, 2000, based on the Transfer Bylaw. The terms of this debt are:

- Interest rate paid will be the interest rate allowed in distribution rates and approved by the Ontario Energy Board,
- No set repayment terms, and
- Callable at the discretion of the Municipality of Chatham-Kent.

A copy of the note is included in Attachment 5-A.

The remainder of EPI's long term debt is comprised of notes from Entegrus Inc., the parent company to EPI. The terms of these notes are:

- Interest rate paid will be the deemed interest rate established by the Ontario Energy Board applicable at the time the note was issued,
- No set repayment terms, and

- Callable at the discretion of the Entegrus Inc.

Copies of these notes are included in Attachments 5-B to 5-F.

Consistent with Board Appendix 2-OB, Table 5-6 lists the outstanding debt for EPI from 2010 through the 2016 Test Year. A copy of Appendix 2-OB can be found in Attachment 5-G. As noted above, EPI's debt funding is provided by related parties. Notwithstanding the weighted average debt rate shown in the Table 5-6 for 2016 of 5.67%, EPI is requesting a return on long term debt for the 2016 Test Year of 4.77%.

This rate is based upon the Board's letter titled *Cost of Capital Parameter Updates for 2015 Applications* dated November 20, 2014 for the cost of capital parameters.

As noted above, EPI acknowledges the rate is subject to update at such time as the 2016 cost of capital parameters are issued by the Board.

1 **TABLE 5-6: DEBT INSTRUMENTS**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable Rate	Start Date	Term (Years)	Principal (\$)	Rate (%)	Interest (\$)
<b>1</b>	<b>2010 Actual</b>								
	<b>CKH</b>								
2	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 22, 2000	n/a	\$23,523,326	7.04%	\$1,656,042
3	Note Payable 4	Entegrus Inc. (Formerly Chatham-Kent Energy)	Affiliated	Variable	December 16, 2010	n/a	\$7,750,000	5.87%	\$18,696
4	Subtotal						\$31,273,326	5.36%	\$1,674,738
<b>5</b>	<b>MPDC</b>								
6	Note Payable 2	Entegrus Inc. (Formerly Chatham-Kent Energy)	Affiliated	Variable	June 30, 2005	n/a	\$4,300,000	7.25%	\$311,750
7	Note Payable 3	Entegrus Inc. (Formerly Chatham-Kent Energy)	Affiliated	Variable	November 18, 2009	n/a	\$1,000,000	7.62%	\$76,200
8	Note Payable 5	Entegrus Inc. (Formerly Chatham-Kent Energy)	Affiliated	Variable	December 16, 2010	n/a	\$500,000	5.87%	\$1,206
9	Subtotal						\$5,800,000	6.71%	\$389,156
<b>10</b>	<b>Total</b>						<b>\$37,073,326</b>	<b>5.57%</b>	<b>\$2,063,894</b>
<b>11</b>	<b>2011 Actual</b>								
<b>12</b>	<b>CKH</b>								
13	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 22, 2000	n/a	\$23,523,326	5.87%	\$1,380,819
14	Note Payable 4	Entegrus Inc. (Formerly Chatham-Kent Energy)	Affiliated	Variable	December 16, 2010	n/a	\$7,750,000	5.87%	\$454,925
15	Subtotal						\$31,273,326	5.87%	\$1,835,744
<b>16</b>	<b>MPDC</b>								
17	Note Payable 2	Entegrus Inc. (Formerly Chatham-Kent Energy)	Affiliated	Variable	June 30, 2005	n/a	\$4,300,000	7.25%	\$311,750
18	Note Payable 3	Entegrus Inc. (Formerly Chatham-Kent Energy)	Affiliated	Variable	November 18, 2009	n/a	\$1,000,000	7.62%	\$76,200
19	Note Payable 5	Entegrus Inc. (Formerly Chatham-Kent Energy)	Affiliated	Variable	December 16, 2010	n/a	\$500,000	5.87%	\$29,350
20	Subtotal						\$5,800,000	7.19%	\$417,300
<b>21</b>	<b>Total</b>						<b>\$37,073,326</b>	<b>6.08%</b>	<b>\$2,253,044</b>
<b>22</b>	<b>2012 Actual - EPI</b>								
23	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 22, 2000	n/a	\$23,523,326	5.87%	\$1,380,819
24	Note Payable 2	Entegrus Inc.	Affiliated	Variable	June 30, 2005	n/a	\$4,300,000	7.25%	\$311,750
25	Note Payable 3	Entegrus Inc.	Affiliated	Variable	November 18, 2009	n/a	\$1,000,000	7.62%	\$76,200
26	Note Payable 4	Entegrus Inc.	Affiliated	Variable	December 16, 2010	n/a	\$7,750,000	5.87%	\$454,925
27	Note Payable 5	Entegrus Inc.	Affiliated	Variable	December 16, 2010	n/a	\$500,000	5.87%	\$29,350
<b>28</b>	<b>Total</b>						<b>\$37,073,326</b>	<b>6.08%</b>	<b>\$2,253,044</b>
<b>29</b>	<b>2013 Actual</b>								\$0
30	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 22, 2000	n/a	\$23,523,326	5.87%	\$1,380,819
31	Note Payable 2	Entegrus Inc.	Affiliated	Variable	June 30, 2005	n/a	\$4,300,000	7.25%	\$311,750
32	Note Payable 3	Entegrus Inc.	Affiliated	Variable	November 18, 2009	n/a	\$1,000,000	7.62%	\$76,200
33	Note Payable 4	Entegrus Inc.	Affiliated	Variable	December 16, 2010	n/a	\$7,750,000	5.87%	\$454,925
34	Note Payable 5	Entegrus Inc.	Affiliated	Variable	December 16, 2010	n/a	\$500,000	5.87%	\$29,350
<b>35</b>	<b>Total</b>						<b>\$37,073,326</b>	<b>6.08%</b>	<b>\$2,253,044</b>
<b>36</b>	<b>2014 Actual</b>								
37	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 22, 2000	n/a	\$23,523,326	5.87%	\$1,380,819
38	Note Payable 2	Entegrus Inc.	Affiliated	Variable	June 30, 2005	n/a	\$4,300,000	7.25%	\$311,750
39	Note Payable 3	Entegrus Inc.	Affiliated	Variable	November 18, 2009	n/a	\$1,000,000	7.62%	\$76,200
40	Note Payable 4	Entegrus Inc.	Affiliated	Variable	December 16, 2010	n/a	\$7,750,000	5.87%	\$454,925
41	Note Payable 5	Entegrus Inc.	Affiliated	Variable	December 16, 2010	n/a	\$500,000	5.87%	\$29,350
42	Note Payable 6	Entegrus Inc.	Affiliated	Variable	December 31, 2014	n/a	\$10,000,000	4.88%	\$0
<b>43</b>	<b>Total</b>						<b>\$47,073,326</b>	<b>4.79%</b>	<b>\$2,253,044</b>
<b>44</b>	<b>2015 Bridge Year</b>								
45	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 22, 2000	n/a	\$23,523,326	5.87%	\$1,380,819
46	Note Payable 2	Entegrus Inc.	Affiliated	Variable	December 16, 2010	n/a	\$7,750,000	5.87%	\$454,925
47	Note Payable 2	Entegrus Inc.	Affiliated	Variable	June 30, 2005	n/a	\$4,300,000	7.25%	\$311,750
48	Note Payable 3	Entegrus Inc.	Affiliated	Variable	November 18, 2009	n/a	\$1,000,000	7.62%	\$76,200
49	Note Payable 5	Entegrus Inc.	Affiliated	Variable	December 16, 2010	n/a	\$500,000	5.87%	\$29,350
50	Note Payable 6	Entegrus Inc.	Affiliated	Variable	December 31, 2014	n/a	\$10,000,000	4.88%	\$488,000
51	Note Payable 7	Entegrus Inc.	Affiliated	Variable	December 31, 2015	n/a	\$450,000	4.77%	\$0
<b>52</b>	<b>Total</b>						<b>\$47,523,326</b>	<b>5.77%</b>	<b>\$2,741,044</b>
<b>53</b>	<b>2016 Test Year</b>								
54	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 22, 2000	n/a	\$23,523,326	5.87%	\$1,380,819
55	Note Payable 2	Entegrus Inc.	Affiliated	Variable	December 16, 2010	n/a	\$7,750,000	5.87%	\$454,925
56	Note Payable 2	Entegrus Inc.	Affiliated	Variable	June 30, 2005	n/a	\$4,300,000	7.25%	\$311,750
57	Note Payable 3	Entegrus Inc.	Affiliated	Variable	November 18, 2009	n/a	\$1,000,000	7.62%	\$76,200
58	Note Payable 5	Entegrus Inc.	Affiliated	Variable	December 16, 2010	n/a	\$500,000	5.87%	\$29,350
59	Note Payable 6	Entegrus Inc.	Affiliated	Variable	December 31, 2014	n/a	\$10,000,000	4.88%	\$488,000
60	Note Payable 7	Entegrus Inc.	Affiliated	Variable	December 31, 2015	n/a	\$450,000	4.77%	\$21,465
61	Note Payable 8	Entegrus Inc.	Affiliated	Variable	July 1, 2016	n/a	\$2,000,000	4.77%	\$47,700
<b>62</b>	<b>Total</b>						<b>\$49,523,326</b>	<b>5.67%</b>	<b>\$2,810,209</b>

---

### 5.2.2 COST OF DEBT: SHORT TERM

---

For the purposes of preparing this Application, EPI has utilized the Deemed Short-Term Debt Rate of 2.16% issued by the Board on November 20, 2014 for rates effective January 1, 2015.

EPI acknowledges this rate is subject to update at such time as the 2016 Cost of Capital parameters are issued by the Board.

### 5.2.3 RETURN ON EQUITY

---

For purposes of preparing this Application, EPI has used the cost of capital parameters issued by the Board on November 20, 2014 for 2015 COS rate applications which reflects a return on equity of 9.30%.

EPI understands that this rate will be updated once the 2016 cost of capital parameters are issued by the Board.

### 5.2.4 PROFIT OR LOSS ON REDEMPTION OF DEBT AND/OR PREFERENCE SHARES

---

This filing requirement is not applicable as EPI does not have any preference shares, nor did it redeem any debt.

### 5.2.5 NOTIONAL DEBT

---

EPI's deemed and actual long term debt amounts are similar. For 2016, the amount of actual long term debt of \$49,523,326 (see above) exceeds the deemed long term debt amount of \$48,471,681 (see below) by \$1,051,645.

### 5.2.6 WEIGHTED AVERAGE COST OF CAPITAL

---

Consistent with Board Appendix 2-OA, Table 5-7 below demonstrates the elements of the Capital Structure and Cost of Capital for the 2010 Board Approved Proxy and 2016 Test Year. A copy of Board Appendix 2-OA can be found in Attachment 2-H of this Exhibit. For 2016, the Weighted Average Cost of Capital of 6.48% will be applied to the Rate Base of \$86,556,573, which is explained in Exhibit 2, to determine a Return on Rate Base of \$5,606,789.

1 **TABLE 5-7: CAPITAL STRUCTURE AND COST OF CAPITAL**

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

Year: 2010 Board Approved Proxy

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return
		(%)	(\$)	(%)		(\$)
	<b>Debt</b>					
1	Long-term Debt	56.63%	(1) \$37,784,328	6.09%	(1)	\$2,301,749
2	Short-term Debt	3.37%	(1) \$2,251,508	2.07%	(1)	\$46,606
3	<b>Total Debt</b>	60.0%	\$40,035,836	5.87%		\$2,348,355
	<b>Equity</b>					
4	Common Equity	40.00%	(1) \$26,690,557	9.72%	(1)	\$2,593,528
5	Preferred Shares		\$ -			\$ -
6	<b>Total Equity</b>	40.0%	\$26,690,557	9.72%		\$2,593,528
7	<b>Total</b>	100.0%	\$66,726,393	7.41%		\$4,941,883

**Notes**

(1)

See Application TABLE 5-5 for the derivation of the EPI Board Approved Proxy

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

Year: 2016 Test Year

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return
		(%)	(\$)	(%)		(\$)
	<b>Debt</b>					
1	Long-term Debt	56.00%	\$48,471,681	4.77%		\$2,312,099
2	Short-term Debt	4.00%	(1) \$3,462,263	2.16%		\$74,785
3	<b>Total Debt</b>	60.0%	\$51,933,944	4.60%		\$2,386,884
	<b>Equity</b>					
4	Common Equity	40.00%	\$34,622,629	9.30%		\$3,219,905
5	Preferred Shares		\$ -			\$ -
6	<b>Total Equity</b>	40.0%	\$34,622,629	9.30%		\$3,219,905
7	<b>Total</b>	100.0%	\$86,556,573	6.48%		\$5,606,789

**Notes**

(1)

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

### 1    **5.3 NOT FOR PROFIT CORPORATIONS**

- 2    This filing requirement is not applicable as EPI is a for profit corporation.



# **ATTACHMENT 5-A**

Municipality

Note Payable 1

## PROMISSORY NOTE

Principal Sum: C\$23,523,326.00

FOR VALUE RECEIVED, the undersigned hereby unconditionally promises to pay to the Order of the Municipality of Chatham-Kent (the "Municipality") on demand by the Municipality the principal sum of TWENTY-THREE MILLION, FIVE HUNDRED AND TWENTY-THREE THOUSAND, THREE HUNDRED AND TWENTY-SIX DOLLARS (\$23,523,326.00) in lawful money of Canada at 315 King W, Chatham, Ontario or such other place as the Municipality may Designate by notice in writing to the undersigned and to pay interest on the Principal Sum at the rate of 7.04% \*per annum (\*this "Rate" to be adjusted to equal the long term debt rate deemed from time to time by the Ontario Energy Board in keeping with the latest rate application approved by the Ontario Energy Board) calculated and accruing on the principal amount remaining unpaid and overdue interest, if any, on such date as agreed by the Municipality and the undersigned until the Principal Sum is repaid to the Municipality.

Interest shall be calculated and payable monthly in arrears on the last day of the following month at the same address. Interest both before and after default and judgement on the principal amount and overdue interest shall accrue or be payable at the aforementioned rate.

The payment of the Principal Sum and all interest on this Promissory Note is subordinated to debt issued by Chatham-Kent Hydro Inc. from time to time to a financial institution or other third party for the purpose of Chatham-Kent Hydro Inc. or its subsidiaries and the Municipality shall execute such documents as may reasonably be required by Chatham-Kent Hydro Inc. to evidence such subordination.

All payments or any part thereof may be extended, rearranged, renewed or postponed by the Municipality. No delay or failure by the Municipality to exercise any right or remedy against the undersigned shall be construed as a waiver of that or any right or remedy nor shall any waiver hereunder be deemed to be a waiver of subsequent default.

The undersigned hereby waives presentment, demand, protest of other notice of every kind in the enforcement of the promissory note. All amounts owing hereunder will be paid by the undersigned without regard for any equities between the undersigned and the Municipality or any right of set-off or cross-claim.

In the event of default hereunder, the undersigned agrees to pay all expenses, including without limitation, reasonable legal fees (on a solicitor and his own client basis), incurred by the Municipality in endeavouring to enforce its rights hereunder. All such amounts shall bear interest at the rate mentioned above.

This Promissory Note is non-negotiable and non-assignable without the prior written consent of the undersigned.

| DATED at Chatham, Ontario as of the 1 day of November, 2009.

CHATHAM-KENT HYDRO INC.

By: \_\_\_\_\_  
President

By: \_\_\_\_\_  
Chief Financial Officer

# **ATTACHMENT 5-B**

Parent Company

Note Payable 2

## **PROMISSORY NOTE**

This Promissory Note is payable by Middlesex Power Distribution Corporation ("MPDC") to Chatham-Kent Energy Inc. ("CKEI"), in accordance with the terms hereof.

1. **Terms:**

The terms of this Promissory Note are as follows:

Issue Date:	June 30, 2005
Principal amount:	\$4,300,000
Interest Rate:	7.25%
Frequency of interest payments:	Monthly
Interest payment due:	15 <sup>th</sup> day following the month interest is earned
Maturity date:	N/A

2. **Resetting of Interest Rate:**

The interest rate will be adjusted to equal the long term debt rate deemed from time to time by the Ontario Energy Board (OEB) in keeping with the latest MPDC rate application approved by the OEB.

3. **Repayment on Demand:**


The promissory note, in its entirety, is repayable by MPDC and callable by CKEI on 60 days notice.

Dated as of the 30<sup>th</sup> day of June, 2005.

**Middlesex Power Distribution Corporation**

By: 

Name: Dave Kenney  
Title: President

By: 

Name: Jim Hogan  
Title: Chief Financial Officer

# **ATTACHMENT 5-C**

Parent Company

Note Payable 3

## **PROMISSORY NOTE**

This Promissory Note is payable by Middlesex Power Distribution Corporation ("MPDC") to Chatham-Kent Energy Inc. ("CKEI"), in accordance with the terms hereof.

1. **Terms:**

The terms of this Promissory Note are as follows:

Issue Date:	November 18, 2009
Principal amount:	\$1,000,000
Interest Rate:	7.62%
Frequency of interest payments:	Monthly
Interest payment due:	15 <sup>th</sup> day following the month interest is earned
Maturity date:	N/A

2. **Resetting of Interest Rate:**

The interest rate will be adjusted to equal the long term debt rate deemed from time to time by the Ontario Energy Board (OEB) in keeping with the latest MPDC rate application approved by the OEB.

3. **Repayment on Demand:**

The promissory note, in its entirety, is repayable by MPDC and callable by CKEI on 60 days notice.

Dated as of the 18<sup>th</sup> day of November, 2009.

**Middlesex Power Distribution Corporation**



By:

Name: Dave Kenney  
Title: President



By:

Name: Chris Cowell  
Title: Chief Financial Officer

# **ATTACHMENT 5-D**

Parent Company

Note Payable 4

## **PROMISSORY NOTE**

This Promissory Note is payable by Chatham-Kent Hydro Inc. ("CKH") to Chatham-Kent Energy Inc. ("CKEI"), in accordance with the terms hereof.

1. **Terms:**

The terms of this Promissory Note are as follows:

Issue Date:	December 16, 2010
Principal amount:	\$7,750,000
Interest Rate:	5.87%
Frequency of interest payments:	Monthly
Interest payment due:	15 <sup>th</sup> day following the month interest is earned
Maturity date:	N/A

2. **Resetting of Interest Rate:**

The interest rate will be adjusted to equal the long term debt rate deemed from time to time by the Ontario Energy Board (OEB) in keeping with the latest CKH rate application approved by the OEB.

3. **Repayment on Demand:**

The promissory note, in its entirety, is repayable by CKH and callable by CKEI on 60 days notice.

Dated as of the 16<sup>th</sup> day of December, 2010.

**Chatham-Kent Hydro Inc.**

By: 

Name: Dave Kenney  
Title: President

By: 

Name: Chris Cowell  
Title: Chief Financial Officer



# **ATTACHMENT 5-E**

Parent Company

Note Payable 5

## **PROMISSORY NOTE**

This Promissory Note is payable by Middlesex Power Distribution Corporation ("MPDC") to Chatham-Kent Energy Inc. ("CKEI"), in accordance with the terms hereof.

1. **Terms:**

The terms of this Promissory Note are as follows:

Issue Date:	December 16, 2010
Principal amount:	\$500,000
Interest Rate:	5.87%
Frequency of interest payments:	Monthly
Interest payment due:	15 <sup>th</sup> day following the month interest is earned
Maturity date:	N/A

2. **Resetting of Interest Rate:**

The interest rate will be adjusted to equal the long term debt rate deemed from time to time by the Ontario Energy Board (OEB) in keeping with the latest MPDC rate application approved by the OEB.

3. **Repayment on Demand:**

The promissory note, in its entirety, is repayable by MPDC and callable by CKEI on 60 days notice.

Dated as of the 16<sup>th</sup> day of December, 2010.

**Middlesex Power Distribution Corporation**



By:

Name: Dave Kenney  
Title: President



By:

Name: Chris Cowell  
Title: Chief Financial Officer

# **ATTACHMENT 5-F**

Parent Company

Note Payable 6

## **PROMISSORY NOTE**

This Promissory Note is payable by Entegrus Powerlines Inc. ("EPI") to Entegrus Inc. ("EI"), in accordance with the terms hereof.

1. **Terms:**

The terms of this Promissory Note are as follows:

Issue Date:	December 31, 2014
Principal amount:	\$10,000,000
Interest Rate:	4.88%
Frequency of interest payments:	Monthly
Interest payment due:	15 <sup>th</sup> day following the month interest is earned
Maturity date:	N/A

2. **Resetting of Interest Rate:**


The interest rate will be adjusted to equal the long term debt rate deemed from time to time by the Ontario Energy Board (OEB) in keeping with the latest EPI rate application approved by the OEB.

3. **Repayment on Demand:**

The promissory note, in its entirety, is repayable by EPI and callable by EI on 60 days notice.

Dated as of the 31<sup>st</sup> day of December, 2014.

**Entegrus Powerlines Inc.**

By: 

Name: Jim Hogan  
Title: President

By: 

Name: Chris Cowell  
Title: Chief Financial Officer

# **ATTACHMENT 5-G**

Debt Instruments

Board Appendix 2-OB

Date: 28-Aug-15

## Appendix 2-OB Debt Instruments

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

Year 2010

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Note Payable 1	Municipality of CK	Affiliated	Variable Rate	22-Sep-00	N/A	\$ 23,523,326	7.04%	\$ 1,656,042.15	
2	Note Payable 2	Entegrus Inc.	Affiliated	Variable Rate	30-Jun-05	N/A	\$ 4,300,000	7.25%	\$ 311,750.00	
3	Note Payable 3	Entegrus Inc.	Affiliated	Variable Rate	18-Nov-09	N/A	\$ 1,000,000	7.62%	\$ 76,200.00	
4	Note Payable 4	Entegrus Inc.	Affiliated	Variable Rate	16-Dec-10	N/A	\$ 7,750,000	5.87%	\$ 18,695.55	
5	Note Payable 5	Entegrus Inc.	Affiliated	Variable Rate	16-Dec-10	N/A	\$ 500,000	5.87%	\$ 1,206.16	
Total							\$ 37,073,326	0.055671	\$ 2,063,893.86	

Year 2011

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Note Payable 1	Municipality of CK	Affiliated	Variable Rate	22-Sep-00	N/A	\$ 23,523,326	5.87%	\$ 1,380,819.24	Rate change
2	Note Payable 2	Entegrus Inc.	Affiliated	Variable Rate	30-Jun-05	N/A	\$ 4,300,000	7.25%	\$ 311,750.00	
3	Note Payable 3	Entegrus Inc.	Affiliated	Variable Rate	18-Nov-09	N/A	\$ 1,000,000	7.62%	\$ 76,200.00	
4	Note Payable 4	Entegrus Inc.	Affiliated	Variable Rate	16-Dec-10	N/A	\$ 7,750,000	5.87%	\$ 454,925.00	
5	Note Payable 5	Entegrus Inc.	Affiliated	Variable Rate	16-Dec-10	N/A	\$ 500,000	5.87%	\$ 29,350.00	
Total							\$ 37,073,326	0.060773	\$ 2,253,044.24	

Year 2012

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Note Payable 1	Municipality of CK	Affiliated	Variable Rate	22-Sep-00	N/A	\$ 23,523,326	5.87%	\$ 1,380,819.24	
2	Note Payable 2	Entegrus Inc.	Affiliated	Variable Rate	30-Jun-05	N/A	\$ 4,300,000	7.25%	\$ 311,750.00	
3	Note Payable 3	Entegrus Inc.	Affiliated	Variable Rate	18-Nov-09	N/A	\$ 1,000,000	7.62%	\$ 76,200.00	
4	Note Payable 4	Entegrus Inc.	Affiliated	Variable Rate	16-Dec-10	N/A	\$ 7,750,000	5.87%	\$ 454,925.00	
5	Note Payable 5	Entegrus Inc.	Affiliated	Variable Rate	16-Dec-10	N/A	\$ 500,000	5.87%	\$ 29,350.00	
Total							\$ 37,073,326	0.060773	\$ 2,253,044.24	

Year 2013

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Note Payable 1	Municipality of CK	Affiliated	Variable Rate	22-Sep-00	N/A	\$ 23,523,326	5.87%	\$ 1,380,819.24	
2	Note Payable 2	Entegrus Inc.	Affiliated	Variable Rate	30-Jun-05	N/A	\$ 4,300,000	7.25%	\$ 311,750.00	
3	Note Payable 3	Entegrus Inc.	Affiliated	Variable Rate	18-Nov-09	N/A	\$ 1,000,000	7.62%	\$ 76,200.00	
4	Note Payable 4	Entegrus Inc.	Affiliated	Variable Rate	16-Dec-10	N/A	\$ 7,750,000	5.87%	\$ 454,925.00	
5	Note Payable 5	Entegrus Inc.	Affiliated	Variable Rate	16-Dec-10	N/A	\$ 500,000	5.87%	\$ 29,350.00	
Total							\$ 37,073,326	0.060773	\$ 2,253,044.24	

Year 2014

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Note Payable 1	Municipality of CK	Affiliated	Variable Rate	22-Sep-00	N/A	\$ 23,523,326	5.87%	\$ 1,380,819.24	
2	Note Payable 2	Entegrus Inc.	Affiliated	Variable Rate	30-Jun-05	N/A	\$ 4,300,000	7.25%	\$ 311,750.00	
3	Note Payable 3	Entegrus Inc.	Affiliated	Variable Rate	18-Nov-09	N/A	\$ 1,000,000	7.62%	\$ 76,200.00	
4	Note Payable 4	Entegrus Inc.	Affiliated	Variable Rate	16-Dec-10	N/A	\$ 7,750,000	5.87%	\$ 454,925.00	
5	Note Payable 5	Entegrus Inc.	Affiliated	Variable Rate	16-Dec-10	N/A	\$ 500,000	5.87%	\$ 29,350.00	
6	Note Payable 6	Entegrus Inc.	Affiliated	Variable Rate	31-Dec-14	N/A	\$ 10,000,000	4.88%	\$ -	Issued at year end
Total							\$ 47,073,326	0.047862	\$ 2,253,044.24	

Date: 28-Aug-15

## 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 (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Note Payable 1	Municipality of CK	Affiliated	Variable Rate	22-Sep-00	N/A	\$ 23,523,326	5.87%	\$ 1,380,819.24	
2	Note Payable 2	Entegrus Inc.	Affiliated	Variable Rate	30-Jun-05	N/A	\$ 4,300,000	7.25%	\$ 311,750.00	
3	Note Payable 3	Entegrus Inc.	Affiliated	Variable Rate	18-Nov-09	N/A	\$ 1,000,000	7.62%	\$ 76,200.00	
4	Note Payable 4	Entegrus Inc.	Affiliated	Variable Rate	16-Dec-10	N/A	\$ 7,750,000	5.87%	\$ 454,925.00	
5	Note Payable 5	Entegrus Inc.	Affiliated	Variable Rate	16-Dec-10	N/A	\$ 500,000	5.87%	\$ 29,350.00	
6	Note Payable 6	Entegrus Inc.	Affiliated	Variable Rate	31-Dec-14	N/A	\$ 10,000,000	4.88%	\$ 488,000.00	
7	Note Payable 7	Entegrus Inc.	Affiliated	Variable Rate	31-Dec-15	N/A	\$ 450,000	4.77%	\$ -	Issued at year end
Total							\$ 47,523,326	0.057678	\$ 2,741,044.24	

Year 2016

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Note Payable 1	Municipality of CK	Affiliated	Variable Rate	22-Sep-00	N/A	\$ 23,523,326	5.87%	\$ 1,380,819.24	
2	Note Payable 2	Entegrus Inc.	Affiliated	Variable Rate	30-Jun-05	N/A	\$ 4,300,000	7.25%	\$ 311,750.00	
3	Note Payable 3	Entegrus Inc.	Affiliated	Variable Rate	18-Nov-09	N/A	\$ 1,000,000	7.62%	\$ 76,200.00	
4	Note Payable 4	Entegrus Inc.	Affiliated	Variable Rate	16-Dec-10	N/A	\$ 7,750,000	5.87%	\$ 454,925.00	
5	Note Payable 5	Entegrus Inc.	Affiliated	Variable Rate	16-Dec-10	N/A	\$ 500,000	5.87%	\$ 29,350.00	
6	Note Payable 6	Entegrus Inc.	Affiliated	Variable Rate	31-Dec-14	N/A	\$ 10,000,000	4.88%	\$ 488,000.00	
7	Note Payable 7	Entegrus Inc.	Affiliated	Variable Rate	31-Dec-15	N/A	\$ 450,000	4.77%	\$ 21,465.00	
8	Note Payable 8	Entegrus Inc.	Affiliated	Variable Rate	1-Jul-16	N/A	\$ 2,000,000	4.77%	\$ 47,700.00	
Total							\$ 49,523,326	0.056745	\$ 2,810,209.24	

### 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
- 3 Add more lines above row 12 if necessary.

# **ATTACHMENT 5-H**

## Capital Structure

### Board Appendix 2-OA



Date:	28-Aug-15
-------	-----------

## 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: 2010 Board Approved Proxy

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return
		(%)	(\$)	(%)		(\$)
	<b>Debt</b>					
1	Long-term Debt	56.63%	(1) \$37,784,328	6.09%	(1)	\$2,301,749
2	Short-term Debt	3.37%	(1) \$2,251,508	2.07%	(1)	\$46,606
3	<b>Total Debt</b>	60.0%	\$40,035,836	5.87%		\$2,348,355
	<b>Equity</b>					
4	Common Equity	40.00%	\$26,690,557	9.72%	(1)	\$2,593,528
5	Preferred Shares		\$ -			\$ -
6	<b>Total Equity</b>	40.0%	\$26,690,557	9.72%		\$2,593,528
7	<b>Total</b>	100.0%	\$66,726,393	7.41%		\$4,941,883

**Notes**

(1)

See Application TABLE 5-5 for the derivation of the EPI Board Approved Proxy

Date:	28-Aug-15
-------	-----------

## 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: 2016 Test Year

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	56.00%	\$48,471,681	4.77%	\$2,312,099
2	Short-term Debt	4.00% (1)	\$3,462,263	2.16%	\$74,785
3	<b>Total Debt</b>	<b>60.0%</b>	<b>\$51,933,944</b>	<b>4.60%</b>	<b>\$2,386,884</b>
	<b>Equity</b>				
4	Common Equity	40.00%	\$34,622,629	9.30%	\$3,219,905
5	Preferred Shares		\$ -		\$ -
6	<b>Total Equity</b>	<b>40.0%</b>	<b>\$34,622,629</b>	<b>9.30%</b>	<b>\$3,219,905</b>
7	<b>Total</b>	<b>100.0%</b>	<b>\$86,556,573</b>	<b>6.48%</b>	<b>\$5,606,789</b>

**Notes**

(1) 4.0% unless an applicant has proposed or been approved for a different amount.