

Exhibit 5 – Cost of Capital

5-Staff-28

Promissory Note Debt Rate

Ref: Appendix 5.1 – Promissory Note

Rideau St. Lawrence Distribution has two promissory notes with the Township of Edwardsburgh/Cardinal and Township of south Dundas. The promissory notes states the interest rate per annum is determined by the Directors or as negotiated annually.

- a) Has Rideau St. Lawrence Distribution tried to negotiate a lower interest rate?

Response:

Yes. In 2012, RSL negotiated a change in the rate for the Promissory Note. The rate was reduced to 4.41% from 4.99%.

- b) How does Rideau St. Lawrence Distribution evaluate a fair interest rate for these promissory notes?

Response:

Historically, the RSL Board has used the companies' cost of long-term debt from our commercial lender, and the OEB published Deemed Long-Term Debt Rate established by the Board, as a guideline for the interest rate on the notes.

5-SEC-25

[Ex.5] Please provide an update to appendices 2-AO and 2-BO to incorporate the Board's most recent cost of capital parameters.

Response:

RSL assumes that SEC is referring to appendices 2-OA and 2-OB. We have updated Appendix 2-OA.

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
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$3,942,795	3.36%	\$132,478
2	Short-term Debt	4.00%	\$281,628	1.76%	\$4,957
3	Total Debt	60.0%	\$4,224,423	3.25%	\$137,435
	Equity				
4	Common Equity	40.00%	\$2,816,282	8.78%	\$247,270
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$2,816,282	8.78%	\$247,270
7	Total	100.0%	\$7,040,705	5.46%	\$384,704

RSL has updated Appendix 2-OB for *information purposes* only. The change to the interest rate for the promissory notes has not been changed in Appendix 2-OA.

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 (%) ²	Interest (\$) ¹
1	Altec Line Truck	Bank of Montreal	Third-Party	Variable Rate	1-Dec-09	10	\$ 61,250	2.65%	\$ 1,624.18
2	Posi Plus	Bank of Montreal	Third-Party	Fixed Rate	1-Sep-11	8	\$ 132,449	3.49%	\$ 4,626.58
3	Smart Meters	Bank of Montreal	Third-Party	Variable Rate	1-Jul-10	10	\$ 495,591	2.79%	\$ 13,828.84
4	Promissory Note	Township of Edwardsburgh/Cardinal	Affiliated	Fixed Rate	1-Aug-01	Demand	\$ 225,000	3.72%	\$ 8,370.00
5	Promissory Note	Township of South Dundas	Affiliated	Fixed Rate	1-Aug-01	Demand	\$ 938,352	3.72%	\$ 34,906.69
6	Posi Digger Truck	Bank of Montreal	Third-Party	Variable Rate	6-May-16	10	\$ 114,000	2.70%	\$ 2,052.00
7	Posi Digger Truck	Bank of Montreal	Third-Party	Variable Rate	1-Oct-16	10	\$ 276,000	2.70%	\$ 1,863.00
8									\$ -
9									\$ -
10									\$ -
11									\$ -
12									\$ -
Total							\$ 2,242,642	3.00%	\$ 67,271.30

5-VECC-36

Reference: E5

- a) Please update Appendix 2-OB to use the Board's current long-term debt rate of 3.72%.

Response:

Please see 5-SEC-25.

- b) Please update Appendix 2-AO using the adjusted long-term debt cost from the revised Appendix 2-OB above and the current Board approved short-term debt rate of 1.76% and equity return of 8.78%.

Response: Please see 5-SEC-25.