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5.2 CAPITAL STRUCTURE

In this Exhibit, CWH presents evidence regarding its capital structure, debt financing and the calculation of return on equity for the 2018 Test Year.

CWH seeks to recover a weighted average cost of capital of 5.71% through rates in the 2018 Test Year. CWH has followed the Report of the Board on Cost of Capital for Ontario's Regulated Utilities, December 11, 2009 as well as the Review of the Existing Methodology of the Cost of Capital for Ontario's Regulated Utilities, January 14, 2016, in determining the cost of capital.¹

In calculating the cost of capital, CWH has used the OEB's deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity, and the Cost of Capital parameters in the OEB's letter of October 27, 2016, for the allowed return on equity ("ROE"). CWH is not seeking any changes in its Capital Structure from its 2013 Board Approved Structure other than the rates which are imposed by the OEB.²

CWH understands that the OEB will most likely update the its capital parameters for 2018 at a later date, and therefore commits to updating its Application to reflect the OEB's updated Cost of Capital Parameters for January 1, 2018 applications and as new information is issued.

CWH's cost of capital for 2018 has been calculated as 5.71%, as shown in the table below:

¹ MFR – Statement that LDC adopts OEB's guidelines for cost of capital and confirms that updates will be done. Alternatively - utility specific cost of capital with supporting evidence

² MFR – Explanation for any changes in capital structure

1

Table 1: Overview of Capital Structure³

Particulars	Cost Rate
	(%)
Debt	
Long-term Debt	3.81%
Short-term Debt	1.76%
Total Debt	3.67%
Equity	
Common Equity	8.78%
Preferred Shares	
Total Equity	8.78%
WACC	5.71%

2 Retirements of debt or preference shares and buy-back of common shares; and Short-Term
3 Debt, Long-Term Debt, preference shares offerings do not apply to CWH as CWH has not issued
4 any preference shares.

5 In 2000 CWH did issue 1,000 common shares at the time the Promissory Note was issued, as
6 explained in section 5.5.4 Long Term Debt.

7

³ MFR – Calculation of cost for each capital component

5.3 OEB APPENDIX 2-OA CAPITAL STRUCTURE / COST OF CAPITAL

Appendix 2-OA below presents the capital structure for the last Board Approved and Test year.⁴

Table 2: OEB Appendix 2-OA Capital Structure/Cost of Capital

Year: 2018				
Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$9,658,070	3.81%	\$367,676
Short-term Debt	4.00% (1)	\$689,862	1.76%	\$12,142
Total Debt	60.0%	\$10,347,933	3.67%	\$379,818
Equity				
Common Equity	40.00%	\$6,898,622	8.78%	\$605,699
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$6,898,622	8.78%	\$605,699
Total	100.0%	\$17,246,554	5.71%	\$985,517

Year: 2017				
Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$10,094,334	4.14%	\$417,905
Short-term Debt	4.00% (1)	\$721,024	2.07%	\$14,925
Total Debt	60.0%	\$10,815,358	4.00%	\$432,831
Equity				
Common Equity	40.00%	\$7,210,239	8.98%	\$647,479
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$7,210,239	8.98%	\$647,479
Total	100.0%	\$18,025,597	5.99%	\$1,080,310

⁴ MFR – Completed Appendix 2-OA for last OEB approved and test year

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	Year: <u>2016</u>			
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$9,397,489	4.14%	\$389,056
Short-term Debt	4.00% (1)	\$671,249	2.07%	\$13,895
Total Debt	60.0%	\$10,068,738	4.00%	\$402,951
Equity				
Common Equity	40.00%	\$6,712,492	8.98%	\$602,782
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$6,712,492	8.98%	\$602,782
Total	100.0%	\$16,781,230	5.99%	\$1,005,733

2

	Year: <u>2015</u>			
Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$8,473,731	4.14%	\$350,812
Short-term Debt	4.00% (1)	\$605,266	2.07%	\$12,529
Total Debt	60.0%	\$9,078,997	4.00%	\$363,341
Equity				
Common Equity	40.00%	\$6,052,665	8.98%	\$543,529
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$6,888,665	8.98%	\$543,529
Total	100.0%	\$15,131,662	5.99%	\$906,871

3

4

Year: **2014**

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$7,546,885	4.14%	\$312,441
Short-term Debt	4.00% (1)	\$539,063	2.07%	\$11,159
Total Debt	60.0%	\$8,085,949	4.00%	\$323,600
Equity				
Common Equity	40.00%	\$5,390,632	8.98%	\$484,079
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$5,390,632	8.98%	\$484,079
Total	100.0%	\$13,476,581	5.99%	\$807,678

1

Year: **2013**

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$6,596,078	4.14%	\$273,078
Short-term Debt	4.00% (1)	\$471,148	2.07%	\$9,753
Total Debt	60.0%	\$7,067,226	4.00%	\$282,830
Equity				
Common Equity	40.00%	\$4,452,742	8.98%	\$399,856
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$4,452,742	8.98%	\$399,856
Total	100.0%	\$11,131,854	5.99%	\$682,687

2

3

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Board Approved 2013

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$6,596,078	4.14%	\$273,078
Short-term Debt	4.00% (1)	\$471,148	2.07%	\$9,753
Total Debt	60.0%	\$7,067,226	4.00%	\$282,830
Equity				
Common Equity	40.00%	\$4,711,484	8.98%	\$423,091
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$4,711,484	8.98%	\$423,091
Total	100.0%	\$11,778,711	5.99%	\$705,922

2

5.4 OEB APPENDIX 2-OB COST OF DEBT INSTRUMENTS

Appendix 2-OB below presents capital structure for all required historical years, the bridge year and the Test year.⁵

Table 3: Appendix 2-OB Cost of Debt Instruments

Year 2018										
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	Promissory Note	Township of Centre Wellington	Affiliated	Fixed Rate	1-Nov-00	open	\$ 5,046,753	0.0725	\$ 365,889.59	
2	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	1-Oct-13	25	\$ 1,329,000	0.0452	\$ 60,070.80	
3	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-14	25	\$ 1,238,000	0.0378	\$ 46,796.40	
4	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	2-Jul-15	25	\$ 1,926,000	0.0356	\$ 68,565.60	
Total							\$ 9,539,753	0.05674	\$ 541,322.39	

Year 2017										
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	Promissory Note	Township of Centre Wellington	Affiliated	Fixed Rate	1-Nov-00	open	\$ 5,046,753	0.0725	\$ 365,889.59	
2	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	1-Oct-13	25	\$ 1,329,000	0.0452	\$ 60,070.80	
3	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-14	25	\$ 1,238,000	0.0378	\$ 46,796.40	
4	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	2-Jul-15	25	\$ 1,926,000	0.0356	\$ 68,565.60	
Total							\$ 9,539,753	0.05674	\$ 541,322.39	

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	Promissory Note	Township of Centre Wellington	Affiliated	Fixed Rate	1-Nov-00	open	\$ 5,046,753	0.0725	\$ 365,889.59	
2	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	1-Oct-13	25	\$ 1,329,000	0.0452	\$ 60,070.80	
3	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-14	25	\$ 1,238,000	0.0378	\$ 46,796.40	
4	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	2-Jul-15	25	\$ 1,926,000	0.0356	\$ 68,565.60	
12									\$ -	
Total							\$ 9,539,753	0.05674	\$ 541,322.39	

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	Promissory Note	Township of Centre Wellington	Affiliated	Fixed Rate	1-Nov-00	open	\$ 5,046,753	0.0725	\$ 365,889.59	
2	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	1-Oct-13	25	\$ 1,329,000	0.0452	\$ 60,070.80	
3	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-14	25	\$ 1,238,000	0.0378	\$ 46,796.40	
4	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	2-Jul-15	25	\$ 1,926,000	0.0356	\$ 68,565.60	
Total							\$ 9,539,753	0.05674	\$ 541,322.39	

⁵ MFR – Completed Appendix 2-OB for historical, bridge and test years

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	Promissory Note	Township of Centre Wellington	Affiliated	Fixed Rate	1-Nov-00	open	\$ 5,046,753	0.0725	\$ 365,889.59	
2	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	1-Oct-13	25	\$ 1,329,000	0.0452	\$ 60,070.80	
3	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-14	25	\$ 1,238,000	0.0378	\$ 46,796.40	
Total							\$ 7,613,753	0.06209	\$ 472,756.79	

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	Promissory Note	Township of Centre Wellington	Affiliated	Fixed Rate	1-Nov-00	open	\$ 5,046,753	0.0725	\$ 365,889.59	
2	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	1-Oct-13	25	\$ 1,329,000	0.0452	\$ 60,070.80	
Total							\$ 6,375,753	0.06681	\$ 425,960.39	

5.5 COST OF CAPITAL

This evidence summarizes the capital structure, method and cost of financing CWH's capital requirements for the 2018.

5.5.1 CAPITAL STRUCTURE

The proposed cost rates for cost of capital in 2018 are presented in Section 5.3 – Table 2. The rates shown for short-term debt and return on equity are those set out in the Board's letter of October 27, 2016, Cost of Capital Parameter Updates for 2018 Cost of Service Applications.

The explanation for the use of the long-term debt rate of 3.81% is set out in Section 5.5.3 below. Section 5.5.4 includes a detailed listing of the long-term debt that CWH currently holds.

5.5.2 RETURN ON EQUITY

CWH has used a ROE of 8.78% for 2018 as established by the Board for cost of service applications with a January 1st, 2018 implementation date. CWH recognizes that the ROE will be updated in accordance with Board guidelines and as such commits to updating the cost capital parameters as new information is made available.

5.5.3 WEIGHTED AVERAGE COST OF DEBT (WACC)

CWH proposes a Long-Term Debt cost rate for the 2018 of 3.81%, which was calculated using a weighted average cost of debt as shown in the table below.

Table 4: Derivation of WACC

Debt	Weight	Principal	Actual Rate	Proposed Rate	Notes
Township of Centre Wellington	52.90%	\$5,046,753	7.25%	3.72%	capped at 3.72%
Infrastructure Ontario	13.93%	\$1,329,000	4.52%	4.52%	Actual
Infrastructure Ontario	12.98%	\$1,238,000	3.78%	3.78%	Actual
Infrastructure Ontario	20.19%	\$1,926,000	3.56%	3.56%	Actual
Total Debt	100%	\$9,539,753	5.67%	3.81%	

5.5.4 LONG TERM DEBT

CWH's has four Long Term Debt instruments:

CWH was incorporated on August 22nd, 2000 as required by the Electricity Act, 1988 and has acquired assets relating to the distribution of the supply of electrical supply from the Hydro-Electric Commission of The Corporation of the Township of Centre Wellington. The purchase price was based on the book value of the Assets, namely \$10,081,818.00 and in consideration therefore Hydro assumed certain liabilities, issued 1,000 common shares of the Hydro to The Corporation of the Township of Centre Wellington, having a value of \$5,035,066.00 and agreed to provide a Promissory Note to The Corporation of the Township of Centre Wellington for the balance of the purchase price of the Assets in the amount of \$5,046,0752. On November 1, 2000, as promissory note of \$5,046,752 was issued with the Township of Centre Wellington at the rate of 7.25%. CWH has used a weighted average debt rate of 3.81% for this Cost of Service. A copy of the Promissory Note is attached in Appendix A of this exhibit.

On October 1st, 2013 CWH arranged \$1,329,000 of financing in the form of a 25-year Promissory Note through Infrastructure Ontario at the interest rate of 4.23% to fund the upgrade and rehabilitation of Distribution Station Fergus MS#1. CWH is obligated to make blended monthly payments of \$7,371.94 consisting of current interest charges and capital repayments. CWH has used the actual rate of 4.23% as a long-term debt rate in accordance with the 2009 Board Report which states that the "New third-party debt will be accepted at the negotiated market rate." A copy of the Promissory Note is attached in Appendix B of this exhibit.

On September 15th, 2014 CWH arranged \$1,238,000 of financing in the form of a 25-year Promissory Note through Infrastructure Ontario at the interest rate of 3.75% to fund the upgrade and rehabilitation of Distribution Station Fergus MS#2. CWH is obligated to make blended monthly payments of \$6,364,94 consisting of current interest charges and capital repayments. CWH has used the actual rate of 3.75% as a long-term debt rate in accordance with the 2009 Board Report which states that the "New third-party debt will be accepted at the negotiated market rate." A copy of the Promissory Note is attached in Appendix C of this exhibit.

On July 2nd, 2015 CWH arranged \$1,926,000 of financing in the form of a 25-year Promissory Note through Infrastructure Ontario at the interest rate of 3.56% to fund the building of Distribution Station Elora MS#1. CWH is obligated to make blended monthly payments of \$7,371.94 consisting of current interest charges and capital repayments. CWH has used the actual rate of 4.23% as a long-term debt rate in accordance with the 2009 Board Report which states that the "New third-party debt will be accepted at the negotiated market rate."⁶ A copy of the Promissory Note is attached in Appendix D of this exhibit.

CWH is not forecasting any new debt in the bridge and test year.⁷

5.5.5 SHORT TERM DEBT

CWH has used a short-term debt rate of 1.76% as established by the Board for cost of service applications with a January 1st, 2018 implementation date. CWH recognizes that the short-term debt rate will be updated at a later date consistent with the OEB's guidelines.

CWH's does not have any short-term debts at the time of the filing.

CWH does not forecast that it will redeem any debt and has not issued any preference shares, hence CWH does not record either a profit or a loss on redemption of debt and/or preference shares.⁸ CWH is not forecasting any new debt in the bridge and test years.

CWH is not proposing any rate that is different from the OEB guidelines, therefore no justification of the proposed rate(s) or key assumptions have been provided.⁹

⁶ MFR – Explanation of debt rate for each existing debt instrument

⁷ MFR – Forecast of new debt in bridge and test year - details including estimate of rate

⁸ MFR – Profit or loss on redemption of debt

⁹ MFR - If proposing any rate that is different from the OEB guidelines, a justification of the proposed rate(s), including key assumptions

5.5.6 NOTIONAL DEBT

The OEB clarified the treatment of “notional” debt (that portion of deemed debt exceeding a utility’s actual debt), where notional debt is used as the “plug” to true up actual debt to the allowed debt thickness for rate-setting purposes. The table below shows that the utility is making no profit or loss on its capital structure. Notional debt can be either positive (i.e. deemed debt is greater than actual debt) or negative (where deemed debt is less than actual debt). The marginal profit on debt is detailed at Table 5b) Notional Debt.¹⁰

This concept is shown in the following tables:

¹⁰ MFR Notional Debt - difference between actual debt and deemed debt thickness attracts the weighted average cost of actual long-term debt rate (unless 100% equity financed)

1

Table 5: Actual Debt

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	100.00%	\$9,539,753	5.67%	\$540,904
Short-term Debt	0.00%	\$ -	1.76%	\$ -
Total Debt	100.0%	\$9,539,753	5.67%	\$540,904
Equity				
Common Equity	40.00%	\$6,886,881	8.78%	\$604,668
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$6,886,881	8.78%	\$604,668
Total	100.0%	\$ -	9.18%	\$1,145,572

2

3

Table 6: Notional Debt

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	44.00%	(\$118,317)	-1.86%	(\$173,228)
Short-term Debt	-4.00%	(\$689,862)	0.00%	\$12,142
Total Debt	40.0%	(\$808,180)	0.00%	(\$161,086)
Equity				
Common Equity	40.00%	\$ -		\$ -
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$ -	0.00%	\$ -
Total	100.0%	\$ -	0.00%	(\$161,086)

4

1 **Not-For-Profit Corporations**

2 CWH is a "for profit" utility and as such all requirements related to a not-for-profit organization
3 do not apply.^{11 12 13 14 15}

4

¹¹ MFR – Not for profit evidence N/A

¹² MFR - Description of the governance of the not-for-profit corporation N/A

¹³ MFR - Detailed calculation for test year revenue requirement based on its Reserve Requirement N/A

¹⁴ MFR - The proposed reserves and rationale for the need to establish each reserve, the time period of building up the reserves, and the procedure and policy of each reserve N/A

¹⁵ MFR - If there are approved reserves from previous OEB decisions provide the following:

- any changes to the reserve policies and rationale for the changes since last CoS limits of any capital and/or operating reserves as approved by the OEB and identify decisions

- current balances of any established capital and/or operating reserves

- list withdrawals from capital and operating reserves, identify amounts and purpose of withdrawal

- if limits on capital and operating reserves achieved provide a proposal for utilization of amounts

- if limits on reserves not achieved provide rationale and the detail for its forecast of the Reserve Requirement for the test year

APPENDICES¹⁶

Appendix A	Promissory Note: Township of Centre Wellington
Appendix B	Promissory Note: Infrastructure Ontario – October 2013
Appendix C	Promissory Note: Infrastructure Ontario – September 2014
Appendix D	Promissory Note: Infrastructure Ontario – July 2015

¹⁶ Copies of promissory notes or other debt arrangements with affiliates

Appendix A

Promissory Note: Township of Centre Wellington

WHEREAS Centre Wellington Hydro Ltd. ("Hydro") was incorporated on August 22nd, 2000 as required by the *Electricity Act, 1998* and has acquired assets relating to the distribution of and supply of electrical supply (the "Assets") from the Hydro-Electric Commission of The Corporation of the Township of Centre Wellington on November 1st, 2000;

AND WHEREAS the purchase price was based on the book value of the Assets, namely \$10,081,818.00 and in consideration therefore Hydro assumed certain liabilities, issued 1000 common shares of Hydro to The Corporation of The Township of Centre Wellington, having a value of \$5,035,066.00, and agreed to provide a Promissory Note to The Corporation of The Township of Centre Wellington for the balance of the purchase price of the Assets in an amount of \$5,046,752.00.

PROMISSORY NOTE

The undersigned promises to pay to THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON, or order, at 1 MacDonald Square, Elora, Ontario, the sum of Five Million, Forty-Six Thousand, Seven Hundred and Fifty Two (\$5,046,752.00) Dollars one (1) year after written demand by the holder, together with interest thereon at a rate of seven and one-quarter per cent (7.25%) per annum from November 1st, 2000, to be paid quarterly on the last days of March, June, September and December in each year, commencing December 31st, 2000.

Default of payment of interest, or any part thereof, shall, at the option of the holder hereof exercisable at any time and without notice or demand, render the entire unpaid balance of said principal and interest accrued thereon at once due and payable.

The undersigned when not in default shall have the right to pay the whole or any part of the principal sum owing from time to time without notice or bonus.

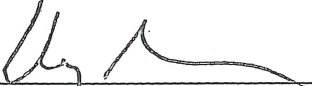
The undersigned acknowledges receipt of a copy of this Promissory Note.

DATED at the Township of Centre Wellington this 1st day of November, 2000


FOR VALUE RECEIVED

CENTRE WELLINGTON HYDRO LTD.

Per:



Douglas Sherwood - President



Florence Thiessen - Vice-President - Treasurer

We have authority to bind the Corporation

Appendix B

Promissory Note: Infrastructure Ontario – October 2013

COPY

CENTRE WELLINGTON HYDRO LTD.

PROMISSORY NOTE

October 1, 2013

For value received, Centre Wellington Hydro Ltd. (the "Borrower") hereby acknowledges itself indebted to ONTARIO INFRASTRUCTURE AND LANDS CORPORATION (the "Holder") and promises to pay to, or to the order of, the Holder in accordance with the terms set out in the Financing Agreement No. 13Cen9316313006FA dated August 20, 2013 (the "Financing Agreement") between the Borrower and the Holder, the principal amount of \$1,329,000.00 in lawful money of Canada together with interest thereon as hereinafter provided.

The applicable rate of interest and the applicable principal repayment amounts are set out in the attached Schedule A to this Promissory Note. For the purposes of this Promissory Note, whenever any interest is calculated on the basis of a period of time other than a calendar year, the annual rate of interest to which each rate of interest determined pursuant to such calculation is equivalent for the purposes of the Interest Act (Canada) to such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days used in the basis of such determination. The rates of interest under this Promissory Note are nominal rates, and not effective rates or yields. The principle of deemed reinvestment of interest does not apply to any interest calculation under this Promissory Note.

The Borrower hereby appoints Holder as its duly authorized agent to record on the schedule attached hereto or in another manner as agreed to between the parties under the Financing Agreement (i) all advances made by Holder to the Borrower, and (ii) all payments made by the Borrower on account of the amounts outstanding under this Promissory Note, and to adjust the balance of amounts owing under this Promissory Note by the Borrower to Holder from time to time.

The amounts outstanding from time to time under this Promissory Note as evidenced on the schedule attached hereto as Schedule A shall, in the absence of manifest error, be conclusive and binding on the Borrower; provided that notwithstanding the state of the schedule attached hereto, the failure of Holder to record any amounts owing hereunder on the schedule attached hereto shall not affect the obligation of the Borrower to pay to Holder the amounts due and payable by the Borrower.

Reference is hereby expressly made to the Financing Agreement and all instruments supplemental thereto for a statement and description of, among other things, the terms and conditions which govern the amounts outstanding under this Promissory Note, and the

rights and remedies of the Holder and of the Borrower in respect thereof, all to the same effect as if all of the provisions of the Financing Agreement were herein set out.

All principal and interest payable on this Promissory Note shall be payable at the office of the Holder at 777 Bay Street, 9th Floor, Toronto, Ontario, M5G 2C8 or as may be otherwise directed in writing by the Holder.

The whole or any part of the principal amount of this Promissory Note, together with any accrued and unpaid interest thereon, may be prepaid by the Borrower at any time or from time to time in accordance with the terms and subject to the conditions set out in the Financing Agreement.

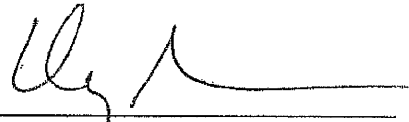
This Promissory Note is issued pursuant to and is subject to the laws of the Province of Ontario and shall be construed, performed and enforced in accordance therewith.

The Borrower hereby waives presentment for payment, notice of non-payment, protest and notice of protest and waives any defences based upon any and all indulgences and forbearances which may be granted by the Holder to the Borrower at any time.

DATED: October 1, 2013.

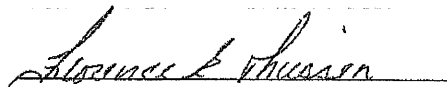
**CENTRE WELLINGTON
HYDRO LTD.**

By



Name: Douglas S. Sherwood

Title: President



Name: Florence E. Thiessen

Title: Vice President

[Affix Corporate seal]

Appendix C

Promissory Note: Infrastructure Ontario – September 2014

Infrastructure Ontario

777 Bay Street, 9th Floor
Toronto, Ontario M5G 2C8
Tel.: 416 212-7289
Fax: (416) 263-5900

Infrastructure Ontario

777, rue Bay, 9^e étage
Toronto, Ontario M5G 2C8
Tél. : 416 212-7289
Télec. : (416) 263-5900



September 5, 2014

VIA EMAIL

CENTRE WELLINGTON HYDRO LTD.

Dear Heather:

Re: Infrastructure Ontario Promissory Note Terms

Further to the Schedule A received by our office, please find attached a Promissory Note outlining the term, interest rate and amount of the aforementioned Promissory Note as well as a Repayment Schedule as noted on Schedule A. As indicated in the attached documents, the Promissory Note will carry an interest rate of 3.75% (3.78% semi-annual equivalent) as shown in the attached amortization schedule, a principal amount of \$1,238,000.00 amortized over 25 years, and with a closing date of September 15, 2014.

Please sign and affix your corporate seal to the attached OILC Promissory Note, fax (or scan and email) to the attention of Jennifer Tang, Senior Loan Officer at (416) 263-5900 or jennifer.tang@infrastructureontario.ca.

The original signed and sealed Promissory Note must be received by OILC on or before September 10, 2014 and will be held in escrow until the closing day.

OILC will review all original term loan documents and, provided that all documentation is in order, OILC will process the long term financing on September 15, 2014. OILC must also receive any final documentation outstanding prior to 10 a.m. on the closing day. Should any documentation fail to be delivered, OILC will rely on the remedies for default and termination in the Financing Agreement.

It is our pleasure to work with you on this infrastructure loan program. If you have any questions or concerns, please do not hesitate to contact Jennifer Tang at 416-314-5363.

Sincerely,

A handwritten signature in black ink, appearing to read "Dale Lawr".

Dale Lawr
Chief Risk Officer
Ontario Infrastructure and Lands Corporation

CENTRE WELLINGTON HYDRO LTD.

PROMISSORY NOTE

September 15, 2014

For value received, Centre Wellington Hydro Ltd. (the "Borrower") hereby acknowledges itself indebted to ONTARIO INFRASTRUCTURE AND LANDS CORPORATION (the "Holder") and promises to pay to, or to the order of, the Holder in accordance with the terms set out in the Financing Agreement No. 13Cen9316313006FA dated August 20, 2013 (the "Financing Agreement") between the Borrower and the Holder, the principal amount of \$1,238,000.00 in lawful money of Canada together with interest thereon as hereinafter provided.

The applicable rate of interest and the applicable principal repayment amounts are set out in the attached Schedule A to this Promissory Note. For the purposes of this Promissory Note, whenever any interest is calculated on the basis of a period of time other than a calendar year, the annual rate of interest to which each rate of interest is determined pursuant to such calculation is equivalent for the purposes of the Interest Act (Canada) to such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days used in the basis of such determination. The rates of interest under this Promissory Note are nominal rates, and not effective rates or yields. The principle of deemed reinvestment of interest does not apply to any interest calculation under this Promissory Note.

The Borrower hereby appoints Holder as its duly authorized agent to record on the schedule attached hereto or in another manner as agreed to between the parties under the Financing Agreement (i) all advances made by Holder to the Borrower, and (ii) all payments made by the Borrower on account of the amounts outstanding under this Promissory Note, and to adjust the balance of amounts owing under this Promissory Note by the Borrower to Holder from time to time.

The amounts outstanding from time to time under this Promissory Note as evidenced on the schedule attached hereto as Schedule A shall, in the absence of manifest error, be conclusive and binding on the Borrower; provided that notwithstanding the state of the schedule attached hereto, the failure of Holder to record any amounts owing hereunder on the schedule attached hereto shall not affect the obligation of the Borrower to pay to Holder the amounts due and payable by the Borrower.

Reference is hereby expressly made to the Financing Agreement and all instruments supplemental thereto for a statement and description of, among other things, the terms and conditions which govern the amounts outstanding under this Promissory Note, and the rights and remedies of the Holder and of the Borrower in respect thereof, all to the same effect as if all of the provisions of the Financing Agreement were herein set out.

All principal and interest payable on this Promissory Note shall be payable at the office of the Holder at 777 Bay Street, 9th Floor, Toronto, Ontario, M5G 2C8 or as may be otherwise directed in writing by the Holder.

The whole or any part of the principal amount of this Promissory Note, together with any accrued and unpaid interest thereon, may be prepaid by the Borrower at any time or from time to time in accordance with the terms and subject to the conditions set out in the Financing Agreement.

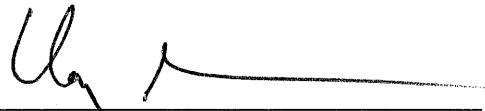
This Promissory Note is issued pursuant to and is subject to the laws of the Province of Ontario and shall be construed, performed and enforced in accordance therewith.

The Borrower hereby waives presentment for payment, notice of non-payment, protest and notice of protest and waives any defences based upon any and all indulgences and forbearances which may be granted by the Holder to the Borrower at any time.

DATED: September 15, 2014.

CENTRE WELLINGTON HYDRO LTD.

By



Name: Douglas S. Sherwood

Title: President & Secretary

By



Name: Florence E. Thiessen

Title: Vice President & Treasurer

[Affix Corporate seal]

Appendix D

Promissory Note: Infrastructure Ontario – July 2015

PROMISSORY NOTE

\$1,926,000.00

July 2, 2015

For value received, **CENTRE WELLINGTON HYDRO LTD.** (the "**Borrower**") hereby acknowledges itself indebted to **ONTARIO INFRASTRUCTURE AND LANDS CORPORATION** (the "**Holder**") and promises to pay to, or to the order of, the Holder in accordance with the terms set out in the Financing Agreement No. 13Cen9316313006FA dated August 20, 2013 (the "**Financing Agreement**") between the Borrower and the Holder, the principal amount of \$1,926,000.00 on the dates and in the amounts set forth on the attached as Schedule A in lawful money of Canada together with interest thereon as hereinafter provided.

Interest shall be payable on the principal amount of this Promissory Note outstanding from time to time (including any overdue interest), both before and after maturity, default and judgment until paid, at a rate per annum equal to the rate set forth on Schedule A. Interest shall accrue daily and compound monthly in arrears. For the purposes of this Promissory Note, whenever any interest is calculated on the basis of a period of time other than a calendar year, the annual rate of interest to which each rate of interest determined pursuant to such calculation is equivalent for the purposes of the *Interest Act* (Canada) is such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days used in the basis of such determination. The rates of interest under this Promissory Note are nominal rates, and not effective rates or yields. The principle of deemed reinvestment of interest does not apply to any interest calculation under this Promissory Note.

The Borrower hereby appoints Holder as its duly authorized agent to record on the schedule attached hereto or in another manner as agreed to between the parties under the Financing Agreement (i) all advances made by Holder to the Borrower, and (ii) all payments made by the Borrower on account of the amounts outstanding under this Promissory Note, and to adjust the balance of amounts owing under this Promissory Note by the Borrower to Holder from time to time.

~~The amounts outstanding from time to time under this Promissory Note as evidenced on the schedule attached hereto as Schedule A shall, in the absence of manifest error, be conclusive and binding on the Borrower; provided that notwithstanding the state of the schedule attached hereto, the failure of Holder to record any amounts owing hereunder on the schedule attached hereto shall not affect the obligation of the Borrower to pay to Holder the amounts due and payable by the Borrower.~~

Reference is hereby expressly made to the Financing Agreement and all instruments supplemental thereto for a statement and description of, among other things, the terms and conditions which govern the amounts outstanding under this Promissory Note, and the rights and remedies of the Holder and of the Borrower in respect thereof, all to the same effect as if all of the provisions of the Financing Agreement were herein set out.

All principal and interest payable on this Promissory Note shall be payable at the office of the Holder at 777 Bay Street, Suite 900, Toronto, Ontario, M5G 2C8 or as may be otherwise directed in writing by the Holder.

The whole or any part of the principal amount of this Promissory Note, together with any accrued and unpaid interest thereon, may be prepaid by the Borrower at any time or from time to time in accordance with the terms and subject to the conditions set out in the Financing Agreement. The unpaid principal amount of this Promissory Note, together with all accrued and unpaid interest thereon, shall be payable in the amounts and on the dates set out in the attached Schedule A to this Promissory Note with the balance payable in full on July 2, 2040, subject to acceleration in accordance with the terms of the Financing Agreement.

This Promissory Note is issued pursuant to and is subject to the laws of the Province of Ontario and shall be construed, performed and enforced in accordance therewith.

The Borrower hereby waives presentment for payment, notice of non-payment, protest and notice of protest and waives any defences based upon any and all indulgences and forbearances which may be granted by the Holder to the Borrower at any time.

Notwithstanding Sections 4 and 15 of the *Limitations Act, 2002*, a claim may be brought on this Promissory Note at any time within five years from the date on which demand for payment of the principal amount hereof is made in accordance with the provisions hereof.

DATED: July 2, 2015.

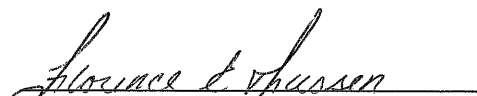
**CENTRE WELLINGTON HYDRO
LTD.**

By



Name: Douglas Sherwood

Title: President & Secretary



Name: Florence Thiessen

Title: Vice President & Treasurer

[Affix Corporate seal]