

# Exhibit 5:

# Cost of Capital

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## 5.1 Capital Structure

This section is intended to summarize EPLC's methodology and cost of financing capital requirements for the 2018 Test Year.

For clarity, EPLC followed the Report of the Board on the *Cost of Capital for Ontario's Regulated Utilities* (EB-2009-0084, December 11<sup>th</sup>, 2009), the OEB's *Review of Existing Methodology of the Cost of Capital for Ontario's Regulated Utilities* (EB-2009-0084, January 14<sup>th</sup>, 2016) and the OEB's letter titled *Cost of Capital Parameter Updates for 2017 Cost of Service and Custom Incentive Rate-setting Applications* (October 27<sup>th</sup>, 2016).

EPLC acknowledges and understands that these rates are subject to change at such time that the 2018 Cost of Capital parameters are issued by the OEB.

For the purpose of this Application, EPLC has completed its application with a deemed capital structure of 56% Long Term Debt, 4% Short Term Debt and 40% Equity in accordance with the OEB issued documentation listed above. No significant changes to this structure are expected in the foreseeable future.

In summary, EPLC is requesting the following for the 2018 Test Year: a deemed interest expense of \$1,230,186 and a deemed return on equity of \$2,104,644 for a total regulated rate of return on capital of \$3,334,829.

## 5.2 Cost of Capital

### 5.2.1 Cost of Long Term Debt

For the purpose of this Application, EPLC has utilized its actual Long-Term Debt Rate of 3.54% which is lower than the Board prescribed deemed rate of 3.72% issued by the Board October 27<sup>th</sup>, 2017. A summary of EPLC's Debt Instruments are included as Attachments 5-A, 5B and 5-C of this Exhibit. Attachment 5-C is consistent with Board Appendix 2-OB.

EPLC acknowledges and understands that these rates are subject to change at such time that the 2018 Cost of Capital parameters are issued by the OEB.

### 5.2.2 Cost of Short Term Debt

For the purpose of this Application, EPLC has utilized and is requesting the Deemed Short-Term Debt Rate of 1.76% issued by the OEB October 27<sup>th</sup>, 2017.

EPLC acknowledges and understands that these rates are subject to change at such time that the 2018 Cost of Capital parameters are issued by the OEB.

### 5.2.3 Return on Equity

For the purpose of this Application, EPLC has utilized and is requesting the Return on Equity Rate of 8.78% issued by the OEB October 27<sup>th</sup>, 2017.

EPLC acknowledges and understands that these rates are subject to change at such time that the 2018 Cost of Capital parameters are issued by the OEB.

### 5.2.4 Profit or Loss on Redemption of Debt and/or Preferred Shares

EPLC has not redeemed any debt and does not have any preferred shares therefore this filing requirement is not applicable.

### 5.2.5 Notional Debt

EPLC's deemed and actual long-term debts are relatively close. For 2018, EPLC is currently estimating its average long-term debt balance at \$25,114,828. EPLC's deemed long-term debt is \$35,957,227 which results in notional debt of \$10,842,399. EPLC understands the notional debt should attract the weighted average cost of actual long-term debt.

## 5.2.6 Weighted Average Cost of Capital

Figure 1 below demonstrates EPLC's previously OEB Approved capital structure consistent with the OEB Appendix 2-OA. Further, Figure 2 below demonstrates EPLC's proposed capital structure for the 2018 Test Year. OEB Appendix 2-OA for 2010 and 2018 are affixed as Attachment 5-E. For the 2018 Test Year, EPLC is requesting a Weighted Average Cost of Capital of 5.56% on a proposed Rate Base of \$59,927,210 resulting in a Return on Rate Base of \$3,334,829. Further detail is available in Exhibit 2 of this Application.

Figure 1 – OEB Approved Capital Structure – 2010 COS

### 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

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return	
		(%)	(\$)	(%)		(\$)	
	<b>Debt</b>						
1	Long-term Debt	56.00%	\$23,027,039	5.40%		\$1,244,473	
2	Short-term Debt	4.00% (1)	\$1,644,789	2.07%		\$34,047	
3	<b>Total Debt</b>	<b>60.0%</b>	<b>\$24,671,828</b>	<b>5.18%</b>		<b>\$1,278,520</b>	
	<b>Equity</b>						
4	Common Equity	40.00%	\$16,447,885	9.85%		\$1,620,117	
5	Preferred Shares	0.00%	\$ -	0.00%		\$ -	
6	<b>Total Equity</b>	<b>40.0%</b>	<b>\$16,447,885</b>	<b>9.85%</b>		<b>\$1,620,117</b>	
7	<b>Total</b>	<b>100.0%</b>	<b>\$41,119,713</b>	<b>7.05%</b>		<b>\$2,898,637</b>	

#### Notes

(1)

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

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**Figure 2 – Proposed Capital Structure – 2018 Test Year**

Year: 2018 Test Year

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	56.00%	\$33,559,238	3.54%	\$1,187,997
2	Short-term Debt	4.00%	\$2,397,088	1.76%	\$42,189
3	<b>Total Debt</b>	60.0%	\$35,956,326	3.42%	\$1,230,186
	<b>Equity</b>				
4	Common Equity	40.00%	\$23,970,884	8.78%	\$2,104,644
5	Preferred Shares		\$ -	0.00%	\$ -
6	<b>Total Equity</b>	40.0%	\$23,970,884	8.78%	\$2,104,644
7	<b>Total</b>	100.0%	\$59,927,210	5.56%	\$3,334,829

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## 5.3 Not for Profit Corporations

EPLC is a for profit corporation therefore this filing requirement is not applicable.



## **Attachment 5-A**

Municipality of Leamington – Note  
Payable 1

## **LONG TERM FINANCING AGREEMENT**

**THIS AGREEMENT** made this 20th day of December, 2012

**BETWEEN:**

**THE CORPORATION OF THE MUNICIPALITY OF LEAMINGTON**

(hereinafter referred to as "**The Municipality**")

**OF THE FIRST PART**

and

**ESSEX POWERLINES CORPORATION**

(hereinafter referred to as "**EPL**")

**OF THE SECOND PART**

**WHEREAS** EPL is duly incorporated pursuant to Section 142, Schedule A of the Electricity Act, 1998;

**AND WHEREAS** The Municipality is duly incorporated pursuant to The Ministry of Municipal Affairs and Housing Order;

**AND WHEREAS** The Municipality presently holds a loan from EPL pursuant to an agreement that expires on December 31, 2012,

**AND WHEREAS** The Municipality is a shareholder of EPL and operate as separate corporate entities, notwithstanding the provisions of this Agreement and other agreements that the parties may enter into from time to time;

**AND WHEREAS** the parties shall consult as frequently as may be desirable to ensure declarations and intentions are known;

**NOW THEREFORE IN CONSIDERATION** the parties have agreed that The Municipality will continue to hold a loan for the sum of 2,150,296 dollars of lawful money of Canada (hereinafter referred to as the original loan principal, the receipt and sufficiency of which is hereby expressly acknowledged), the Parties covenant and agree, with each other, as follows;

**1. Prior Agreements**

All other agreements regarding the matters contained in this agreement, whether oral or written, are terminated.

**2. Term**

The term of this Agreement shall be from January 1, 2013 to and including December 31, 2017 and year by year thereafter until there is no outstanding loan principal unless EPL gives notification in writing not less than one year to The Municipality that EPL wishes to end the agreement at which time EPL will pay the remaining loan principal and interest prior to the end of the Agreement.

**3. Repayment Schedule**

- 3.01 EPL shall pay The Municipality annually not more than twenty percent (20%) of the original loan principal in the first year of this agreement and not more than twenty percent (20%) thereafter subject to article 3.03 and 3.04.
- 3.02 The Municipality may defer the payment in any year to a subsequent year and EPL shall pay The Municipality the deferred payment or payments in addition to the current year's annual payment subject to article 3.03 and 3.04.
- 3.03 The Municipality shall notify EPL by March 1 or the 1st business day thereafter in the year that payment is due The Municipality's intention to receive payment as per article 3.01 and 3.02.
- 3.04 EPL shall notify The Municipality by July 1 or the 1<sup>st</sup> business day thereafter EPL's intention to make payment or partial payment as per article 3.01 and 3.02 by October 1 or the 1<sup>st</sup> business day thereafter in the year that payment is due.
- 3.05 The Municipality may request payment and EPL will make payment of the entire outstanding loan principal by notifying EPL by March 1 that The Municipality wishes payment to be made by March 1 of the following year conditional on EPL's ability to make distributions according to the "Unanimous Shareholders Agreement" which classifies this agreement as a "Second Tier Loan".

**4. Interest**

Interest means the rate paid for use of the outstanding loan principal calculated at 4% per annum of the loan principal calculated annually and payable to The Municipality by the 20th business day following the calendar year end.

**5. Arbitration**

- 5.01 The parties agree to consult with each other and to negotiate in good faith to resolve any differences or disputes which either party may have relating to the interpretation, application or implementation of this agreement, or any dispute which may arise over any costs, fees or other costs incurred and failing agreement the parties agree to resolve their disputes by arbitration as provided in Article 5.02.
- 5.02 Arbitration of a dispute shall be commenced by written notice by a party requesting arbitration to the other, which notice shall identify the issue or issues it wishes to submit to arbitration. Within thirty (30) days of the date of the notice, the Parties shall agree

upon a single arbitrator and failing agreement then each party shall appoint an arbitrator and the two appointees shall within 45 days of the date of the notice of arbitration appoint a third person who shall act as Chair of the arbitration panel, and failing agreement the Chair shall be appointed by a judge of the Superior Court of Ontario pursuant to the provisions of the Arbitration's Act, RSO 1991 c.A.17.

- 5.03 The commencement of the arbitration and all rules of procedure for the arbitration shall be by agreement of the Parties, or failing agreement, as determined by the arbitrator or Chair of the arbitration panel. The provisions of the Arbitration's Act, RSO 1991 c.A.17, as amended or any successor legislation shall apply to the arbitration.
- 5.04 All decisions of the arbitrator or arbitrators, as the case may be, shall be made in writing and shall be delivered to all Parties within ten (10) days from the conclusion of the arbitration. All decisions shall be final and binding upon the Parties, their respective successors and assigns, and shall not be subject to appeal.
- 5.05 Each Party shall pay its own costs incurred in respect of the arbitration including the payment of its appointee to the arbitration panel, and in the case of a three person panel the parties agree to share the fees of the Chair and other related costs equally.

## **6. Notices**

All notices required to be given to either of the Parties under this Agreement shall be in writing and shall be delivered by prepaid unregistered post or hand delivery to the following:

- a) to the Municipal Clerk at: 111 Erie Street North, Leamington, Ontario, N8H 2Z9
- b) to the General Manager, EPL at: 360 Fairview Avenue West Suite 318, Essex, Ontario, N8M 3G4

or to such other address or individual as may be designated by written notice to the other Party. Any notice given by personal delivery shall be deemed to have been given on the day of actual delivery hereof and if sent by prepaid post, on the third day after mailing.

## **7. Amendments**

Amendments to this Agreement shall be in writing and executed by the Parties duly authorized signing officers.

## **8. Headings**

The headings in this Agreement are for purposes of reference only and shall not be read or construed so as to abridge or modify the meaning of any provision in the main text of this Agreement.

## **9. Governing Law**

This Agreement shall be construed in accordance with the laws of the Province of Ontario.

## 10. Successors

- 10.01 This Agreement shall ensure to the benefit of and be binding upon the Parties and their successors and assigns, respectively.
- 10.02 The Parties explicitly acknowledge and agree that the term of this Agreement shall remain in full force and effect and be binding upon new business corporations incorporated under the Business Corporations Act to whom assets and liabilities will be transferred.
- 10.03 For the purposes of this Agreement, whenever the term The Municipality or EPL is used, the term shall be deemed to include all successor business corporations incorporated to whom assets and liabilities are transferred.

## 11. Regulatory Changes

The Parties acknowledge that substantial changes to legislation and regulations and government policies are likely to occur during the term of this Agreement which are likely to affect the nature of the relationship between them, and as consequence the parties hereby agree to consult and negotiate in good faith any amendments to this Agreement which may be necessitated by changes in the regulatory environment, and failing agreement to submit their differences to arbitration as provided in Article 5.

IN WITNESS WHEREOF the Parties have duly executed this Agreement on the date first above written:

**The Municipality of Leamington**

Per:

Mayor – John Paterson

Clerk – Brian R. Sweet

**Essex Powerlines Corporation**

Per:

Chair **WAYNE HURST**

General Manager **RICHARD DIMMEL**

## **Attachment 5-B**

Town of Tecumseh – Note Payable 2

The Corporation of the

917 Lesperance Road  
Tecumseh, ON  
N8N 1W9



Phone (519) 735-2184  
Fax (519) 735-6712  
www.tecumseh.ca

Town of Tecumseh  
Staff Services/Clerk

December 18, 2012

ESSEX POWERLINES CORPORATION  
2730 Highway 3  
Oldcastle, ON N0R1L0  
Attn: Richard Dimmel, Vice President of Finance

Dear Mr. Dimmel:

**Re: Long Term Financing Agreement, 2013 - 2017**

The Municipal Council of the Town of Tecumseh, at their regular meeting held Tuesday, December 11, 2012, gave consideration to entering into a Long Term Financing Agreement with Essex Powerlines Corporation.

At the meeting Council passed the following resolution (RCM-436/12):

***"THAT*** By-law No. 2012-96, being a by-law to authorize the execution of a Long Term Financing Agreement between The Corporation of the Town of Tecumseh and Essex Powerlines be given third and final reading...

*Carried"*

Enclosed for your records is one original fully executed Long Term Financing Agreement as between The Corporation of the Town of Tecumseh and Essex Powerlines Corporation.

Yours very truly,  
**TOWN OF TECUMSEH**

  
Laura Moy, A.M.C.T.  
Director Staff Services / Clerk

LM/sk

Cc: Luc Gagnon, Director Financial Services / Treasurer

## **LONG TERM FINANCING AGREEMENT**

**THIS AGREEMENT** made this 28<sup>th</sup> day of November, 2012

**BETWEEN:**

**THE CORPORATION OF THE TOWN OF TECUMSEH** (hereinafter referred to as "**The Town**")

**OF THE FIRST PART**

and

**ESSEX POWERLINES CORPORATION** (hereinafter referred to as "**EPL**")

**OF THE SECOND PART**

**WHEREAS** EPL is duly incorporated pursuant to Section 142, Schedule A of the Electricity Act, 1998;

**AND WHEREAS** The Town is duly incorporated pursuant to The Ministry of Municipal Affairs and Housing Order;

**AND WHEREAS** the parties have agreed that The Town holds a promissory note dated June 1, 2000;

**AND WHEREAS** The Town is a shareholder of EPL and operate as separate corporate entities, notwithstanding the provisions of this Agreement and other agreements that the parties may enter into from time to time;

**AND WHEREAS** the parties shall consult as frequently as may be desirable to ensure declarations and intentions are known;

**NOW THEREFORE IN CONSIDERATION** the parties have agreed that The Town will hold a loan for the sum of \$1,544,408 dollars of lawful money of Canada (hereinafter referred to as the original loan principal, the receipt and sufficiency of which is hereby expressly acknowledged), the Parties covenant and agree, with each other, as follows;



**1. Prior Agreements**

All other agreements regarding the matters contained in this agreement, whether oral or written are terminated.

**2. Term**

The term of this Agreement shall be from January 1, 2013 to and including December 31, 2017 and year by year thereafter until there is no outstanding loan principal unless EPL gives notification, of not less than one year, in writing to The Town that EPL wishes to end the agreement at which time EPL will pay the remaining loan principal and interest prior to the end of the Agreement.

**3. Repayment Schedule**

- 3.01 EPL shall pay The Town annually not more than twenty percent (20%) of the original loan principal in the first year of this agreement and not more than twenty percent (20%) thereafter subject to article 3.03 and 3.04.
- 3.02 The Town may defer the payment in any year to a subsequent year and EPL shall pay The Town the deferred payment or payments in addition to the current year's annual payment subject to article 3.03 and 3.04.
- 3.03 The Town shall notify EPL, by March 1 or the 1st business day thereafter in the year that payment is due, of The Town's intention to receive payment as per article 3.01 and 3.02.
- 3.04 EPL shall notify The Town by July 1 or the 1<sup>st</sup> business day thereafter EPL's intention to make payment or partial payment as per article 3.01 and 3.02 by October 1 or the 1<sup>st</sup> business day thereafter in the year that payment is due.
- 3.05 The Town may request payment, and EPL will make payment, of the entire outstanding loan principal by notifying EPL by March 1 that The Town wishes payment to be made by March 1 of the following year conditional on EPL's ability to make distributions according to the "Unanimous Shareholders Agreement" which classifies this agreement as a "Second Tier Loan".

**4. Interest**

Interest means the rate paid for use of the outstanding loan principal calculated at 4.00% per annum of the loan principal calculated annually and payable to The Town by the 20th business day following the calendar year end.

**5. Arbitration**

- 5.01 The parties agree to consult with each other and to negotiate in good faith to resolve any differences or disputes which either party may have relating to the interpretation, application or implementation of this agreement, or any dispute which may arise over any costs, fees or other costs incurred and failing agreement the parties agree to resolve their disputes by arbitration as provided in Article 5.02.
- 5.02 Arbitration of a dispute shall be commenced by written notice by a party requesting arbitration to the other, which notice shall identify the issue or issues it wishes to submit to arbitration. Within thirty (30) days of the date of the notice, the Parties shall agree upon a single arbitrator and failing agreement then each party shall appoint an arbitrator

and the two appointees shall within 45 days of the date of the notice of arbitration appoint a third person who shall act as Chair of the arbitration panel, and failing agreement the Chair shall be appointed by a judge of the Superior Court of Ontario pursuant to the provisions of the Arbitration's Act, RSO 1991 c.A.17.

- 5.03 The commencement of the arbitration and all rules of procedure for the arbitration shall be by agreement of the Parties, or failing agreement, as determined by the arbitrator or Chair of the arbitrator panel. The provisions of the Arbitration's Act, RSO 1991 c.A.17, as amended or any successor legislation shall apply to the arbitration.
- 5.04 All decisions of the arbitrator or arbitrators, as the case may be, shall be made in writing and shall be delivered to all Parties within ten (10) days from the conclusion of the arbitration. All decisions shall be final and binding upon the Parties, their respective successors and assigns, and shall not be subject to appeal.
- 5.05 Each Party shall pay its own costs incurred in respect of the arbitration including the payment of its appointee to the arbitration panel, and in the case of a three person panel the parties agree to share the fees of the Chair and other related costs equally.

## **6. Notices**

All notices required to be given to either of the Parties under this Agreement shall be in writing and shall be delivered by prepaid unregistered post or hand delivery to the following:

- a) to the Chief Administrative Officer at: 917 Lesperance Road, Tecumseh, Ontario, N8N 1W9
- b) to the General Manager, EPL at: 2730 Highway 3, Oldcastle, Ontario, N0R 1L0

or to such other address or individual as may be designated by written notice to the other Party. Any notice given by personal delivery shall be deemed to have been given on the day of actual delivery hereof and if sent by prepaid post, on the third day after mailing.

## **7. Amendments**

Amendments to this Agreement shall be in writing and executed by the Parties duly authorized signing officers.

## **8. Headings**

The headings in this Agreement are for purposes of reference only and shall not be read or construed so as to abridge or modify the meaning of any provision in the main text of this Agreement.

## **9. Governing Law**

This Agreement shall be construed in accordance with the laws of the Province of Ontario.

**10. Successors**

- 10.01 This Agreement shall ensure to the benefit of and be binding upon the Parties and their successors and assigns, respectively.
- 10.02 The Parties explicitly acknowledge and agree that the term of this Agreement shall remain in full force and effect and be binding upon new business corporations incorporated under the Business Corporations Act to whom assets and liabilities will be transferred.
- 10.03 For the purposes of this Agreement, whenever the term The Town or EPL is used, the term shall be deemed to include all successor business corporations incorporated to whom assets and liabilities are transferred.

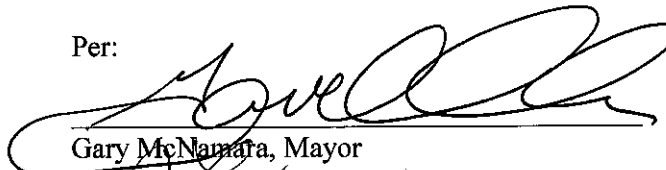
**11. Regulatory Changes**

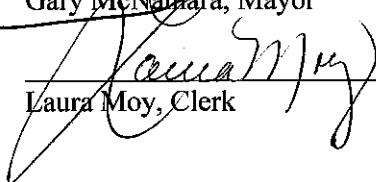
The Parties acknowledge that substantial changes to legislation and regulations and government policies are likely to occur during the term of this Agreement which are likely to affect the nature of the relationship between them, and as consequence the parties hereby agree to consult and negotiate in good faith any amendments to this Agreement which may be necessitated by changes in the regulatory environment, and failing agreement to submit their differences to arbitration as provided in Article 5.

**IN WITNESS WHEREOF** the Parties have duly executed this Agreement on the date first above written:

**The Corporation of the Town of Tecumseh**

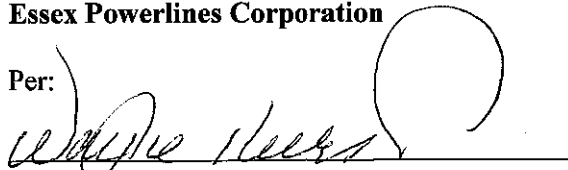
Per:


  
 Gary McNamara, Mayor

  
 Laura Moy, Clerk

**Essex Powerlines Corporation**

Per:

  
 Chair

  
 General Manager

## **Attachment 5-C**

### Debt Instruments

## 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 (%) <sup>2</sup>	Interest (\$) <sup>1</sup>	Additional Comments, if any
1	Municipal Loan	Town of Tecumseh	Affiliated	Fixed Rate	1-Jan-08	5	\$ 2,150,296	6.00%	\$ 129,017.76	
2	Municipal Loan	Municipality of Leamington	Affiliated	Fixed Rate	1-Jan-08	5	\$ 1,544,408	6.00%	\$ 92,664.48	
3	TD 20 yr amort loan 19	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 5,804,859	4.99%	\$ 289,662.46	
4	TD 10 yr amort loan 40	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 5,471,546	4.48%	\$ 245,125.26	
5	TD BA and Interest Swap	TD Bank	Third-Party	Fixed Rate	4-Nov-08	10	\$ 3,300,000	5.03%	\$ 165,990.00	
6	Mortgage Payable	Woodslee Credit Union	Third-Party	Fixed Rate	15-Sep-03	15	\$ 656,713	5.90%	\$ 38,746.07	
7	TD BA and Interest Swap	TD Bank	Third-Party	Fixed Rate	2-Jun-03	10	\$ 3,000,000	6.55%	\$ 196,500.00	
Total							\$ 21,927,822	5.28%	\$1,157,706.03	

Year 2011

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	Municipal Loan	Town of Tecumseh	Affiliated	Fixed Rate	1-Jan-08	5	\$ 2,150,296	6.00%	\$ 129,017.76	
2	Municipal Loan	Municipality of Leamington	Affiliated	Fixed Rate	1-Jan-08	5	\$ 1,544,408	6.00%	\$ 92,664.48	
3	TD 20 yr amort loan 19	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 5,615,471	4.99%	\$ 280,212.00	
4	TD 10 yr amort loan 40	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 4,960,783	4.48%	\$ 222,243.08	
5	TD BA and Interest Swap	TD Bank	Third-Party	Fixed Rate	4-Nov-08	10	\$ 3,300,000	5.03%	\$ 165,990.00	
6	Mortgage Payable	Woodslee Credit Union	Third-Party	Fixed Rate	15-Sep-03	15	\$ 587,647	5.90%	\$ 34,671.17	
7	TD BA and Interest Swap	TD Bank	Third-Party	Fixed Rate	2-Jun-03	10	\$ 3,000,000	6.55%	\$ 196,500.00	
Total							\$ 21,158,605	5.30%	\$1,121,298.49	

Year 2012

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	Municipal Loan	Town of Tecumseh	Affiliated	Fixed Rate	1-Jan-08	5	\$ 2,150,296	4.00%	\$ 86,011.84	
2	Municipal Loan	Municipality of Leamington	Affiliated	Fixed Rate	1-Jan-08	5	\$ 1,544,408	4.00%	\$ 61,776.32	
3	TD 20 yr amort loan 19	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 5,417,206	4.99%	\$ 270,318.58	
4	TD 10 yr amort loan 40	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 4,427,283	4.48%	\$ 198,342.28	
5	TD BA and Interest Swap	TD Bank	Third-Party	Fixed Rate	4-Nov-08	10	\$ 3,300,000	5.44%	\$ 179,520.00	
6	Mortgage Payable	Woodslee Credit Union	Third-Party	Fixed Rate	15-Sep-03	15	\$ 514,543	5.90%	\$ 30,358.04	
7	TD BA and Interest Swap	TD Bank	Third-Party	Fixed Rate	2-Jun-03	10	\$ 3,000,000	6.55%	\$ 196,500.00	
8	TD 20 year amort loan 28	TD Bank	Third-Party	Fixed Rate	1-Dec-12	5	\$ 2,000,000	3.00%	\$ 4,931.51	
Total							\$ 22,353,736	4.60%	\$1,027,758.56	

Year 2013

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	Municipal Loan	Town of Tecumseh	Affiliated	Fixed Rate	1-Jan-13	5	\$ 2,150,296	4.00%	\$ 86,011.84	
2	Municipal Loan	Municipality of Leamington	Affiliated	Fixed Rate	1-Jan-13	5	\$ 1,544,408	4.00%	\$ 61,776.32	
3	TD 20 yr amort loan 19	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 5,202,845	4.99%	\$ 259,621.97	
4	TD 10 yr amort loan 40	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 3,868,766	4.48%	\$ 173,320.72	
5	TD BA and Interest Swap	TD Bank	Third-Party	Fixed Rate	4-Nov-08	10	\$ 3,300,000	5.44%	\$ 179,520.00	
6	TD 20 year amort loan 28	TD Bank	Third-Party	Variable Rate	1-Dec-12	5	\$ 1,900,000	3.00%	\$ 57,000.00	
Total							\$ 17,966,315	4.55%	\$ 817,250.84	

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	Municipal Loan	Town of Tecumseh	Affiliated	Fixed Rate	1-Jan-13	5	\$ 2,150,296	4.00%	\$ 86,011.84	
2	Municipal Loan	Municipality of Leamington	Affiliated	Fixed Rate	1-Jan-13	5	\$ 1,544,408	4.00%	\$ 61,776.32	
3	TD 20 yr amort loan 19	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 4,988,343	4.99%	\$ 248,918.32	
4	TD 10 yr amort loan 40	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 3,284,958	4.48%	\$ 147,166.12	
5	TD BA and Interest Swap	TD Bank	Third-Party	Fixed Rate	4-Nov-08	10	\$ 3,300,000	5.03%	\$ 165,990.00	
6	TD 20 year amort loan 28	TD Bank	Third-Party	Fixed Rate	24-Nov-14	5	\$ 1,800,000	2.47%	\$ 44,460.00	
7	TD 20 year amort loan 29	TD Bank	Third-Party	Fixed Rate	19-Dec-14	10	\$ 2,000,000	2.47%	\$ 1,624.11	
Total							\$ 19,068,005	3.96%	\$ 755,946.70	

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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	Municipal Loan	Town of Tecumseh	Affiliated	Fixed Rate	1-Jan-13	5	\$ 2,150,296	4.00%	\$ 86,011.84	
2	Municipal Loan	Municipality of Leamington	Affiliated	Fixed Rate	1-Jan-13	5	\$ 1,544,408	4.00%	\$ 61,776.32	
3	TD 20 yr amort loan 19	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 4,757,000	4.99%	\$ 237,374.30	
4	TD 10 yr amort loan 40	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 2,674,000	4.48%	\$ 119,795.20	
5	TD BA and Interest Swap	TD Bank	Third-Party	Fixed Rate	4-Nov-08	10	\$ 3,300,000	5.03%	\$ 165,990.00	
6	TD 20 year amort loan 28	TD Bank	Third-Party	Fixed Rate	24-Nov-14	5	\$ 1,704,000	2.47%	\$ 42,088.80	
7	TD 20 year amort loan 29	TD Bank	Third-Party	Fixed Rate	19-Dec-14	5	\$ 1,902,000	2.47%	\$ 46,979.40	
8	TD 10 year amort loan 27	TD Bank	Third-Party	Fixed Rate	26-Oct-15	5	\$ 2,980,000	2.42%	\$ 13,040.15	
Total							\$ 21,011,704	3.68%	\$ 773,056.01	

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	Municipal Loan	Town of Tecumseh	Affiliated	Fixed Rate	1-Jan-13	5	\$ 2,150,296	4.00%	\$ 86,011.84	
2	Municipal Loan	Municipality of Leamington	Affiliated	Fixed Rate	1-Jan-13	5	\$ 1,544,408	4.00%	\$ 61,776.32	
3	TD 20 yr amort loan 19	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 4,515,000	4.99%	\$ 225,298.50	
4	TD 10 yr amort loan 40	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 2,036,000	4.48%	\$ 91,212.80	
5	TD BA and Interest Swap	TD Bank	Third-Party	Fixed Rate	4-Nov-08	10	\$ 3,300,000	5.03%	\$ 165,990.00	
6	TD 20 year amort loan 28	TD Bank	Third-Party	Fixed Rate	24-Nov-15	5	\$ 1,622,000	2.47%	\$ 40,063.40	
7	TD 20 year amort loan 29	TD Bank	Third-Party	Fixed Rate	19-Dec-15	5	\$ 1,822,000	2.47%	\$ 45,003.40	
8	TD 10 year amort loan 27	TD Bank	Third-Party	Fixed Rate	26-Oct-15	5	\$ 2,862,000	2.42%	\$ 69,260.40	
9	TD 20 year amort loan 31	TD Bank	Third-Party	Fixed Rate	2-Dec-16	5	\$ 1,000,000	2.19%	\$ 1,740.00	
Total							\$ 20,851,704	3.77%	\$ 786,356.66	

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	Municipal Loan	Town of Tecumseh	Affiliated	Fixed Rate	1-Jan-13	5	\$ 2,150,296	4.00%	\$ 86,011.84	
2	Municipal Loan	Municipality of Leamington	Affiliated	Fixed Rate	1-Jan-13	5	\$ 1,544,408	4.00%	\$ 61,776.32	
3	TD 20 yr amort loan 19	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 4,515,000	4.99%	\$ 225,298.50	
4	TD 10 yr amort loan 40	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 2,036,000	4.48%	\$ 91,212.80	
5	TD BA and Interest Swap	TD Bank	Third-Party	Fixed Rate	4-Nov-08	10	\$ 3,300,000	5.03%	\$ 165,990.00	
6	TD 20 year amort loan 28	TD Bank	Third-Party	Fixed Rate	24-Nov-15	5	\$ 1,622,000	2.47%	\$ 40,063.40	
7	TD 20 year amort loan 29	TD Bank	Third-Party	Fixed Rate	19-Dec-15	5	\$ 1,822,000	2.47%	\$ 45,003.40	
8	TD 10 year amort loan 27	TD Bank	Third-Party	Fixed Rate	26-Oct-15	5	\$ 2,862,000	2.42%	\$ 69,260.40	
9	TD 20 year amort loan 31	TD Bank	Third-Party	Fixed Rate	2-Dec-16	5	\$ 1,000,000	2.19%	\$ 21,900.00	
10	New Loan 2017 \$5.15 M	TBD	Third-Party	Fixed Rate	1-Jul-17	10	\$ 5,150,000	2.91%	\$ 75,600.31	
Total							\$ 26,001,704	3.39%	\$ 882,116.97	

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	Municipal Loan	Town of Tecumseh	Affiliated	Fixed Rate	1-Jan-13	5	\$ 2,150,296	3.72%	\$ 79,991.01	Expected rate reduction.
2	Municipal Loan	Municipality of Leamington	Affiliated	Fixed Rate	1-Jan-13	5	\$ 1,544,408	3.72%	\$ 57,451.98	Currently under negotiation.
3	TD 20 yr amort loan 19	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 4,127,000	4.99%	\$ 205,937.30	Expected rate reduction.
4	TD 10 yr amort loan 40	TD Bank	Third-Party	Fixed Rate	9-Nov-09	10	\$ 1,019,000	4.48%	\$ 45,651.20	Currently under negotiation.
5	TD BA and Interest Swap	TD Bank	Third-Party	Fixed Rate	4-Nov-08	10	\$ 2,784,658	5.03%	\$ 140,068.27	
6	TD 20 year amort loan 28	TD Bank	Third-Party	Fixed Rate	24-Nov-14	5	\$ 1,494,000	2.47%	\$ 36,901.80	
7	TD 20 year amort loan 29	TD Bank	Third-Party	Fixed Rate	19-Dec-14	5	\$ 1,699,000	2.47%	\$ 41,965.30	
8	TD 10 year amort loan 27	TD Bank	Third-Party	Fixed Rate	26-Oct-15	5	\$ 2,679,000	2.42%	\$ 64,831.80	
9	TD 20 year amort loan 31	TD Bank	Third-Party	Fixed Rate	2-Dec-16	5	\$ 939,000	2.19%	\$ 20,564.10	
10	New Loan replace BA swap \$3.3 M	TBD	Third-Party	Fixed Rate	4-Nov-18	10	\$ 522,795	2.91%	\$ 15,223.78	
11	New Loan 2017 \$5.15 M	TBD	Third-Party	Fixed Rate	1-Jul-17	10	\$ 4,957,000	2.91%	\$ 144,347.84	
12	New Loan 2018 \$2.40 M	TBD	Third-Party	Fixed Rate	1-Jul-18	10	\$ 1,198,672	2.91%	\$ 34,905.32	
Total							\$ 25,114,828	3.54%	\$ 887,839.70	

#### 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.

## **Attachment 5-D**

### Capital Structure

## 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 BAP

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	56.00%	\$23,027,040	5.40%	\$1,243,460
2	Short-term Debt	4.00% (1)	\$1,644,789	2.07%	\$34,047
3	<b>Total Debt</b>	60.0%	\$24,671,828	5.18%	\$1,277,507
	<b>Equity</b>				
4	Common Equity	40.00%	\$16,447,886	9.85%	\$1,620,117
5	Preferred Shares		\$ -	0.00%	\$ -
6	<b>Total Equity</b>	40.0%	\$16,447,886	9.85%	\$1,620,117
7	<b>Total</b>	100.0%	\$41,119,714	7.05%	\$2,897,624

### Notes (1)

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



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**Year:** 2018 Test Year

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	56.00%	\$33,559,238	3.54%	\$1,187,997
2	Short-term Debt	4.00% (1)	\$2,397,088	1.76%	\$42,189
3	<b>Total Debt</b>	<b>60.0%</b>	<b>\$35,956,326</b>	<b>3.42%</b>	<b>\$1,230,186</b>
	<b>Equity</b>				
4	Common Equity	40.00%	\$23,970,884	8.78%	\$2,104,644
5	Preferred Shares		\$ -	0.00%	\$ -
6	<b>Total Equity</b>	<b>40.0%</b>	<b>\$23,970,884</b>	<b>8.78%</b>	<b>\$2,104,644</b>
7	<b>Total</b>	<b>100.0%</b>	<b>\$59,927,210</b>	<b>5.56%</b>	<b>\$3,334,829</b>

**Notes**  
**(1)**

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