



EXHIBIT 5 – COST OF CAPITAL

2018 Cost of Service

Westario Power Inc.
EB-2017-0084

5.1 TABLE OF CONTENTS

1	5.1 Table of Contents	0
2	5.2 Capital Structure	3
3	5.3 OEB Appendix 2-OA Capital Structure / Cost	
4	of Capital	5
5	5.4 OEB Appendix 2-OB Cost of Debt Instruments	9
6	5.5 Cost of Capital	13
7	5.5.1 Capital Structure	13
8	5.5.2 Return on Equity	13
9	5.5.3 Weighted Average Cost of Debt	13
10	5.5.4 Long-Term Debt	14
11	5.5.5 Short-Term Debt	17
12	5.5.6 Notional Debt	18

Table of Figures

Table 1 - Overview of Capital Structure.....	4
Table 2 - OEB Appendix 2-OA Capital Structure/Cost of Capital	5
Table 3 - OEB Appendix 2-OB Cost of Debt Instruments.....	9
Table 4 - Derivation of WACC	13
Table 5 – Notional Debt	0

5.2 CAPITAL STRUCTURE

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

WPI seeks to recover a weighted average cost of capital of 5.67% through rates in the 2018 Test Year. WPI 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 applicable cost of capital.¹

In calculating the applicable cost of capital, WPI 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"). WPI is not seeking any changes in its Capital Structure from its 2013 Board Approved Structure.²

WPI understands that the OEB will most likely update the ROE 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, to the extent that updated information is applicable.

¹ 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 Explanation for any changes in capital structure

1 WPI's weighted cost of capital for 2018 has been calculated as 5.67% as shown in table 1 below:

2 **Table 1 - Overview of Capital Structure³**

<i>Particulars</i>	<i>Cost Rate</i>
	(%)
<i>Debt</i>	
<i>Long-term Debt</i>	3.72%
<i>Short-term Debt</i>	1.76%
<i>Total Debt</i>	3.59%
<i>Equity</i>	
<i>Common Equity</i>	8.78%
<i>Preferred Shares</i>	
<i>Total Equity</i>	8.78%
<i>WACC</i>	5.67%

3 The short-term debt rate (1.76%), long term debt rate (3.72%) and equity rate (8.78%) are
4 consistent with the letter issued by the OEB on October 27, 2016. ⁴

5 **Retirements of debt or preference shares and buy-back of common shares; and Short-**
6 **Term Debt, Long-Term Debt;** Preference shares as well as common share offerings do not
7 apply to WPI as the WPI does not issue any preference shares and common equity shares.

³ Calculation of cost for each capital component

⁴ If proposing any rate that is different from the OEB guidelines, a justification of the proposed rate(s), including key assumptions.⁵
Completed Appendix 2-OA for last OEB approved and test year

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.⁵

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

Capital Structure and Cost of Capital

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

Year: 2018

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$28,857,673	3.72%	\$1,073,505
2	Short-term Debt	4.00% (1)	\$2,061,262	1.76%	\$36,278
3	Total Debt	<u>60.0%</u>	<u>\$30,918,936</u>	<u>3.59%</u>	<u>\$1,109,784</u>
	Equity				
4	Common Equity	40.00%	\$20,612,624	8.78%	\$1,809,788
5	Preferred Shares		\$ -		\$ -
6	Total Equity	<u>40.0%</u>	<u>\$20,612,624</u>	<u>8.78%</u>	<u>\$1,809,788</u>
7	Total	<u>100.0%</u>	<u>\$51,531,560</u>	<u>5.67%</u>	<u>\$2,919,572</u>

⁵ Completed Appendix 2-OA for last OEB approved and test year

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Year: 2017

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$29,096,872	5.30%	\$1,542,134
2	Short-term Debt	4.00% (1)	\$2,078,348	2.07%	\$43,022
3	Total Debt	<u>60.0%</u>	<u>\$31,175,220</u>	<u>5.08%</u>	<u>\$1,585,156</u>
	Equity				
4	Common Equity	40.00%	\$20,783,480	8.98%	\$1,866,357
5	Preferred Shares		\$ -		\$ -
6	Total Equity	<u>40.0%</u>	<u>\$20,783,480</u>	<u>8.98%</u>	<u>\$1,866,357</u>
7	Total	<u>100.0%</u>	<u>\$51,958,700</u>	<u>6.64%</u>	<u>\$3,451,513</u>

2

Year: 2015

		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$25,477,765	5.30%	\$1,350,322
2	Short-term Debt	4.00% (1)	\$1,819,840	2.07%	\$37,671
3	Total Debt	<u>60.0%</u>	<u>\$27,297,606</u>	<u>5.08%</u>	<u>\$1,387,992</u>
	Equity				
4	Common Equity	40.00%	\$18,198,404	8.98%	\$1,634,217
5	Preferred Shares		\$ -		\$ -
6	Total Equity	<u>40.0%</u>	<u>\$18,198,404</u>	<u>8.98%</u>	<u>\$1,634,217</u>
7	Total	<u>100.0%</u>	<u>\$45,496,009</u>	<u>6.64%</u>	<u>\$3,022,209</u>

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Year: 2014

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$23,948,661	5.30%	\$1,269,279
2	Short-term Debt	4.00% (1)	\$1,710,619	2.07%	\$35,410
3	Total Debt	<u>60.0%</u>	<u>\$25,659,279</u>	<u>5.08%</u>	<u>\$1,304,689</u>
	Equity				
4	Common Equity	40.00%	\$17,106,186	8.98%	\$1,536,136
5	Preferred Shares		\$ -		\$ -
6	Total Equity	<u>40.0%</u>	<u>\$17,106,186</u>	<u>8.98%</u>	<u>\$1,536,136</u>
7	Total	<u>100.0%</u>	<u>\$42,765,466</u>	<u>6.64%</u>	<u>\$2,840,824</u>

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Year: 2013

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$22,010,982	5.30%	\$1,166,582
2	Short-term Debt	4.00% (1)	\$1,572,213	2.07%	\$32,545
3	Total Debt	<u>60.0%</u>	<u>\$23,583,195</u>	<u>5.08%</u>	<u>\$1,199,127</u>
	Equity				
4	Common Equity	40.00%	\$15,722,130	8.98%	\$1,411,847
5	Preferred Shares		\$ -		\$ -
6	Total Equity	<u>40.0%</u>	<u>\$15,722,130</u>	<u>8.98%</u>	<u>\$1,411,847</u>
7	Total	<u>100.0%</u>	<u>\$39,305,325</u>	<u>6.64%</u>	<u>\$2,610,974</u>

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		Year: <u>2013</u>		Board Approved	
Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$23,448,496	5.30%	\$1,242,770
2	Short-term Debt	4.00% (1)	\$1,674,893	2.07%	\$34,670
3	Total Debt	<u>60.0%</u>	<u>\$25,123,389</u>	<u>5.08%</u>	<u>\$1,277,441</u>
	Equity				
4	Common Equity	40.00%	\$16,748,926	8.98%	\$1,504,054
5	Preferred Shares		\$ -		\$ -
6	Total Equity	<u>40.0%</u>	<u>\$16,748,926</u>	<u>8.98%</u>	<u>\$1,504,054</u>
7	Total	<u>100.0%</u>	<u>\$41,872,315</u>	<u>6.64%</u>	<u>\$2,781,494</u>

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5.4 OEB APPENDIX 2-OB COST OF DEBT INSTRUMENTS

OEB Appendix 2-OB below presents a capital structure for all required historic years, the bridge year and the Test year.⁶

Table 3 - OEB Appendix 2-OB Cost of Debt Instruments

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
1	Loan from Shareholders	Various	Affiliated	Fixed Rate		N/A	\$5,260,461	4.12%	\$216,731
2	Bank Swap #1	CIBC	Third-Party	Fixed Rate	12/28/2011	10	\$1,918,333	4.27%	\$81,913
3	Bank Swap #2	CIBC	Third-Party	Fixed Rate	01/01/2012	15	\$1,502,390	4.27%	\$64,152
4	Bank Swap #3	CIBC	Third-Party	Fixed Rate	06/30/2011	10	\$1,853,535	5.12%	\$94,901
5	Bank Swap #4	CIBC	Third-Party	Fixed Rate	08/19/2013	15	\$2,236,488	4.47%	\$99,971
6	Bank Swap #5	CIBC	Third-Party	Fixed Rate	06/12/2014	15	\$2,366,188	4.47%	\$105,769
7	Bank Swap #6	CIBC	Third-Party	Fixed Rate	07/01/2017	15	\$1,855,556	4.47%	\$82,943
8	Bank Swap #7	CIBC	Third-Party	Fixed Rate	01/01/2018	15	\$2,930,099	3.72%	\$109,000
Total							\$19,923,049	0.04293	\$855,379.49

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)
1	Loan from Shareholders	Various	Affiliated	Fixed Rate		N/A	\$5,260,461	4.12%	\$216,731
2	Bank Swap #1	CIBC	Third-Party	Fixed Rate	12/28/2011	10	\$2,371,075	4.27%	\$101,245
3	Bank Swap #2	CIBC	Third-Party	Fixed Rate	01/01/2012	15	\$1,623,506	4.27%	\$69,324
4	Bank Swap #3	CIBC	Third-Party	Fixed Rate	06/30/2011	10	\$2,088,747	5.12%	\$106,944
5	Bank Swap #4	CIBC	Third-Party	Fixed Rate	08/19/2013	15	\$2,407,833	4.47%	\$107,630
6	Bank Swap #5	CIBC	Third-Party	Fixed Rate	06/12/2014	15	\$2,534,231	4.47%	\$113,280
7	Bank Swap #6	CIBC	Third-Party	Fixed Rate	07/01/2017	15	\$1,988,889	4.47%	\$44,452
Total							\$18,274,742	0.04157	\$759,605.38

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)
1	Loan from Shareholders	Various	Affiliated	Fixed Rate		N/A	\$5,260,461	4.12%	\$216,731
2	Bank Swap #1	CIBC	Third-Party	Fixed Rate	12/28/2011	10	\$2,812,447	6.13%	\$172,403
3	Bank Swap #2	CIBC	Third-Party	Fixed Rate	01/01/2012	15	\$1,741,666	6.18%	\$107,635
4	Bank Swap #3	CIBC	Third-Party	Fixed Rate	06/30/2011	10	\$2,302,871	5.03%	\$115,834

⁶ Completed Appendix 2-OB for historical, bridge and test years

5	Bank Swap #4	CIBC	Third-Party	Fixed Rate	08/19/2013	15	\$2,564,105	4.34%	\$111,282
6	Bank Swap #5	CIBC	Third-Party	Fixed Rate	06/12/2014	15	\$2,688,409	3.99%	\$107,268
Total							\$17,369,958	0.04785	\$831,152.96

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)
1	Loan from Shareholders	Various	Affiliated	Fixed Rate		N/A	\$5,260,461	4.12%	\$216,731
2	Bank Swap #1	CIBC	Third-Party	Fixed Rate	12/28/2011	10	\$3,184,890	6.13%	\$195,234
3	Bank Swap #2	CIBC	Third-Party	Fixed Rate	01/01/2012	15	\$1,848,259	6.18%	\$114,222
4	Bank Swap #3	CIBC	Third-Party	Fixed Rate	06/30/2011	10	\$2,516,117	5.03%	\$126,561
5	Bank Swap #4	CIBC	Third-Party	Fixed Rate	08/19/2013	15	\$2,721,828	4.34%	\$118,127
6	Bank Swap #5	CIBC	Third-Party	Fixed Rate	06/12/2014	15	\$2,844,945	3.99%	\$113,513
Total							\$18,376,500	0.04813	\$884,388.50

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)
1	Loan from Shareholders	Various	Affiliated	Fixed Rate		N/A	\$5,260,461	4.12%	\$216,731
2	Bank Swap #1	CIBC	Third-Party	Fixed Rate	12/28/2011	10	\$3,575,349	6.13%	\$219,169
3	Bank Swap #2	CIBC	Third-Party	Fixed Rate	01/01/2012	15	\$1,948,338	6.18%	\$120,407
4	Bank Swap #3	CIBC	Third-Party	Fixed Rate	06/30/2011	10	\$2,718,629	5.03%	\$136,747
5	Bank Swap #4	CIBC	Third-Party	Fixed Rate	08/19/2013	15	\$2,871,851	4.34%	\$124,638
6	Bank Swap #5	CIBC	Third-Party	Fixed Rate	06/12/2014	15	\$2,955,847	3.99%	\$58,969
Total							\$19,330,475	0.04535	\$876,661.69

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)
1	Loan from Shareholders	Various	Affiliated	Fixed Rate		N/A	\$5,260,461	4.12%	\$216,731
2	Bank Swap #1	CIBC	Third-Party	Fixed Rate	12/28/2011	10	\$3,926,978	6.13%	\$240,724
3	Bank Swap #2	CIBC	Third-Party	Fixed Rate	01/01/2012	15	\$2,043,854	6.18%	\$126,310
4	Bank Swap #3	CIBC	Third-Party	Fixed Rate	06/30/2011	10	\$2,912,815	5.03%	\$146,515
5	Bank Swap #4	CIBC	Third-Party	Fixed Rate	08/19/2013	15	\$2,969,310	4.34%	\$42,956
Total							\$17,113,419	0.04518	\$773,235.57

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5.5 COST OF CAPITAL

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

5.5.1 CAPITAL STRUCTURE

The proposed rates for the cost of capital in 2018 are presented in Section 5.4 – 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 3.72% is set out in Section 5.5.4 to this schedule.

5.5.2 RETURN ON EQUITY

WPI has used a ROE of 8.78% for 2018 as established by the Board for Cost of Service applications with a January 1/May 1, 2018 implementation date. WPI recognizes that the ROE will be updated by 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

WPI proposes a weighted average cost of debt of 3.59% which is based on the calculations as set out in the table below.

Table 4 - Derivation of WACC

Particulars	Cost Rate
	(%)
<i>Debt</i>	
<i>Long-term Debt</i>	3.72%
<i>Short-term Debt</i>	1.76%
<i>Total Debt</i>	3.59%
<i>Equity</i>	
<i>Common Equity</i>	8.78%
<i>Preferred Shares</i>	
<i>Total Equity</i>	8.78%
Total WACC	5.67%

5.5.4 LONG-TERM DEBT

WPI's Long Term Debt instruments are summarized below.

There are unsecured promissory notes from WPI to specific shareholders in the amount of \$5,260,460 bearing interest at the rate of 4.12% per annum, payable on demand only to the extent the shareholder requests payment ninety days prior to the year end. In the event a request is made, the Company is obliged to repay the shareholder during the following fiscal year. No amounts were requested by shareholder of the Company on or before September 30, 2016.

Specific notes are to:

Municipality of South Bruce	\$292,498.00
Town of Hanover	\$1,135,083.00
Town of Saugeen Shores	\$3,062,913.00
Township of Huron Kinloss	\$370,284.75
Township of North Huron	\$399,682.00
Total Shareholder Debt	\$5,260,460.75

Interest on the promissory notes is \$216,730.95 per year. Promissory notes are attached to this Exhibit as Appendix A. The balances of the notes are the same.

WPI entered into financing agreements with CIBC for the purposes of funding capital projects in the year of draw down. Rates on long-term loans are fixed for the entire life of the loan through an interest rate swap at the outset of the loan for 15 years.

CIBC Term secured bank loans are secured by a general security agreement conveying a security interest in the personal property of the Corporation, a first priority present and future fixed charge securing not more than \$2,500,000 over the real property at 24 Eastridge Road, and acknowledgement of fire insurance, with first loss payable to CIBC.

The Corporation entered into an interest rate swap agreement on a notional principal of \$5,655,638 as at June 28, 2007 maturing on February 28, 2022 for CIBC Term #1. When first negotiated the swap is a receive variable, pay fixed swap with the CIBC World Markets. This

1 agreement effectively converted variable interest rates on the unsecured Banker's Acceptances
2 to an effective fixed interest rate of 6.13%. In 2017 WPI restructured all of its bank swaps with
3 CIBC. All the bank swaps kept the same format as before but had new interest rates assigned to
4 each loan. Bank Swap 1's new effective interest rate decreased from 6.13% to 4.27%.

5 The Corporation entered into an interest rate swap agreement on a notional principal of
6 \$3,277,000 as at June 30, 2011 maturing on December 30, 2024 for CIBC Term #2. The swap is a
7 receive variable, pay fixed swap with the CIBC World Markets. This agreement has effectively
8 converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed
9 interest rate of 5.03%. In 2017 WPI restructured all of its bank swaps with CIBC. All the bank
10 swaps kept the same format as before but had new interest rates assigned to each loan. Bank
11 Swap 2's new effective interest rate increased from 5.03% to 5.12%.

12 The Corporation entered into an interest rate swap agreement on a notional principal of
13 \$2,500,000 as at July 3, 2012 maturing on July 2, 2027 for CIBC Term #3. The swap is a receive
14 variable, pay fixed swap with the CIBC World Markets. This agreement has effectively converted
15 variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate
16 of 6.13%. In 2017 WPI restructured all of its bank swaps with CIBC. All the bank swaps kept the
17 same format as before but had new interest rates assigned to each loan. Bank Swap 3's new
18 effective interest rate decreased from 6.18% to 4.27%.

19 The Corporation entered into an interest rate swap agreement on a notional principal of
20 \$3,000,000 as at August 19, 2013 maturing on August 18, 2028 for CIBC Term #4. The swap is a
21 receive variable, pay fixed swap with the CIBC World Markets. This agreement has effectively
22 converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed
23 interest rate of 4.34%. In 2017 WPI restructured all of its bank swaps with CIBC. All the bank
24 swaps kept the same format as before but had new interest rates assigned to each loan. Bank
25 Swap 4's new effective interest rate increased from 4.34% to 4.47%.

26 The Corporation entered into an interest rate swap agreement on a notional principal of
27 \$3,000,000 as at June 12, 2014 maturing on June 12, 2029 for CIBC Term #5. The swap is a
28 receive variable, pay fixed swap with the CIBC World Markets. This agreement has effectively

converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate of 4.47%. In 2017 WPI restructured all of its bank swaps with CIBC. All the bank swaps kept the same format as before but had new interest rates assigned to each loan. Bank Swap 5's new effective interest rate decreased from 3.99% to 4.47%.

The Corporation entered into an interest rate swap agreement on a notional principal of \$2,000,000 as at June 1, 2017 maturing on June 1, 2027 for CIBC Term #6 for the purpose of funding capital projects in the year. The swap is a receive variable, pay fixed swap with the CIBC World Markets. This agreement has effectively converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate of 4.47%. This loan was organized with the restructuring of all outstanding WPI bank swaps.

The five swaps entered into by the Corporation do not meet the standard to apply hedge accounting. Accordingly, the interest rate swap contracts are market to market at each year end.

As at December 31, 2016 the principal amounts outstanding were:

Loan #1 - interest at 6.13%, matures February 22, 2022	\$2,587,274
Loan #2 - interest at 5.03%, matures December 30, 2024	\$1,690,785
Loan #3 - interest at 6.18%, matures September 30, 2027	\$2,202,000
Loan #4 - interest at 4.34%, matures July 18, 2028	\$2,490,762
Loan #5 - interest at 3.99%, matures June 12, 2029	\$2,615,774

In the 2018 Test Year WPI expects to enter into a financing agreement with the CIBC for the purposes of funding capital projects in that year for \$3 million. The fixed interest rates from CIBC through the Interest Rate Swap market will fluctuate and are expected to be competitive with other Banks. Actual interest rates from CIBC will not be available until the time of drawdown.

WPI has used a weighted average rate of 3.59% as a Total debt rate in compliance with the rate set in the Cost of Capital parameters in the OEB's letter of October 27, 2016."⁷ Details are presented in the Promissory Note at Appendix A of this Exhibit. ⁸

⁷ Explanation of debt rate for each existing debt instrument

⁸ Copies of promissory notes or other debt arrangements with affiliates

- 1 WPI is not forecasting any new long-term debt in the bridge and test year other than the debt
2 explained above.⁹

3 5.5.5 SHORT-TERM DEBT

- 4 At the time of the filing, WPI did not have any short-term debt. The utility does not forecast any
5 short-term debt in the test year.

⁹ Forecast of new debt in bridge and test year - details including estimate of rate

1 **Not-For-Profit**

2 WPI is a for profit entity corporation and as such all requirements related to a not-for-profit
3 organization do not apply.¹⁰

4 **5.5.6 NOTIONAL DEBT**

5 The OEB clarified the treatment of “notional” debt (that portion of deemed debt exceeding a
6 utility’s actual debt), where notional debt is used as the “plug” to true up actual debt to the
7 allowed debt thickness for rate-setting purposes. The table below shows that the utility is
8 making no profit or loss on its capital structure. Notional debt can be either positive (i.e.
9 deemed debt is greater than actual debt) or negative (where deemed debt is less than actual
10 debt). The marginal profit on debt is calculated to be \$431,700 is detailed at Table 6 below.¹¹

¹⁰ Not for profit evidence N/A

¹¹ Profit or loss on redemption of debt

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Table 5 – Notional Debt¹²

	Prescribed Cost of Debt				Actual Cost of Debt				Notional Cost of Debt			
	(%)	(\$)	(%)	(\$)	(%)	(\$)	(%)	(\$)	(%)	(\$)	(%)	(\$)
Debt												
Long-term Debt	56.00%	\$28,857,673	3.72%	\$1,073,505	56.00%	\$19,923,049	4.29%	\$855,379	56.00%		8,934,624	0.57%
Short-term Debt	4.00%	\$2,061,262	1.76%	\$36,278	4.00%	\$ -	0.00%	\$ -	4.00%	-(1)	2,061,262	-1.76%
Total Debt	60.0%	\$30,918,936	3.59%	\$1,109,784	60.0%	\$19,923,049	3.51%	\$855,379	40.0%		\$10,995,886	3.51%

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¹² Notional Debt - difference between actual debt thickness and deemed debt thickness attracts the weighted average cost of actual long-term debt rate (unless 100% equity financed)

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APPENDICES

2

Appendix A	Promissory Note

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Appendix A – Promissory Notes

PROMISSORY NOTE

This promissory note (the “Note”) is issued to replace the promissory note dated PRIOR to the 1st day of January 2014.

For the sum of \$2.00 now paid and such other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Westario Power Inc, (the Obligor”) hereby promises to pay on demand to or to the order of the The Corporation of the **Town of Saugeen Shores** (the “Obligee”), in lawful money of Canada, THREE MILLION AND SIXTY TWO THOUSAND, NINE HUNDRED AND THIRTEEN DOLLARS (\$3,062,913.00), together with interest accrued thereon as hereinafter provided.

The principal amount outstanding from time to time under this Note shall bear interest from and after January 1st, 2014, both before and after demand, default and judgement, until paid, at the rate of 4.12% per annum. Interest will be payable quarterly, commencing three months from the date hereof, and will be calculated on the basis of the number of days elapsed to the day immediately preceding such date.

All payments of principal and interest hereunder shall be paid to the Obligee at such place as the Obligee may in writing direct.

The whole or part of the principal amount of this Note together with any interest accrued and outstanding in connection therewith may be repaid by the Obligor at any time or from time to time without notice, bonus or penalty of any kind.

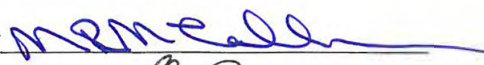
The Obligor hereby waives presentment for payment, notice of non-payment, protest and notice of protest and hereby consents to all extensions and renewals hereof, without notice, and hereby agrees to pay all costs and expenses (including all reasonable legal costs) paid or incurred in collecting all amounts payable hereunder after the same shall become due and payable.

This Note shall not be assigned, transferred, negotiated or otherwise disposed of by the Obligee except in conjunction with the Obligee’s Common Shares and in accordance with the Shareholders’ Agreement. This Note shall ensure to the benefit of the Obligee and its successors and assigns and shall be binding on the Obligor and its successors and permitted assigns.

The provisions of this Note shall be construed in accordance with and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

DATED as of the 1st day of January 2014.

WESTARIO POWER INC.

By 

By 

PROMISSORY NOTE

This promissory note (the “**Note**”) is issued to replace the promissory note dated PRIOR to the 1st day of January 2014.

For the sum of \$2.00 now paid and such other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Westario Power Inc, (the Obligor”) hereby promises to pay on demand to or to the order of the The Corporation of the **Municipality of South Bruce** (the “Obligee”), in lawful money of Canada, TWO HUNDRED AND NINETY TWO THOUSAND, FOUR HUNDRED AND NINETY EIGHT DOLLARS (\$292,498.00), together with interest accrued thereon as hereinafter provided.

The principal amount outstanding from time to time under this Note shall bear interest from and after January 1st, 2014, both before and after demand, default and judgement, until paid, at the rate of 4.12% per annum. Interest will be payable quarterly, commencing three months from the date hereof, and will be calculated on the basis of the number of days elapsed to the day immediately preceding such date.

All payments of principal and interest hereunder shall be paid to the Obligee at such place as the Obligee may in writing direct.

The whole or part of the principal amount of this Note together with any interest accrued and outstanding in connection therewith may be repaid by the Obligor at any time or from time to time without notice, bonus or penalty of any kind.


The Obligor hereby waives presentment for payment, notice of non-payment, protest and notice of protest and hereby consents to all extensions and renewals hereof, without notice, and hereby agrees to pay all costs and expenses (including all reasonable legal costs) paid or incurred in collecting all amounts payable hereunder after the same shall become due and payable.

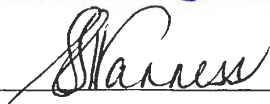
This Note shall not be assigned, transferred, negotiated or otherwise disposed of by the Obligee except in conjunction with the Obligee’s Common Shares and in accordance with the Shareholders’ Agreement. This Note shall ensure to the benefit of the Obligee and its successors and assigns and shall be binding on the Obligor and its successors and permitted assigns.

The provisions of this Note shall be construed in accordance with and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

DATED as of the 1st day of January 2014.

WESTARIO POWER INC.

By 

By 

PROMISSORY NOTE

This promissory note (the "Note") is issued to replace the promissory note dated PRIOR to the 1st day of January 2014.

For the sum of \$2.00 now paid and such other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Westario Power Inc, (the Obligor") hereby promises to pay on demand to or to the order of the The Corporation of the **Town of Hanover** (the "Obligee"), in lawful money of Canada, ONE MILLION ONE HUNDRED AND THIRTY FIVE THOUSAND, AND EIGHTY THREE DOLLARS (\$1,135,083.00), together with interest accrued thereon as hereinafter provided.

The principal amount outstanding from time to time under this Note shall bear interest from and after January 1st, 2014, both before and after demand, default and judgement, until paid, at the rate of 4.12% per annum. Interest will be payable quarterly, commencing three months from the date hereof, and will be calculated on the basis of the number of days elapsed to the day immediately preceding such date.

All payments of principal and interest hereunder shall be paid to the Obligee at such place as the Obligee may in writing direct.

The whole or part of the principal amount of this Note together with any interest accrued and outstanding in connection therewith may be repaid by the Obligor at any time or from time to time without notice, bonus or penalty of any kind.

The Obligor hereby waives presentment for payment, notice of non-payment, protest and notice of protest and hereby consents to all extensions and renewals hereof, without notice, and hereby agrees to pay all costs and expenses (including all reasonable legal costs) paid or incurred in collecting all amounts payable hereunder after the same shall become due and payable.


This Note shall not be assigned, transferred, negotiated or otherwise disposed of by the Obligee except in conjunction with the Obligee's Common Shares and in accordance with the Shareholders' Agreement. This Note shall ensure to the benefit of the Obligee and its successors and assigns and shall be binding on the Obligor and its successors and permitted assigns.

The provisions of this Note shall be construed in accordance with and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

DATED as of the 1st day of January 2014.

WESTARIO POWER INC.

By 

By 

PROMISSORY NOTE

This promissory note (the "Note") is issued to replace the promissory note dated PRIOR to the 1st day of January 2014.

For the sum of \$2.00 now paid and such other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Westario Power Inc. (the Obligor") hereby promises to pay on demand to or to the order of the The Corporation of the **Township of Huron Kinloss** (the "Obligee"), in lawful money of Canada, THREE HUNDRED AND SEVENTY THOUSAND, TWO HUNDRED AND EIGHTY FOUR DOLLARS and SEVENTY FIVE CENTS (\$370,284.75), together with interest accrued thereon as hereinafter provided.

The principal amount outstanding from time to time under this Note shall bear interest from and after January 1st, 2014, both before and after demand, default and judgement, until paid, at the rate of 4.12% per annum. Interest will be payable quarterly, commencing three months from the date hereof, and will be calculated on the basis of the number of days elapsed to the day immediately preceding such date.

All payments of principal and interest hereunder shall be paid to the Obligee at such place as the Obligee may in writing direct.

The whole or part of the principal amount of this Note together with any interest accrued and outstanding in connection therewith may be repaid by the Obligor at any time or from time to time without notice, bonus or penalty of any kind.

The Obligor hereby waives presentment for payment, notice of non-payment, protest and notice of protest and hereby consents to all extensions and renewals hereof, without notice, and hereby agrees to pay all costs and expenses (including all reasonable legal costs) paid or incurred in collecting all amounts payable hereunder after the same shall become due and payable.

This Note shall not be assigned, transferred, negotiated or otherwise disposed of by the Obligee except in conjunction with the Obligee's Common Shares and in accordance with the Shareholders' Agreement. This Note shall ensure to the benefit of the Obligee and its successors and assigns and shall be binding on the Obligor and its successors and permitted assigns.

The provisions of this Note shall be construed in accordance with and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

DATED as of the 1st day of January 2014.

WESTARIO POWER INC.

By 

By 

PROMISSORY NOTE

This promissory note (the "Note") is issued to replace the promissory note dated PRIOR to the 1st day of January 2014.

For the sum of \$2.00 now paid and such other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Westario Power Inc. (the Obligor") hereby promises to pay on demand to or to the order of the The Corporation of the **Township of North Huron** (the "Obligee"), in lawful money of Canada, THREE HUNDRED AND NINETY NINE THOUSAND, SIX HUNDRED AND EIGHTY TWO DOLLARS (\$399,682.00), together with interest accrued thereon as hereinafter provided.

The principal amount outstanding from time to time under this Note shall bear interest from and after January 1st, 2014, both before and after demand, default and judgement, until paid, at the rate of 4.12% per annum. Interest will be payable quarterly, commencing three months from the date hereof, and will be calculated on the basis of the number of days elapsed to the day immediately preceding such date.

All payments of principal and interest hereunder shall be paid to the Obligee at such place as the Obligee may in writing direct.

The whole or part of the principal amount of this Note together with any interest accrued and outstanding in connection therewith may be repaid by the Obligor at any time or from time to time without notice, bonus or penalty of any kind.


The Obligor hereby waives presentment for payment, notice of non-payment, protest and notice of protest and hereby consents to all extensions and renewals hereof, without notice, and hereby agrees to pay all costs and expenses (including all reasonable legal costs) paid or incurred in collecting all amounts payable hereunder after the same shall become due and payable.

This Note shall not be assigned, transferred, negotiated or otherwise disposed of by the Obligee except in conjunction with the Obligee's Common Shares and in accordance with the Shareholders' Agreement. This Note shall ensure to the benefit of the Obligee and its successors and assigns and shall be binding on the Obligor and its successors and permitted assigns.

The provisions of this Note shall be construed in accordance with and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

DATED as of the 1st day of January 2014.

WESTARIO POWER INC.

By 

By 