EXHIBIT 5

COST OF CAPITAL

AND

CAPITAL STRUCTURE

EB-2017-0073

Sioux Lookout Hydro Inc. EB-2017-0073 Exhibit 5 Page **1** of **6** Filed: August 28, 2017 Revised: January 8, 2018

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## **Exhibit 5: Cost of Capital and Capital Structure**

1 2

- 3 The purpose of this evidence is to summarize the method and cost of financing capital requirements
- 4 for the 2018 Test Year.

### **5 5.1 Capital Structure**

- 6 SLHI has a current deemed capital structure and cost of capital of 56% long term debt with a return
- of 3.33%, 4% short term debt with a return of 2.07% and 40% equity with a return of 8.98% as
- 8 approved in the 2013 cost of service ("COS") rate decision EB-2012-0165. See below for OEB
- 9 Appendix 2-OA for the 2013 Board Approved Capital Structure.

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# Table 5-1: 2013 Board Approved Capital Structure and Cost of Capital 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: <u>2013</u>

Line No.	Particulars	Capitalizati	on Ratio	Cost Rate	Return	
	Debt	(%)	(\$)	(%)	(\$)	
1	Long-term Debt	56.00%	\$3,423,960	3.44%	\$117,784	
2	Short-term Debt	4.00% (1)	\$244,569	2.07%	\$5,063	
3	Total Debt	60.0%	\$3,668,529	3.35%	\$122,847	
	Equity					
4	Common Equity	40.00%	\$2,445,686	8.98%	\$219,623	
5	Preferred Shares		\$ -		\$ -	
6	Total Equity	40.0%	\$2,445,686	8.98%	\$219,623	
7	Total	100.0%	\$6,114,215	5.60%	\$342,469	

#### Notes (1)

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

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- SLHI has prepared this 2018 COS Application in accordance with the Board's guidelines provided in
- 4 the Report of the Board on Cost of Capital for Ontario's Regulated Utilities issued on December 11,
- 5 2009. For the purposes of preparing this Application, SLHI has used the cost of capital parameters
  - issued by the Board on November 23, 2017, for 2018 cost of service rate applications for rates with
- 7 effective dates in 2018. See below for OEB Appendix 2-OA for the proposed 2018 Test Year Capital
- 8 Structure.

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## Table 5-2: 2018 Test Year Capital Structure and Cost of Capital

Year: <u>2018</u>

Line No.	Particulars	Capitaliza	tion Ratio	Cost Rate	Return	
	Debt	(%)	(\$)	(%)	(\$)	
1	Long-term Debt	56.00%	\$3,351,009	4.24%	\$142,083	
2	Short-term Debt	4.00% (1)	\$239,358	2.29%	\$5,481	
3	Total Debt	60.0%	\$3,590,367	4.11%	\$147,564	
	Equity		_			
4	Common Equity	40.00%	\$2,393,578	9.00%	\$215,422	
5	Preferred Shares		\$ -		\$ -	
6	Total Equity	40.0%	\$2,393,578	9.00%	\$215,422	
7	Total	100.0%	\$5,983,945	6.07%	\$362,986	

#### Notes (1)

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

4.16% deemed LT Debt Rate

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## 5.2 Cost of Capital (Return on Equity and Cost of Debt)

2 Return on Equity

- 3 As outlined above, for the purposes of preparing this Application SLHI has used the cost of capital
- 4 parameters issued by the Board on November 23, 2017 for 2018 COS rate applications which
- 5 reflects a return on equity of 9.00%. At the current rate and applied to 40% of the proposed rate
- 6 base of \$5,983,945 the return on equity is \$215,422.
- 7 Cost of Debt: Long Term
- 8 SLHI is requesting a return on long term debt for the 2018 Test Year of 4.24%. This rate of return
- 9 represents the weighted average cost of long term debt for SLHI's actual and predicted long term
- debt. The amount included in the revenue requirement to be collected from SLHI customers is
- \$142,083, which is the cost rate of 4.24% applied to 56% of the proposed rate base. See Table 5-3
- below for the determination of the cost of long term debt taken from OEB Appendix 2-OB. The debt
- included in the 2017 debt instruments is actual debt. The 2018 debt includes the actual rate
- 14 negotiated for the Line Truck Financing and an updated rate for the CIBC Bank Loan (1) for the
- 15 2018 year. This rate will be in effect until the loan's Maturity date of May 31, 2022.

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## Table 5-3: Appendix 2-0B - Historical, Bridge and 2018 Test Year 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 2019

	Year 2013									
Row	Description	Lender	Affiliated or Third-	Fixed or	Start Date	Term	Principal	Rate (%) 2	Interest (\$) 1	Additional Comments, if any
1	CIBC Bank Loan (1)	CIBC	Party Debt? Third-Party	Variable-Rate? Variable Rate	1-Jun-07	(years) 8.75	(\$) \$ 1,758,989	0.03	\$ 43,974.73	Non-revolving Demand Installment Loan - Fixed Principle plus interest payments
3	CIBC Bank Loan (1) CIBC Smart Meter Loan	CIBC	Third-Party Third-Party	Fixed Rate Fixed Rate	1-Nov-13 3-Jul-09	15	\$ 1,588,490 \$ 622,319	0.0283		Converted Loan to Principle and interest blended Monthly payment. Interest rate fixed u Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019
- 4									\$ - \$ -	
6									\$ - \$ -	
8									\$ -	
10									\$ -	
11									\$ -	
Total							\$ 3,969,798	0.0203325	\$ 80.716.08	
Notes										
1 2	If financing is in place only part of the year, separately calculate the pro-									
3	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 not 12 if encessary.									
			Year	2014						
_	T		Affiliated or Third-	Fixed or		Term	Principal			
Row	Description	Lender	Party Debt?	Variable-Rate?	Start Date	(years)	(S)	Rate (%) 2	Interest (\$) 1	Additional Comments, if any
	CIBC Bank Loan (1)	CIBC	Third-Party	Fixed Rate	1-Nov-13		\$ 1,574,029	0.0283		Principle and interest blended monthly payment. Interest rate fixed until Nov 1, 2017
3	CIBC Smart Meter Loan	CIBC	Third-Party	Fixed Rate	3-Jul-09	15	\$ 580,910		\$ 27,302.78 \$ -	Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019
5									\$ - \$ -	
7									\$ - \$ -	
9									\$ -	
10									\$ -	
12									\$ -	
Total							\$ 2,154,939	0.033341	\$ 71,847.78	
			Year	2015						
Row	Description	Lender	Affiliated or Third-	Fixed or	Start Date	Term	Principal	Rate (%) 2	Interest (\$) 1	Additional Comments, if any
1			Party Debt?	Variable-Rate?		(years)	(\$)			
3	CIBC Bank Loan (1) CIBC Smart Meter Loan	CIBC	Third-Party Third-Party	Fixed Rate Fixed Rate	1-Nov-13 3-Jul-09	4 15	\$ 1,405,926 \$ 537,513	0.0283		Principle and interest blended monthly payment. Interest rate fixed until Nov 1, 2017  Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019
4									\$ - \$ -	
6									\$ -	
8									\$ -	
10									\$ - \$ -	
11									\$ -	
Iotai	L	l					\$ 1,943,440	0.033472	\$ 65,050.83	
			Year	2016						
Row	Description	Lender	Affiliated or Third- Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) 2	Interest (\$) 1	Additional Comments, if any
1	CIBC Bank Loan (1)	CIBC	Third-Party	Fixed Rate	1-Nov-13		\$ 1,233,045	0.0292	¢ 24 90E 17	Principle and interest blended monthly payment. Interest rate fixed until Nov 1, 2017
3	CIBC Smart Meter Loan	CIBC	Third-Party	Fixed Rate	3-Jul-09	15		0.047	\$ 23,125.50	Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019
5									\$ - \$ -	
7									\$ - \$ -	
8									\$ - \$ -	
10									\$ -	
11									\$ -	
Total							\$ 1,725,077	0.0336337	\$ 58,020.67	
			Year	2017						
_										
La			Affiliated or Third-	Fixed or		Term	Principal	n		4.181 1.00 1.18
Row 1	Description	Lender	Affiliated or Third- Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) 2	Interest (\$) 1	Additional Comments, if any
Row 1	CIBC Bank Loan (1)	CIBC	Party Debt? Third-Party	Variable-Rate? Fixed Rate	Start Date	(years)	(\$) \$ 1,040,802	0.0283	\$ 29,454.69	Principle and interest blended monthly payment, interest rate fixed until Nov 1, 2017
1 2 3	·	CIBC CIBC	Party Debt?	Variable-Rate?	Start Date	(years)	(\$) \$ 1,040,802 \$ 440,292	0.0283 0.047 0.027	\$ 29,454.69 \$ 20,693.74 \$ 2,328.51	
1 2 3	CIBC Bank Loan (1) CIBC Smart Meter Loan	CIBC CIBC	Party Debt? Third-Party Third-Party	Variable-Rate? Fixed Rate Fixed Rate	Start Date  1-Nov-13  3-Jul-09	(years) 4 15	\$ 1,040,802 \$ 440,292	0.0283 0.047 0.027	\$ 29,454.69 \$ 20,693.74 \$ 2,328.51 \$	Principle and interest blended monthly payment. Interest rate fixed until Nov 1, 2017 Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019
1 2 3	CIBC Bank Loan (1) CIBC Smart Meter Loan	CIBC CIBC	Party Debt? Third-Party Third-Party	Variable-Rate? Fixed Rate Fixed Rate	Start Date  1-Nov-13  3-Jul-09	(years) 4 15	\$ 1,040,802 \$ 440,292	0.0283 0.047 0.027	\$ 29,454.69 \$ 20,693.74 \$ 2,328.51 \$ - \$ - \$ -	Principle and interest blended monthly payment. Interest rate fixed until Nov 1, 2017 Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019
1 2 3	CIBC Bank Loan (1) CIBC Smart Meter Loan	CIBC CIBC	Party Debt? Third-Party Third-Party	Variable-Rate? Fixed Rate Fixed Rate	Start Date  1-Nov-13  3-Jul-09	(years) 4 15	\$ 1,040,802 \$ 440,292	0.0283 0.047 0.027	\$ 29,454.69 \$ 20,693.74 \$ 2,328.51 \$ - \$ -	Principle and interest blended monthly payment. Interest rate fixed until Nov 1, 2017 Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019
1 2 3 4 5 6 7 8 9	CBC Barik Loon (1) CBC Smark Meter Loon Long Term Load Transfer Elimination - Purchase of Hydro One Assets	CIBC CIBC	Party Debt? Third-Party Third-Party	Variable-Rate? Fixed Rate Fixed Rate	Start Date  1-Nov-13  3-Jul-09	(years) 4 15	\$ 1,040,802 \$ 440,292	0.0283 0.047 0.027	\$ 29,454.69 \$ 20,693.74 \$ 2,328.51 \$ - \$ - \$ -	Principle and interest blended monthly payment. Interest rate fixed until Nov 1, 2017 Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019
1 2 3 4 5 6 7 8 9 10	CBC Bank Loon (1) CBC Smart Meter Loan Long Term Load Transfer Elimination - Purchase of Hydro One Assets	CIBC CIBC	Party Debt? Third-Party Third-Party	Variable-Rate? Fixed Rate Fixed Rate	Start Date  1-Nov-13  3-Jul-09	(years) 4 15 10	(\$) \$ 1,040,802 \$ 440,292 \$ 147,842	0.0283 0.047 0.027	\$ 29,454.69 \$ 20,693.74 \$ 2,328.51 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	Principle and interest blended monthly payment. Interest rate fixed until Nov 1, 2017 Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019
1 2 3 4 5 6 7 8 9	CBC Bank Loon (1) CBC Smart Meter Loan Long Term Load Transfer Elimination - Purchase of Hydro One Assets	CIBC CIBC	Party Debt? Third-Party Third-Party	Variable-Rate? Fixed Rate Fixed Rate	Start Date  1-Nov-13  3-Jul-09	(years) 4 15 10	(\$) \$ 1,040,802 \$ 440,292 \$ 147,842	0.0283 0.047 0.027	\$ 29,454.69 \$ 20,693.74 \$ 2,328.51 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	Principle and interest blended monthly payment. Interest rate fixed until Nov 1, 2017 Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019
1 2 3 4 5 6 7 8 9 10	CBC Bank Loon (1) CBC Smart Meter Loan Long Term Load Transfer Elimination - Purchase of Hydro One Assets	CIBC CIBC	Party Debt? Third-Party Third-Party	Variable-Rate? Fixed Rate Fixed Rate	Start Date  1-Nov-13 3-Jul-09 1-Jul-17	(years) 4 15 10	(\$) \$ 1,040,802 \$ 440,292 \$ 147,842	0.0283 0.047 0.027	\$ 29,454.69 \$ 20,693.74 \$ 2,328.51 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	Principle and interest blended monthly payment. Interest rate fixed until Nov 1, 2017 Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019
1 2 3 4 5 6 7 8 9 10	CBC Bank Loon (1) CBC Smart Meter Loan Long Term Load Transfer Elimination - Purchase of Hydro One Assets	CIBC CIBC	Party Debt? Third-Party Third-Party Third-Party  Year  Affiliated or Third-	Variable-Rate? Fixed Rate Fixed Rate Variable Rate Variable Rate  2018	Start Date  1-Nov-13 3-Jul-09 1-Jul-17	(years) 4 15 10 Term	(\$) \$ 1,040,802 \$ 440,292 \$ 147,842  \$ 1,628,936	0.0283 0.047 0.027	\$ 29,454.69 \$ 20,693.74 \$ 2,328.51 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	Principle and interest blended monthly payment. Interest rate fixed until Nov 1, 2017 Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019
1 2 3 4 5 6 7 8 9 10 11 12 Total	CBC Bank Loon (1) CBC Smart Mater Loan Long Term Load Transfer Elimination - Purchase of Hydro One Assets	CBC CBC CBC	Party Debt? Third-Party Third-Party Third-Party Third-Party  Year	Variable-Rate? Fixed Rate Fixed Rate Fixed Rate Variable Rate 2018	Start Date 1-Nov-13 3-Jul-09 1-Jul-17	(years) 4 15 10	(\$) \$ 1,040,802 \$ 440,292 \$ 147,842 \$ 1,628,936	0.0283 0.047 0.027	\$ 29,454.69 \$ 20,693.74 \$ 2,328.51 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	Principle and interest blended morthly payment. Interest rate fixed until Nov 1, 2017.  Principle and interest blended morthly payment. Interest rate fixed until Nov 1, 2019.  Non-revolving deman loan, set principle plus interest of Prime  Additional Comments, if any
1 2 3 3 4 4 5 5 6 6 7 8 8 9 10 11 12 Total Row 1	CBC Bank Loan (1) CBC Smark Mater Loan Long Term Load Transfer Elimination - Purchase of Hydro One Assets  Description  Description	CBC	Party Debt? Third-Party Third-Party Third-Party Third-Party Third-Party  Year  Affiliated or Third- Party Debt?  Third-Party	Variable-Rate? Fixed Rate Fixed Rate Variable-Rate  2018 Fixed or Variable-Rate? Fixed Rate	Start Date  1-Nov-13 3-Jul-09 1-Jul-17  Start Date  1-Dec-17	(years)  4 15 10  Term (years)	\$ 1,040,802 \$ 1,040,802 \$ 440,232 \$ 147,842 \$ 147,842	0.0283 0.047 0.027 0.027	\$ 29,454.69 \$ 20,693.74 \$ 2,328.51 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	Principle and interest blended morthly payment. Interest rate fixed until Nov 1, 2017.  Principle and interest blended morthly payment. Interest rate fixed until July 3, 2019.  Non-revolving deman loan, set principle plus interest of Prime.  Additional Comments, if any  Principle and interest blended morthly payment. Interest rate fixed until Loan maturity May 31, 2022.
1 2 3 3 4 4 5 6 6 7 7 8 8 9 10 11 12 Total Row 1 1 2 3 3 4 4	CBC Bank Losn (1) CBC Smant Meter Loan Long Term Load Transfer Elimination - Purchase of Hydro One Assets  Description  CBC Bank Loan (1) CBC Smant Meter Loa CBC CBANK Loan (1) CBC	CBC	Party Debt? Third-Party Third-Party Third-Party Third-Party Third-Party Affiliated or Third- Party Debt? Third-Party Third-Party Third-Party Third-Party	Variable-Rate? Fixed Rate Fixed Rate Variable Rate  2018 Fixed or Variable-Rate?  Fixed Rate Fixed Rate Fixed Rate Fixed Rate	Start Date  1-Nov-13 3-Jul-09 1-Jul-17  Start Date  1-Dec-17 3-Jul-09 1-Jul-1-	(years)  4 15 10  Term (years)	\$ 1,040,802 \$ 1,040,802 \$ 140,202 \$ 1407,842 \$ 147,842 \$ 1,628,936 \$ 1,628,936 \$ 857,412 \$ 390,142 \$ 390,142 \$ 136,741	0.0283 0.047 0.027 0.027 0.0322155 Rate (%) <sup>2</sup> 0.041 0.047	\$ 29,454.69 \$ 20,693,74 \$ 2,328.51 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	Principle and interest blended monthly payment. Interest rate fixed until Nov 1, 2017.  Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019.  Non-revolving deman loan, set principle plus interest of Prime.  Additional Comments, if any  Principle and interest blended monthly payment. Interest rate fixed until Loan maturity way 13, 2022.  Principle and interest blended monthly payment. Interest rate fixed until Loan maturity way 13, 2022.  Principle and interest blended monthly payment. Interest rate fixed until Loan maturity way 13, 2022.  Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019.  Non-revolving deman loan set principle list interest of Principle and interest blended monthly payment.
1 2 3 3 4 4 5 6 6 7 7 8 8 9 10 11 12 Total Row 1 1 2 3 3 4 4	CBC Bank Loan (1) CBC Smant Meter Loan Long Term Load Transfer Elimination - Purchase of Hydro One Assets  Description  Description  CBC Bank Loan (1) CBC Smant Meter Loan	CBC CBC CBC Lender  Lender CBC CBC	Party Debt? Third-Party Third-Party Third-Party Third-Party Third-Party  Year  Affiliate or Third- Party Debt?  Third-Party Third-Party	Variable-Rate? Fixed Rate Fixed Rate Variable Rate  2018 Fixed or Variable-Rate? Fixed or Fixed or Fixed or Fixed Rate	Start Date  1-Nov-13 3-Jul-01 1-Jul-17  Start Date  1-Dec-17 3-Jul-09	(years)  4 15 10  Term (years)  4.5	\$ 1,040,802 \$ 440,202 \$ 147,842 \$ 147,842 \$ 1,628,936 \$ 1,628,936 \$ 1,628,936 \$ 857,412 \$ 87,412 \$ 390,142	0.0283 0.047 0.027 0.027 0.0322155 Rate (%) <sup>2</sup>	\$ 29,454.69 \$ 20,693,74 \$ 2,328.51 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	Principle and interest blended monthly payment. Interest rate fixed until Nov 1, 2017. Principle and interest blended monthly payment. Interest rate fixed until July 3, 2019. Non-renching deman loan, set principle plus interest of Prime  Additional Comments, if any  Additional Comments, if any  Principle and interest blended monthly payment. Interest rate fixed until Loan maturity May 31, 2019. Principle and interest blended monthly payment. Interest rate fixed until Loan maturity May 31, 2019.
1 2 3 3 4 4 5 6 6 7 7 8 8 9 10 11 12 Total Row 1 1 2 3 3 4 4	CBC Bank Losn (1) CBC Smant Meter Loan Long Term Load Transfer Elimination - Purchase of Hydro One Assets  Description  CBC Bank Loan (1) CBC Smant Meter Loa CBC CBANK Loan (1) CBC	CBC	Party Debt? Third-Party Third-Party Third-Party Third-Party Third-Party Affiliated or Third- Party Debt? Third-Party Third-Party Third-Party Third-Party	Variable-Rate? Fixed Rate Fixed Rate Variable Rate  2018 Fixed or Variable-Rate?  Fixed Rate Fixed Rate Fixed Rate Fixed Rate	Start Date  1-Nov-13 3-Jul-09 1-Jul-17  Start Date  1-Dec-17 3-Jul-09 1-Jul-1-	(years)  4 15 10  Term (years)  4.5	\$ 1,040,802 \$ 1,040,802 \$ 140,202 \$ 1407,842 \$ 147,842 \$ 1,628,936 \$ 1,628,936 \$ 857,412 \$ 390,142 \$ 390,142 \$ 136,741	0.0283 0.047 0.027 0.027 0.0322155 Rate (%) <sup>2</sup> 0.041 0.047 0.032	\$ 29,454.69 \$ 20,693,74 \$ 2,326.51 \$ 2,326.51 \$ 3 - \$ 5 - \$	Principle and interest blended morthly payment. Netest rate fixed until Nov 1, 2017. Principle and interest blended morthly payment. Netest rate fixed until Nov 1, 2019. Non-revoking deman loan, set principle plus interest of Prime  Additional Comments, if any  Principle and interest blended morthly payment. Herest rate fixed until Loan maturity May 11, 2022. Principle and interest blended morthly payment. Herest rate fixed until Loan maturity May 11, 2022. Principle and interest blended morthly payment. Herest rate fixed until Loan maturity May 11, 2022. Principle and interest blended morthly payment. Herest rate fixed until Loan maturity May 11, 2022.
1 2 2 3 3 4 4 5 5 6 6 6 7 7 Total  Row 1 2 2 3 3 4 4 5 5 6 6 6 6 7 7 6 8 8 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9	CBC Bank Loan (1) CBC Smark Mater Loan Long Term Load Transfer Elimination - Purchase of Hydro One Assets  Description  CBC Bank Loan (1) CBC Smark Loan (1) CBC Smark Mater Loan Long Term Loan Transfer Elimination - Purchase of Hydro One Assets Line Truck Financing	CBC	Party Debt? Third-Party Third-Party Third-Party Third-Party Third-Party Affiliated or Third- Party Debt? Third-Party Third-Party Third-Party Third-Party	Variable-Rate? Fixed Rate Fixed Rate Variable Rate  2018 Fixed or Variable-Rate?  Fixed Rate Fixed Rate Fixed Rate Fixed Rate	Start Date  1-Nov-13 3-Jul-09 1-Jul-17  Start Date  1-Dec-17 3-Jul-09 1-Jul-1-	(years)  4 15 10  Term (years)  4.5	\$ 1,040,802 \$ 1,040,802 \$ 140,202 \$ 1407,842 \$ 147,842 \$ 1,628,936 \$ 1,628,936 \$ 857,412 \$ 390,142 \$ 390,142 \$ 136,741	0.0283 0.047 0.027 0.0322155 Rate (%) 2 0.041 0.041 0.045	\$ 29,454.69 \$ 20,693,74 \$ 2,328.51 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	Principle and interest blended morthly payment. Netest rate fixed until Nov 1, 2017. Principle and interest blended morthly payment. Netest rate fixed until Nov 1, 2019. Non-revoking deman loan, set principle plus interest of Prime  Additional Comments, if any  Principle and interest blended morthly payment. Herest rate fixed until Loan maturity May 11, 2022. Principle and interest blended morthly payment. Herest rate fixed until Loan maturity May 11, 2022. Principle and interest blended morthly payment. Herest rate fixed until Loan maturity May 11, 2022. Principle and interest blended morthly payment. Herest rate fixed until Loan maturity May 11, 2022.
1 2 3 3 4 4 5 6 6 7 7 8 8 9 10 11 12 Total Row 1 2 3 3 4 4	CBC Bank Loan (1) CBC Smank Meter Loan Long Term Load Transfer Elimination - Purchase of Hydro One Assets  Description  CBC Bank Loan (1) CBC Smank Meter Loan Long Term Load Transfer Elimination - Purchase of Hydro One Assets Line Truck Financing	CBC	Party Debt? Third-Party Third-Party Third-Party Third-Party Third-Party Affiliated or Third- Party Debt? Third-Party Third-Party Third-Party Third-Party	Variable-Rate? Fixed Rate Fixed Rate Variable Rate  2018 Fixed or Variable-Rate?  Fixed Rate Fixed Rate Fixed Rate Fixed Rate	Start Date  1-Nov-13 3-Jul-09 1-Jul-17  Start Date  1-Dec-17 3-Jul-09 1-Jul-1-	(years)  4 15 10  Term (years)  4.5	\$ 1,040,802 \$ 1,040,802 \$ 140,202 \$ 1407,842 \$ 147,842 \$ 1,628,936 \$ 1,628,936 \$ 857,412 \$ 390,142 \$ 390,142 \$ 136,741	0.0283 0.047 0.027 0.0322155 Rate (%) 2 0.041 0.041 0.045	\$ 29,454.69 \$ 20,693.74 \$ 2,328.51 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	Principle and interest blended morthly payment. Interest rate fixed until Nov 1, 2017. Principle and interest blended morthly payment. Interest rate fixed until July 3, 2019. Non-revolving deman loan, set principle plus interest of Prime  Additional Comments, if any  Principle and interest blended morthly payment. Interest rate fixed until July 3, 2019. Non-revolving deman loan can promptly payment. Interest rate fixed until July 3, 2019. Principle and interest blended morthly payment. Interest rate fixed until July 3, 2019. Non-revolving deman loan set principle last interest of Prime.

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Revised: January 8, 2018

#### Cost of Debt: Short Term

- 2 For the purposes of preparing this Application, SLHI has used the cost of capital parameters issued
- 3 by the Board on November 23, 2017 for 2018 COS rate applications which reflect a deemed short
- 4 term debt rate of 2.29%. At the current rate and applied to 4% of the proposed rate base of
- 5 \$5,983,945 the cost of short term debt is \$5,481.
- 6 Total Cost of Capital
- 7 SLHI has included a total of \$362,986 in its proposed revenue requirement, which is the total of the Return on
- 8 equity, the cost of long term debt and the cost of short term debt calculated on the proposed rate base of
- 9 \$5,983,945 which is explained in detail in Exhibit 2.
- 10 Profit or Loss on Redemption of Debt or Preferred Shares
- 11 There is no profit or loss on redemption of debt or preferred shares.
- 12 Notional Debt
- 13 Notional debt is that portion of the deemed debt capitalization that results from differences
- between the distributor's actual debt and the deemed debt thickness of 60% (56% long-term debt
- and 4% short-term debt). SLHI has about \$1.7 million in notional debt in the test year (i.e. deemed
- debt portion of rate base of \$3.4 million minus actual debt of \$1.7 million). SLHI understands the
- 17 notional debt should attract the weighted average cost of actual long-term debt on the \$1.7 million.
- 18 **5.3 Not-For-Profit Corporations**
- 19 SLHI is a for-profit corporation. As a result, the filing requirements associated with not-for-profit
- 20 corporations are not applicable.