



Exhibit 5

Cost of Capital | **Cost of Long-term Debt**

Additional Evidence

The following is provided as updated evidence for NOTL Hydro's proposed cost of long-term debt.

Cost of Long-term Debt

Included in NOTL Hydro's cost of long-term debt are two loans from the Town of NOTL: one for \$3 million dated January 19, 2015 and one for \$2 million dated October 1, 2015. Copies of the loan documents were included in the original submission as appendices 5B and 5C respectively.

Both loans include a call option for the Town of NOTL. This was included in the loan terms for two reasons: to allow the Town of NOTL access to these funds should they be needed and to allow the Town the ability to renegotiate the terms should interest rates rise.

Despite this, the terms of the loan are favourable to NOTL Hydro compared to a loan from a financial institution. In particular, there are no financial covenants and the loans are unsecured. These are important to NOTL Hydro as means our borrowing capacity with financial institutions is not affected. As a small company, NOTL Hydro believes it is very important to maintain this financing flexibility so that if new debt is needed, as will be the case in 2019 with the new transformer, it can be obtained on favourable terms.

In November 2018, the Town of NOTL financial management informed NOTL Hydro verbally that they would be looking to renegotiate the loans due to the rise in interest rates. On December 19, 2018, the Town of NOTL formally advised NOTL Hydro of this intent.

Hi Tim,

With respect to the \$2 million loan from the Town of NOTL dated October 1, 2015 and the 3 million loan dated January 19, 2015, in each case the Town has the option to call the loan within a suitable notice period. The intent of these conditions was to allow the Town to refinance the loan should interest rates rise. Interest rates have been rising recently and we believe the rates we receive on these loans should reflect this. It is the intent of the Town to call these loans with a view to replacing them, once required approvals have been received, with otherwise identical loans at 3.5%.

Let's setup a time to discuss further, we are shut down after this Friday over the holidays but reopen on January 2nd.

Regards,

Kyle Freeborn, BCom(Hons), CPA, CMA
Acting Director of Corporate Services/Treasurer

The proposed rate is equivalent to what financial institutions were offering at that time for 10 year debt. Again, as this debt is unsecured and has no financial covenants it is really much cheaper. This explains why this rate is lower than the OEB deemed rate of 4.13% for long-term debt.

NOTL Hydro is therefore proposing to update its cost of long-term debt and cost of capital based on changes to both OEB deemed rates and its own actual borrowing rates. The cost of long-term debt is recalculated as follows:

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Calculated Interest (\$)
Original Promissory Note	Town of NOTL	Affiliated	Fixed Rate	1-Jul-00	Open	\$ 2,098,770	4.13%	\$ 86,679.19
York TS Demand Installment Loan	CIBC	Third-Party	Fixed Rate	29-Aug-03	15	\$ -	6.03%	\$ -
NOTL TS Demand Installment Loan	CIBC	Third-Party	Fixed Rate	27-Oct-05	15	\$ 424,320	6.13%	\$ 26,010.81
Infrastructure Ontario Loan	Infrastructure Ontario	Third-Party	Fixed Rate	15-Feb-11	15	\$ 716,667	4.27%	\$ 30,601.68
Town loan - transformer	Town of NOTL	Affiliated	Fixed Rate	1-Feb-15	10	\$ 1,954,706	3.50%	\$ 68,414.72
Town loan - capital projects	Town of NOTL	Affiliated	Fixed Rate	1-Oct-15	10	\$ 1,430,402	3.50%	\$ 50,064.06
						\$ 6,624,865	3.95%	\$ 261,770.46

The cost of capital is recalculated as follows:

Particulars	Updated Evidence		Cost Rate	Return
	Capitalization Ratio			
Debt				
Long-term Debt	56.00%	\$17,102,870	3.95%	\$675,563
Short-term Debt	4.00%	\$1,221,634	2.82%	\$34,450
Total Debt	60.00%	\$18,324,504	3.87%	\$710,013
Equity				
Common Equity	40.00%	\$12,216,336	8.98%	\$1,097,027
Preferred Shares	0.00%	\$ -	0.00%	\$ -
Total Equity	40.00%	\$12,216,336	8.98%	\$1,097,027
Total	100.00%	\$28,384,663	5.92%	\$1,807,040