

EXHIBIT 5

**COST OF CAPITAL
AND CAPITAL STRUCTURE**

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OVERVIEW

In this Exhibit, OPUCN is providing evidence regarding its capital structure, their cost and the calculation of return on equity and debt for the 2021 test year.

OPUCN has followed the Report of the Board on Cost of Capital for Ontario's Regulated Utilities (the "Cost of Capital Report") dated December 11, 2009, to determine its capital structure and relied on the Board's letter titled Cost of Capital Parameter Updates for 2020 Applications dated October 31, 2019 for the cost of capital parameters. Table 5-1 below shows the Board's Cost of Capital parameters.

TABLE 5-1 COST OF CAPITAL PARAMETERS

Cost of Capital Parameter	Value for Applications for rate changes in 2020
ROE	8.52%
Deemed LT Debt rate	3.21%
Deemed ST Debt rate	2.75%

OPUCN acknowledges these rates are subject to update at such time as the 2021 Cost of Capital parameters are issued by the Board.

OPUCN has prepared this Application with a deemed capital structure of 56% Long Term Debt, 4% Short Term Debt and 40% Equity to comply with the Cost of Capital Report.

Overall, OPUCN is requesting a deemed interest expense of \$3,112,790 and a deemed return on equity of \$5,025,119 for a total regulated return on capital of \$8,137,909 for its 2021 Test Year.

CAPITAL STRUCTURE

In the Cost of Capital Report, the OEB deemed a capital structure consisting of 60% debt (56% long-term, 4% short-term) and 40% equity for all Ontario distributors for rate making purposes. OPUCN requests this deemed capital structure for purposes of its recovery of

cost of capital. Such structure is unchanged from OPUCN's current Board-approved structure in its 2015 to 2019 Cost of Service Application Decision (EB-2014-0101).

Table 5-1 below identifies the deemed components of rate base in the 2019 Board Approved, and 2021 Test Year.

TABLE 5–2 – DEEMED COMPONENTS OF RATE BASE

	2019 OEB Approved	2021 Test Year
Debt		
Long-term Debt	\$73,777,435	\$82,572,375
Short-term Debt	\$5,269,817	\$5,898,027
Total Debt	\$79,047,252	\$88,470,402
Equity		
Common Equity	\$52,698,168	\$58,980,268
Preferred Shares	\$0	\$0
Total Equity	\$52,698,168	\$58,980,268
Total	\$131,745,420	\$147,450,670

COMPONENT DEBT COSTS

Short-Term Debt

For the 2021 test year, this Application utilizes the Short-Term Debt rate of 2.75% found in the *Cost of Capital Parameter Updates for 2020 Cost of Service Applications*, issued by the Board on October 31, 2019.

Existing Long-Term Debt

OPUCN's previous Board-approved cost of long-term debt was included in its 2015 Cost of Service Application (EB-2014-0101). This application used the Custom Incentive Rate-setting (Custom IR) option to set rates for each of the years 2015 to 2019, with 2018 and 2019 initially on an interim basis and finalised by way of a mid-term review which adjusted for a limited number of updates including cost of capital. The Board approved a weighted average long-term debt cost of 3.78% for 2019.

In this Application, the Long-Term Debt rate requested and used is 3.65% for funded

1 Long-Term Debt, and for unfunded debt the deemed Long-Term Debt rate of 3.21% as
2 found in the *Cost of Capital Parameter Updates for 2020 Cost of Service Applications*,
3 issued by the Board on October 31, 2019. In this Application, the Long-Term Debt rate
4 requested and used for all Long-Term deemed debt, funded and unfunded, is the
5 weighted average of rates applicable to funded and unfunded debt for OPUCN, as
6 elaborated below and as shown in Tables 5-4 to 5-11.

7 Funded Debt represents the amount of long-term debt obligations that OPUCN has
8 issued and that are outstanding as at the date of this Application. These amounts
9 represent Notes Payable of \$60.064 million to the parent company, Oshawa Power and
10 Utilities Corporation ("OPUC"). The effective interest rate on the Note is 3.65%. The Note
11 is due on demand to the parent company. The rate used for this loan in calculation of the
12 weighted average is the actual rate of 3.65%, which is the effective rate payable by OPUC
13 to the Toronto Dominion Bank on a loan of a similar amount. This loan, for \$60.0 million,
14 is due in one repayment obligation at maturity in October 2028. The Loan is structured
15 with a ten-year interest rate swap agreement with the Bank, effectively converting
16 OPUC's obligations to a fixed interest rate of approximately 3.65%. The Note is provided
17 in Appendix 5-1 of this Exhibit.

18 OPUCN requests a debt rate of 3.65% with respect to the \$60.064 million Note Payable,
19 representing the effective yields with respect to such debentures comprising the coupon
20 rates and related costs of issuance.

21 The aggregate amount of Funded Debt is \$75.1 million for the 2021 Test Year due to an
22 increase in anticipated long-term debt as described below. The dollar weighted average
23 Funded Debt Rate for the 2021 Test Year is computed as 3.57% as per Table 5-11.

24 Anticipated New Long-Term Debt

25 OPUCN anticipates a requirement to issue new long-term debt in 2020 and 2021. OPUCN
26 estimates an issuance of approximately \$10.0 million in 2020, and \$5.0 million in 2021.
27 The actual timing, amount, and term of a new debt issuance will be influenced by several
28 factors such as actual versus anticipated cash flow and financial market conditions.
29 OPUCN requests that the Long-Term debt rate used to determine distribution rates be

updated as necessary in the applicable Test Year, in a manner consistent with Board policy applicable at that time, in the event that OPUCN issues any new long-term debt during this period.

Table 5-3 below gives a high level illustration of the projected cash flows for the period 2020 to 2021 that are driving the requirements for the new long-term debt.

TABLE 5–3 – CASH FLOW 2020 - 2021

\$000's	2020 Bridge	2021 Test
Opening Cash Balance	2,740	4,648
Distribution Revenue	25,717	27,349
Other Revenue	1,232	1,217
OM&A	(13,843)	(14,106)
Other	(183)	(186)
Net Interest Expense	(2,142)	(2,464)
Tax Expense	0	0
Capital Expenditures	(16,593)	(14,449)
Change in Long Term Borrowings	10,000	5,000
Dividends to Shareholder	(2,280)	(2,200)
Closing Cash Balance	4,648	4,808

As identified earlier in this evidence, OPUCN requests that the applicable cost of capital parameters be updated annually in accordance with the annual update by the OEB of such parameters.

The Long-term debt cost information for the 2017 actual, 2018 actual, 2019 actual, 2019 Board Approved, and forecast for the years 2020 through 2021 is also provided in Tables 5-6 to 5-11.

NOTIONAL DEBT

OPUCN's deemed debt for 2021 is \$88.5 million as provided in Table 5-2, and the actual debt, per Table 5-11, is projected to be \$75.0 million. Accordingly, OPUCN has positive notional debt of \$13.5 million. In this application, as directed in the Chapter 2 Filing Requirements for Electricity Distribution Rate Application, the notional debt attracts the weighted actual cost of long-term debt of 3.21%. At the time of this application, this is the same rate as the deemed long-term debt rate prescribed by the OEB in its October 31, 2019 letter.

RETURN ON EQUITY

OPUCN is requesting a return on equity ("ROE") for the 2021 Test Year of 8.52%, in accordance with the *Cost of Capital Parameter Updates for 2020 Applications* issued by the Board on October 31, 2019.

RATE BASE AND RATE OF RETURN

The tables below identify OPUCN's rate base, deemed debt/equity ratios, deemed rate of return, actual debt/equity ratios and actual rates of return for 2019 Board Approved, and 2021 Test Year.

**TABLE 5-4 – CHAPTER 2 APPENDIX 20A – CAPITAL STRUCTURE AND COST OF CAPITAL FOR
2019 BOARD APPROVED**

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$73,777,435	3.78%	\$2,791,568
2	Short-term Debt	4.00% (1)	\$5,269,817	2.29%	\$120,679
3	Total Debt	60.0%	\$79,047,252	3.68%	\$2,912,247
	Equity				
4	Common Equity	40.00%	\$52,698,168	9.00%	\$4,742,835
5	Preferred Shares	0.00%	\$ -		\$ -
6	Total Equity	40.0%	\$52,698,168	9.00%	\$4,742,835
7	Total	100.0%	\$131,745,420	5.81%	\$7,655,082

TABLE 5-5 – CHAPTER 2 APPENDIX 20A – CAPITAL STRUCTURE AND COST OF CAPITAL FOR 2021 TEST YEAR

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$82,572,375	3.57%	\$2,950,594
2	Short-term Debt	4.00% (1)	\$5,898,027	2.75%	\$162,196
3	Total Debt	60.0%	\$88,470,402	3.52%	\$3,112,790
	Equity				
4	Common Equity	40.00%	\$58,980,268	8.52%	\$5,025,119
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.0%	\$58,980,268	8.52%	\$5,025,119
7	Total	100.0%	\$147,450,670	5.52%	\$8,137,909

TABLE 5-6 – CHAPTER 2 APPENDIX 20B – DEBT INSTRUMENTS FOR 2017 ACTUAL

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	Debenture	Oshawa Power&Utilities Corp	Affiliated	Fixed Rate	1-Dec-05		\$ 23,064,000	4.54%	\$ 1,047,106	Deemed Rate
2	Term Loan 2012	TD Bank	Third-Party	Fixed Rate	1-Dec-12	7	\$ 7,000,000	3.57%	\$ 249,550	Actual Rate
3	Term Loan 2015	TD Bank	Third-Party	Fixed Rate	17-Jun-15	7	\$ 15,000,000	2.71%	\$ 406,500	Actual Rate
	Total						\$ 45,064,000	3.78%	\$ 1,703,156	

TABLE 5-7 – CHAPTER 2 APPENDIX 20B – DEBT INSTRUMENTS FOR 2018 ACTUAL

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	Debenture	Oshawa Power&Utilities Corp	Affiliated	Fixed Rate	1-Dec-05		\$ 23,064,000	4.16%	\$ 959,462	Deemed Rate
2	Term Loan 2012	TD Bank	Third-Party	Fixed Rate	1-Dec-12	7	\$ 7,000,000	3.57%	\$ 249,550	Actual Rate
3	Term Loan 2015	TD Bank	Third-Party	Fixed Rate	17-Jun-15	7	\$ 15,000,000	2.71%	\$ 406,500	Actual Rate
	Total						\$ 45,064,000	3.58%	\$ 1,615,512	

**TABLE 5-8 – CHAPTER 2 APPENDIX 2OB – DEBT INSTRUMENTS FOR 2019 BOARD
APPROVED**

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	Note	Oshawa Power&Utilities Corp	Affiliated	Fixed Rate	1-Dec-05		\$ 23,064,000	4.16%	\$ 959,462	Deemed Rate
2	Term Loan 2012	TD Bank	Third-Party	Fixed Rate	1-Dec-12	7	\$ 7,000,000	3.57%	\$ 249,900	Actual Rate
3	Term Loan 2015	TD Bank	Third-Party	Fixed Rate	17-Jun-15	7	\$ 15,000,000	2.71%	\$ 406,500	Actual Rate
4	Term Loan 2017	TD Bank (Unfunded)	Third-Party		1-Jan-17		\$ 3,733,015	4.16%	\$ 155,293	Deemed Rate
5	Term Loan 2018	TD Bank (Unfunded)	Third-Party		1-Jan-18		\$ 17,930,278	4.16%	\$ 745,900	Deemed Rate
6	Term Loan 2019	TD Bank (Unfunded)	Third-Party		1-Jan-19		\$ 2,153,282	4.16%	\$ 89,577	Deemed Rate
	Total						\$ 68,880,576	3.78%	\$ 2,606,632	

TABLE 5-9 – CHAPTER 2 APPENDIX 2OB – DEBT INSTRUMENTS FOR 2019 ACTUAL

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	Note	Oshawa Power&Utilities Corp	Affiliated	Fixed Rate	1-Oct-18		\$ 60,064,000	3.65%	\$ 2,191,735	Actual Rate
2									\$ -	
	Total						\$ 60,064,000	3.65%	\$ 2,191,735	

TABLE 5-10 – CHAPTER 2 APPENDIX 2OB – DEBT INSTRUMENTS FOR 2020 BRIDGE YEAR

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	Note	Oshawa Power&Utilities Corp	Affiliated	Fixed Rate	1-Oct-18		\$ 60,064,000	3.65%	\$ 2,191,735	Actual Rate
2	Term Loan 2020	TD Bank (Unfunded)	Third-Party		1-Oct-20		\$ 10,000,000	3.21%	\$ 80,030	Deemed Rate
	Total						\$ 70,064,000	3.63%	\$ 2,271,765	

TABLE 5-11 – CHAPTER 2 APPENDIX 2OB – DEBT INSTRUMENTS FOR 2021 TEST YEAR

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	Note	Oshawa Power&Utilities Corp	Affiliated	Fixed Rate	1-Oct-18		\$ 60,064,000	3.65%	\$ 2,191,735	Actual Rate
2	Term Loan 2020	TD Bank (Unfunded)	Third-Party		1-Oct-20		\$ 10,000,000	3.21%	\$ 321,000	Deemed Rate
3	Term Loan 2021	TD Bank (Unfunded)	Third-Party		1-Jul-21		\$ 5,000,000	3.21%	\$ 80,470	Deemed Rate
	Total						\$ 75,064,000	3.57%	\$ 2,593,205	

1 **NOT FOR PROFIT CORPORATIONS**

2 OPUCN is a for profit corporation, therefore this filing requirement is not applicable.

3

1 APPENDIX 5-1: OPUC'S \$60.0M TERM LOAN (2018)



South East Ontario Commercial Banking Centre
2 King St E 2nd Floor
P.O. Box 247
Oshawa, ON
L1H 7L3
Telephone No.: (905) 576 - 6264
Fax No.: (905) 576 - 9147

July 17, 2018

OSHAWA POWER AND UTILITIES CORPORATION

Attention: Mr. Phil Martin

Dear Mr. Martin,

We are pleased to offer the Borrower the following credit facilities (the "Facilities"), subject to the following terms and conditions.

BORROWER

OSHAWA POWER AND UTILITIES CORPORATION (the "Borrower")

LENDER

The Toronto-Dominion Bank (the "Bank"), through its South East Ontario branch, in Oshawa, ON.

CREDIT LIMIT

- 1) CAD\$23,000,000 as reduced pursuant to the section headed "Repayment and Reduction of Amount of Credit Facility".
- 2) [CAD\$60,000,000] as reduced pursuant to the section headed "Repayment and Reduction of Amount of Credit Facility".

TYPE OF CREDIT AND BORROWING OPTIONS

- 1) **Committed Reducing Term Facility (Single Draw)** available at the Borrower's option by way of:
 - Fixed Rate Term Loan available by way of:
 - Interest Rate Swap via Bankers Acceptances in CAD\$
- 2) **Committed Reducing Term Facility (Single Draw)** available at the Borrower's option by way of:
 - Fixed Rate Term Loan available by way of:
 - Interest Rate Swap via Bankers Acceptances in CAD\$

PURPOSE

- 1) Disbursement to the City of Oshawa to purchase Shareholder Note.
- 2) To support CAPEX program for 2018/2019 and to refinance Facility #1 and OSHAWA PUC NETWORKS INC. term facilities #4, 5

TENOR

- 1, 2) Committed

CONTRACTUAL TERM

- 1) 7 years to December 21, 2019
- 2) Up to 5 years from the date of drawdown

RATE TERM

(FIXED RATE TERM LOANS)

- 1) Up to 7 years, but never to exceed the Contractual Term Maturity Date.
- 2) Up to 10 years via Interest Rate Swap with Optional Exit Strategy at Contractual Term Maturity Date.

AMORTIZATION

- 1) 84 month(s)
- 2) 120 month(s)*

*Interest only option available, see Repayment section.

INTEREST RATES

AND FEES

Advances shall bear interest and fees as follows:

- 1) **Committed Reducing Term Facility:**
 - TD Swap Rate (as set out in a confirmation to the ISDA) + 0.93% (7 year term chosen)
- 2) **Committed Reducing Term Facility:**
 - TD Swap Rate (as set out in a confirmation to the ISDA) +
 - 0.80% (5 year term)

For all Facilities, interest payments will be made in accordance with Schedule "A" attached hereto unless otherwise stated in this Letter or in the Rate and Payment Terms Notice applicable for a particular drawdown. Information on interest rate and fee definitions, interest rate calculations and payment is set out in the Schedule "A" attached hereto.

ARRANGEMENT FEE

- 2) The Borrower (or Oshawa PUC Networks Inc.) will pay prior to any drawdown hereunder a non-refundable arrangement fee of CAD\$10,000.

EXCESS MONITORING FEE

The Borrower may, at the Bank's discretion, be charged an Excess Monitoring Fee of \$250.00, payable in the currency of the Facility, each time that the Credit Limit of a Facility is exceeded. Any extension of credit above the Credit Limit will be at the Bank's sole and absolute discretion.

DRAWDOWN

Assigned Facilities	Description
--------------------------------	--------------------

- | | |
|----|--|
| 1) | Fully drawn. |
| 2) | Upon satisfaction of disbursement conditions, one time drawdown with funds being used to repay Facility #1 and OSHAWA PUC NETWORKS INC. term facilities #4, 5. |

Notice periods, minimum amounts of draws, interest periods and contract maturity for LIBOR Loans, terms for Banker's Acceptances and other similar details are set out in the Schedule "A" attached hereto.

REPAYMENT AND REDUCTION OF AMOUNT OF CREDIT FACILITY

Assigned Facilities	Description
--------------------------------	--------------------

- | | |
|----|---|
| 1) | Semi-annual interest payments with principal repayment at Contractual Term maturity. Refer to Swap Agreement. |
| 2) | Interest only with principal repayment at Contractual Term maturity. Swap Agreement to be referenced. |

PREPAYMENT

Assigned Facilities	Description
--------------------------------	--------------------

- | | |
|----|---|
| 1) | Permitted at any time subject to unwinding costs. |
| 2) | Permitted at any time subject to standard interest rate swap unwinding costs. |

SECURITY

The following security shall be provided, shall, unless otherwise indicated, support all present and future indebtedness and liability of the Borrower and the grantor of the security to the Bank including without limitation indebtedness and liability under guarantees, foreign exchange contracts, cash management products, and derivative contracts, shall be registered in first position, and shall be on the Bank's standard form, supported by resolutions and solicitor's opinion, all acceptable to the Bank.

Security for all Facilities:

- a) Assignment by OSHAWA POWER AND UTILITIES CORPORATION of the shares of OSHAWA PUC NETWORKS INC. **(On Hand)**
- b) Assignment by OSHAWA POWER AND UTILITIES CORPORATION of the \$23,000,000 Promissory Note due from OSHAWA PUC NETWORKS INC. **(On Hand)**

Security for Facility #2 only:

- c) General Security Agreement ("GSA") representing a First charge on all OSHAWA PUC NETWORKS INC. present and after acquired personal property. **(On Hand)**
- d) General Assignment of Book Debts from OSHAWA PUC NETWORKS INC. representing a First charge. **(On Hand)**
- e) Evidence of adequate insurance for OSHAWA PUC NETWORKS INC. **(On Hand)**
- f) Limited Corporate Guarantee issued by OSHAWA PUC NETWORKS INC. in favour of OSHAWA POWER AND UTILITIES CORPORATION in the amount of \$68,000,000. **(To Be Obtained)**

All persons and entities required to provide a guarantee shall be referred to in this Agreement individually as a "Surety" and/or "Guarantor" and collectively as the "Guarantors";

All of the above security and guarantees shall be referred to collectively in this Agreement as "Bank Security".

**DISBURSEMENT
CONDITIONS**

The obligation of the Bank to permit any drawdown hereunder is subject to the Standard Disbursement Conditions contained in Schedule "A" and the following additional drawdown conditions:

Assigned Facilities	Description
2)	All security and documentation to be on hand and in good order.
2)	Bank to be satisfied that all covenants are in agreement with negotiated terms on a pre/post basis.
2)	Satisfactory Borrowing Resolution To be on file

**REPRESENTATIONS
AND WARRANTIES**

All representations and warranties shall be deemed to be continually repeated so long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect. The Borrower makes the Standard Representations and Warranties set out in Schedule "A".

**POSITIVE
COVENANTS**

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will and will ensure that its subsidiaries and each of the Guarantors will observe the Standard Positive Covenants set out in Schedule "A" and in addition will:

- a) Compliance with all applicable environmental regulations at all times.

- b) Compliance with all contractual obligations and laws, including payment of taxes.

REPORTING COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will and will ensure that its subsidiaries and each of the Guarantors will:

- a) Borrower is to provide a 1 year business plan annually, within 150 days of each fiscal year end, including income statement, balance sheet, statement of changes in financial position, and capital expenditures schedule.
- b) Borrower is to provide annual OEB rate submissions and Service Quality Indicators (if applicable).
- c) The Borrower is to provide Annual Audited Financial Statements for Oshawa PUC Networks Inc., & Consolidated Financial Statements for Oshawa Power and Utilities Corporation and Management Prepared Financial Statements for Oshawa Power & Utilities Corporation within 150 days of each fiscal year end.
- d) The Borrower is to provide Quarterly Unaudited Financial Statements for Oshawa PUC Networks, and Oshawa Power & Utilities Corporation (unconsolidated/consolidated) within 60 days of each quarter end, to be accompanied by a Certificate of No Default setting out compliance calculations.

NEGATIVE COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will and will ensure that its subsidiaries and each of the Guarantors will observe the Standard Negative Covenants set out in Schedule "A". In addition the Borrower will not and will ensure that its subsidiaries and each of the Guarantors will not:

- a) No change in Oshawa PUC Networks Inc. status as a Limited Distribution Company.
- b) No change in the indirect or direct municipal ownership of the Borrower.
- c) Oshawa Power & Utilities Corporation and Oshawa PUC Networks Inc. may not incur any additional debt, including guarantees should this result in the Funded Debt to Capitalization ratio exceeding 0.65x (as defined under Financial Covenants).
- d) No investments, mergers, amalgamations or consolidations without the Lender's prior consent, excluding subsidiaries other than Oshawa PUC Networks Inc.
- e) Oshawa Power & Utilities Corporation and Oshawa PUC Networks Inc. may not provide security nor guarantee to any party without prior consent of the Bank, excluding subsidiaries other than Oshawa PUC Networks Inc. except for Permitted Liens.

PERMITTED LIENS

Permitted Liens as referred to in Schedule "A" are:

- a) Purchase Money Security Interests, not to exceed at any time: For Oshawa Power & Utilities

Corporation and Oshawa PUC Networks Inc., \$3,000,000 in the aggregate.

FINANCIAL COVENANTS

- a) Borrower is to maintain a consolidated Funded Debt To Capitalization, between Oshawa Power and Utilities Corporation and Oshawa PUC Networks, of no greater than 0.65x. Tested Quarterly.

Funded Debt is defined as all interest bearing debt plus non-interest bearing debt not subordinated to these credit facilities and guarantees but does not include trade accounts payable and the Prudential Letter of Guarantee in favour of the IESO (the calculation excludes all subsidiaries other than Oshawa PUC Networks Inc. However, any DRAWN L/Cs issued under Oshawa PUC Energy Services are to be included in Funded Debt).

Capitalization is defined as the sum of Total Funded Debt, shareholder's equity, contributed capital, preference share capital net of any goodwill and intangibles (Capitalization also excludes subsidiaries other than Oshawa PUC Networks Inc. with the exception of DRAWN Oshawa PUC Energy Services L/Cs).

**For Clarity: FYE Calculations will be based on: Q4 IHFS for "Corp" and FYE Audited stmts for "Networks"

- b) Maintain a minimum consolidated Debt Service Coverage Ratio (DSC) between Oshawa Power and Utilities Corporation and Oshawa PUC Networks of 1.20x, with the exception of F2018 when DSC is permitted at .80x, to be tested quarterly based on a rolling 4 quarters.

The Debt Service Coverage Ratio is defined as EBITDA - cash taxes (PIL's) - 40% of capex (net of contributed capital) divided by principal* plus total cash interest expense of the Borrower (i.e. net of accrual of any s/h debt interest).

*P + I to include a notional principal amount on all non-amortizing term debt, based on a 30-year amortization. Notional amortization over 15 years on any DRAWN L/Cs issued by Oshawa PUC Energy Services also to be included.

EVENTS OF DEFAULT

The Bank may accelerate the payment of principal and interest under any committed credit facility hereunder and cancel any undrawn portion of any committed credit facility hereunder, at any time after the occurrence of any one of the Standard Events of Default contained in Schedule "A" attached hereto and after any one of the following additional Events of Default:

- a) Default under any of the conditions listed above.
b) Loss of OEB license.

The Cross-Default Threshold as referred to in Schedule "A" is:
i) For the Borrower: \$5,000,000.

ANCILLARY FACILITIES

As at the date of this Agreement, the following uncommitted ancillary products are made available. These products may be subject to other agreements.

- 1) Certain treasury products, such as forward foreign exchange transactions, and/or interest rate and currency and/or commodity swaps. The Borrower agrees that treasury products will be used to hedge its risk and will not be used for speculative purposes. The paragraph headed "FX CLOSE OUT" as set out in Schedule "A" shall apply to FX Transactions.

**AVAILABILITY OF
OPERATING LOAN**

The Operating Loan is uncommitted, made available at the Bank's discretion, and is not automatically available upon satisfaction of the terms and conditions, conditions precedent, or financial tests set out herein.

The occurrence of an Event of Default is not a precondition to the Bank's right to accelerate repayment and cancel the availability of the Operating Loan.

**SCHEDULE "A" -
STANDARD TERMS
AND CONDITIONS**

Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which apply to these credit facilities. The Standard Terms and Conditions, including the defined terms set out therein, form part of this Agreement, unless this letter states specifically that one or more of the Standard Terms and Conditions do not apply or are modified.

**AMENDMENTS TO
SCHEDULE "A"
TERMS AND
CONDITIONS**

The following amendments to the Standard Terms and Conditions apply:

- *"Interest on Fixed Rate Term Loans is compounded monthly and payable monthly in arrears unless otherwise provided in the Rate and Payment Terms Notice."*, appearing in Section 2. INTEREST CALCULATION AND PAYMENT, is replaced with *"Interest on Fixed Rate Term Loans is compounded monthly and payable monthly in arrears unless otherwise provided in the Rate and Payment Terms Notice, or a Confirmation to the ISDA"*.
- *"The Borrower shall provide the Bank with 3 Business Day's notice of a requested Prime Based Loan or USBR Loan over \$1,000,000."* appearing in Section 3. DRAWDOWN PROVISIONS, is deleted.
- Section 4. PREPAYMENT, is deleted as not applicable.
- *"The financial statements and forecasts delivered to the Bank..."* appearing in Section 6 f). STANDARD REPRESENTATIONS AND WARRANTIES, is replaced with *"The financial statements delivered to the Bank..."*.
- *"...and have been prepared by the Borrower and its auditors in accordance with Canadian Generally Accepted Accounting Principles consistently applied."* appearing in Section 6 f). STANDARD REPRESENTATIONS AND WARRANTIES, is replaced with *"and have been prepared by the Borrower and, if applicable, its auditors in accordance with Canadian Generally Accepted Accounting Principles consistently applied."*

- "Take all necessary actions to ensure that the Bank Security and its obligations hereunder..." appearing in Section 7 e). STANDARD POSITIVE COVENANTS, is replaced with "Take all necessary actions to ensure that, except as otherwise permitted by the Bank, the Bank Security and its obligations hereunder..."
- "Permit any change of ownership or change in the capital structure of the Borrower." appearing in Section 8 g) STANDARD NEGATIVE COVENANTS, is replaced with "Permit any change of ownership or change in the capital structure of the Borrower without prior Bank approval."
- "...or any of the Guarantors to take possession of property or enforce proceedings against any assets." appearing in Section 10 f). STANDARD EVENTS OF DEFAULT, is replaced with "...or any of the Guarantors to take possession of property or enforce proceedings against any assets, pledged under the Bank Security."
- "...the Bank shall be entitled without advance notice to the Borrower to close out and terminate all of the outstanding FX Contracts..." appearing in Section 22. FX CLOSE OUT, is replaced with "...the Bank shall, subject to the terms of the ISDA, be entitled without advance notice to the Borrower to close out and terminate all of the outstanding FX Contracts..."

We trust you will find these facilities helpful in meeting your ongoing financing requirements. We ask that if you wish to accept this offer of financing (which includes the Standard Terms and Conditions), please do so by signing and returning the attached duplicate copy of this letter to the undersigned. This offer will expire if not accepted in writing and received by the Bank on or before August 31, 2018.

Yours truly,

THE TORONTO-DOMINION BANK



Gerald Matitawaer
Relationship Manager



Jaclyn Bannan
Manager Commercial Credit

TO THE TORONTO-DOMINION BANK:

OSHAWA POWER AND UTILITIES CORPORATION hereby accepts the foregoing offer this _____ day of _____, 2____. The Borrower confirms that, except as may be set out above, the credit facility(ies) detailed herein shall not be used by or on behalf of any third party.



Signature



Signature

PAUL MARTIN
VP FINANCIAL REGULATORY

Print Name & Position *COMPLIANCE*

IVAN LAPIDUS
PRESIDENT & CEO

Print Name & Position

Signature

Print Name & Position



TD Securities
130 Adelaide Street West 12th Floor
Toronto, Ontario M5H 3P5



New rate on
\$60m = 3.6459%
[2.849% + 80 bps]

August 13, 2018

The Toronto-Dominion Bank

Contact: IRD Confirmation Group
Facsimile No: 416-983-1553
Telephone No: 416-234-2627
Email: TD_IRD_Confirmations@TDSecurities.com

OSHAWA POWER & UTILITIES CORPORATION

Attention: Phil Martin
Telephone No: 905-409-8260
Email: pmartin@opuc.on.ca

Amended : Swap Transaction Confirmation (Reference # : 14619999)

OSC UTI Prefix: 1030445815 OSC UTI Value: TD000000000000000010000614619999

The purpose of this letter agreement (this "Confirmation") is to confirm the terms and conditions of the transaction entered into between The Toronto-Dominion Bank ("**Party A**") and OSHAWA POWER & UTILITIES CORPORATION ("**Party B**") on the Trade Date specified below (the "Transaction" or "Swap Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the Agreement specified below. **This Confirmation supersedes any previous Confirmation or other communication with respect to the Transaction and evidences a complete and binding agreement between us as to the terms of the Transaction.**

The definitions and provisions contained in the 2006 ISDA Definitions (the "Definitions") as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of December 19, 2005, as amended and supplemented from time to time (the "Agreement"), between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

Each party represents to the other party that it is entering into this Transaction as principal (and not as agent or in any other capacity) with the full understanding of the terms, conditions and the risks thereof and that it is capable of and willing to assume those risks.

The terms of the particular Transaction to which this Confirmation relates are as follows:

Notional Amount:	CAD 60,000,000.00
Trade Date:	August 01, 2018
Trade Time:	Available on request
Effective Date:	October 22, 2018
Termination Date:	The earlier of (a) October 22, 2028, subject to adjustment in accordance with the Modified Following Business Day Convention and (b) any Cash Settlement Payment Date

FLOATING AMOUNTS

Floating Rate Payer:	Party A (The Toronto-Dominion Bank)
Floating Rate Payer Payment Date(s):	Monthly on the 22nd of each month commencing on November 22, 2018 up to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention
Floating Rate for Initial Calculation Period:	To be determined
Floating Rate Option:	CAD-BA-CDOR
Designated Maturity:	1 Month
Spread:	Not Applicable
Floating Rate Day Count Fraction:	Actual/365 Fixed
Reset Dates:	The first day of each Calculation Period or Compounding Period if Compounding is applicable
Compounding:	Not Applicable

FIXED AMOUNTS

Fixed Rate Payer:	Party B (OSHAWA POWER & UTILITIES CORPORATION)
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Fixed Rate Payer Payment Date(s):	Monthly on the 22nd of each month commencing on November 22, 2018 up to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention
Fixed Rate:	2.84900 %
Fixed Rate Day Count Fraction:	Actual/365 Fixed
Calculation Agent:	The Toronto-Dominion Bank
Business Days:	Toronto
Fee(s):	Not Applicable

EARLY TERMINATION

Optional Early Termination:	Applicable
Option Style:	European
Exercise Business Days:	Toronto
Calculation Agent:	Party A

Procedure for Exercise

European Option Exercise Dates:	The date that is 5 Exercise Business Days preceding the Cash Settlement Payment Date
Expiration Date:	The date that is 5 Exercise Business Days preceding the Cash Settlement Payment Date
Expiration Time:	4:00 p.m Toronto time
Partial Exercise:	Not Applicable
Multiple Exercise:	Not Applicable
Written Confirmation of Exercise:	Applicable
Party A Contact Details for Purpose of Giving Notice:	Swap Trading Desk

Party B Contact Details for Purpose of Giving Notice: Please advise

Settlement Terms

Cash Settlement: Applicable

Cash Settlement Valuation Time: 4:00 p.m Toronto time

Cash Settlement Valuation Date: The Cash Settlement Payment Date

Valuation Business Day(s): Toronto

Cash Settlement Payment Date(s): October 23, 2023
subject to adjustment in accordance with the Following
Business Day Convention

Cash Settlement Method: Cash Price

Cash Settlement Currency: CAD

Cash Settlement Reference Banks: To be mutually agreed on the Expiration Date

Quotation Rate: Mid

SETTLEMENT INSTRUCTIONS

Payments to Party A in CAD

To: The Toronto-Dominion Bank, Toronto Branch 00732
Swift: TDOMCATTTOR
Favor of: The Toronto-Dominion Bank, Toronto
Swift: TDOMCATTTOR
Account Number: 03 60-01-4235836

Payments to Party B in CAD

Please advise

OFFICES

The Office of Party A (The Toronto-Dominion Bank) for this Transaction is its Toronto Office.

The Office of Party B (OSHAWA POWER & UTILITIES CORPORATION) for this Transaction is its OSHAWA Office.

This Confirmation may be executed in one or more counterparts, either in original or facsimile form, each of which shall constitute one and the same agreement. When executed by the parties through facsimile transmission, this Confirmation shall constitute the original agreement between the parties and the parties hereby adopt the signatures printed by the receiving facsimile machine as the original signatures of the parties.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation and returning it to us.


Yours truly,

The Toronto-Dominion Bank

By: 
Name : Ruth Parsons
Title : Senior Manager
Energy and Derivative Operations
TD Securities

Accepted and confirmed as of the date first written:

OSHAWA POWER & UTILITIES CORPORATION

By: 
Name : PHIL MARTIN
Title : VP FINANCE & REGULATORY COMPLIANCE

This Fax is intended only for the addressee and may contain information that is legally privileged, confidential and/or exempt from disclosure under applicable law. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is prohibited. If you have received this communication in error, or are not the named recipient(s), please immediately notify the sender.

