



# **EXHIBIT 5**

## **COST OF CAPITAL AND RATE OF RETURN**

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# **COST OF CAPITAL AND RATE OF RETURN**

## **5.1 CAPITAL STRUCTURE**

In this Exhibit, GPI presents evidence regarding its capital structure, its debt financing and the calculation of its return on equity for the 2022 Test Year.

GPI seeks to recover a weighted average cost of capital of 2.61% through rates in the 2022 Test Year. GPI has followed the *“Report of the OEB on the Cost of Capital for Ontario’s Regulated Utilities”* issued December 11, 2009 as well as the *“Review of the Existing Methodology of the Cost of Capital for Ontario’s Regulated Utilities”* issued at January 14, 2016, in determining the applicable capital cost.

In calculating the applicable cost of capital, GPI has used the OEB deemed capital structure of 56% long-term debt, 4% short-term debt and 40% equity and the most recent cost of capital parameters issued by the Board on November 9, 2020. These are:

- Long Term Debt: 2.85% (for Affiliated Debt)
- Short-Term Debt: 1.75%, and
- Return on Equity: 8.34%

GPI acknowledges that that the OEB cost of capital parameters currently in this application will be updated to reflect the OEB’s updated Cost of Capital Parameters at the time of their Decision regarding this proceeding and therefore commits to updating its application, to the extent that updated information is applicable to the Application.

GPI’s actual capital structure, as of December 2020, differs from deemed capital structure as follow:

**Table 5-1**  
**GPI's vs. OEB Deemed Capital Structure**  
**2020 Actual**

Capital Element	GPI's Capital Ratio	OEB Capital Ratio	Variance
Long-Term Debt	45.51%	56.00%	-10.49%
Short Term Debt	10.65%	4.00%	6.65%
Shareholders Equity	43.84%	40.00%	3.84%
Total	100.0%	100.0%	0.00%

The Long-Term Debt ratio is 10.49% below the associated OEB deemed capital structure due to lower borrowing needs and projects being funded through cash flow from operating income.

The Short Term Debt ratio is 6.65% above the associated OEB deemed capital structure due to the need in December 2020 to temporarily activate Line of Credit borrowing in order to meet financial obligations to the IESO.

The Shareholders Equity ratio is 3.84% above the associated deemed capital structure primarily as the result of higher retained earnings.

In order to maintain the flexibility for the future, GPI maintained a reasonable debt. Operating with a reasonable debt/equity will provide GPI's flexibility to access the credit facility in case it is needed for a large investment.

GPI's Debt to Equity Ratio as calculated in the OEB annual yearbook is shown below in Table 5-2:

1 **Table 5-2**  
 2 **Debt to Equity Ratio**  
 3 **2016 Actual to 2022 Test Year**

	Actual	Actual	Actual	Actual	Actual	Bridge Year	Test Year
<b>Current Portion of LTD</b>	5,107,339	687,881	1,263,503	1,268,406	2,910,384	2,216,517	1,983,100
<b>Long-Term Debt</b>	9,473,625	13,489,537	13,560,085	13,004,883	12,436,931	11,852,761	11,252,742
<b>Total Debt</b>	14,580,964	14,177,418	14,823,588	14,273,289	15,347,315	14,069,278	13,235,842
<b>Inter-Company Long Term Debt</b>	5,782,746	5,782,746	5,782,746	5,782,746	5,782,746	5,782,746	5,782,746
<b>Contributed Capital</b>	70,721	70,721	70,721	70,721	70,721	70,721	70,721
<b>Retained Earnings</b>	3,196,710	3,933,520	4,242,131	5,366,616	6,129,310	6,836,203	7,256,168
<b>Total Shareholders Equity</b>	9,050,177	9,786,987	10,095,598	11,220,083	11,982,777	12,689,670	13,109,635
<b>Debt to Equity Ratio</b>	1.61	1.45	1.47	1.27	1.28	1.11	1.01

5 GPI understands that the OEB deemed capital structure is used for rate setting purposes  
 6 rather than actual structure.

7 The Table 5-3 – Overview of Capital Structure shows the elements of the capital  
 8 structure and cost of capital for the 2016 Board approved (EB-2015-0072) and 2022  
 9 Test Year respectively. These tables are also included in the Appendix 2-OA, submitted  
 10 to the Board electronically as part of the Application.

11 **Table 5-3**  
 12 **Overview of the Deemed Capital Structure**  
 13 **2016 Approved and 2022 Test Year**

Particulars	2016 Deemed Cost of Capital			2022 Deemed Cost of Capital		
	(%)	(%)	(\$)	(%)	(%)	(\$)
<b>Debt</b>						
Long-term Debt	56.00%	3.13%	\$430,325	56.00%	2.73%	\$443,509
Short-term Debt	4.00%	1.65%	\$16,221	4.00%	1.75%	\$20,277
<b>Deemd Interest</b>	60.0%	3.03%	\$446,546	60.0%	2.66%	\$463,786
<b>Equity</b>						
Common Equity	40.00%	9.19%	\$903,433	40.00%	8.34%	\$966,360
Preferred Shares						
<b>Deemd Equity</b>	40.0%	9.19%	\$903,433	40.0%	8.34%	\$966,360
<b>Total</b>	100.0%	5.49%	\$1,349,979	100.0%	4.94%	\$1,430,146

## 5.2 COST OF DEBT INSTRUMENTS

GPI has populated Appendix 2-OB of the filing requirements and has used a weighted average of its actual debt to determine its utility specific weighted average cost of capital. These tables are included in the Excel version of the 2022 Board Appendix 2-OB submitted to the Board electronically as part of this Application.

**Table 5-4**  
**OEB Appendix 2-OB**  
**2016 Approved and 2022 Test Year**  
*Year: 2016 (Board Approved)*

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
Promissory Note	Town of Grimsby	Affiliated	Fixed Rate	1-Apr-01	20	\$ 5,782,746	4.54%	\$262,537
Smart Meter/Capital Financing	TD Commercial Bank	Third-Party	Fixed Rate	31-Mar-11	15	\$ 1,117,728	3.34%	\$ 37,360
Truck Loan	TD Commercial Bank	Third-Party	Fixed Rate	4-Dec-12	15	\$ 247,618	3.52%	\$ 8,718
Capital Loan & Economic Evaluation	TD Commercial Bank	Third-Party	Fixed Rate	12-Dec-12	1	\$ 2,670,000	2.05%	\$ 54,735
Economic Evaluation	TD Commercial Bank	Third-Party	Fixed Rate	3-Nov-15	1	\$ 600,000	2.01%	\$ 12,060
NWTC Loan	TD Commercial Bank	Third-Party	Fixed Rate	1-Jan-04	21	\$ 4,408,000	2.00%	\$ 88,160
						\$ 14,826,091	3.13%	\$463,570

**Year: 2016 Actual**

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
Promissory Note	Town of Grimsby	Affiliated	Fixed Rate	1-Apr-01	20	\$ 5,782,746	5.01%	\$ 289,716
Capital Financing Loan 12-Smart Meters	TD Commercial Bank	Third-Party	Fixed Rate	20-Apr-12	15	\$ 1,117,728	3.19%	\$ 35,668
Capital Financing Loan 13-Truck	TD Commercial Bank	Third-Party	Fixed Rate	4-Dec-12	15	\$ 256,356	3.36%	\$ 8,613
Capital Financing Loan 03-Capital & Reside	TD Commercial Bank	Third-Party	Fixed Rate	12-Dec-12	1	\$ 2,670,000	2.16%	\$ 57,695
Capital Financing Loan 16-Residential Deve	TD Commercial Bank	Third-Party	Fixed Rate	3-Nov-15	1	\$ 600,000	2.07%	\$ 12,406
Capital Financing Loan 21-Swap Agreemen	TD Commercial Bank	Third-Party	Fixed Rate	1-Jan-04	21	\$ 3,724,440	6.12%	\$ 227,985
						\$ 14,151,269	4.47%	\$ 632,083

**Year: 2017 Actual**

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
Promissory Note	Town of Grimsby	Affiliated	Fixed Rate	1-Apr-01	20	\$ 5,782,746	4.54%	\$ 262,537
Capital Financing Loan 12-Smart Meters	TD Commercial Bank	Third-Party	Fixed Rate	20-Apr-12	15	\$ 1,018,465	2.11%	\$ 21,490
Capital Financing Loan 20-Capital & Reside	TD Commercial Bank	Third-Party	Fixed Rate	1-Feb-17	3	\$ 3,270,000	2.13%	\$ 69,651
Capital Financing Loan 21-Swap Agreemen	TD Commercial Bank	Third-Party	Fixed Rate	1-Feb-17	10	\$ 3,833,075	2.05%	\$ 78,578
						\$ 13,904,286	3.11%	\$ 432,255



**Year: 2018 Actual**

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
Promissory Note	Town of Grimsby	Affiliated	Fixed Rate	1-Apr-01	20	\$ 5,782,746	4.54%	\$ 262,537
Capital Financing Loan 12-Smart Meters	TD Commercial Bank	Third-Party	Fixed Rate	20-Apr-12	15	\$ 913,419	2.11%	\$ 19,273
Capital Financing Loan 20-Capital & Reside	TD Commercial Bank	Third-Party	Fixed Rate	1-Feb-17	3	\$ 3,270,000	2.13%	\$ 69,651
Capital Financing Loan 21-Swap Agreement	TD Commercial Bank	Third-Party	Fixed Rate	1-Feb-17	10	\$ 3,776,140	2.05%	\$ 77,411
Capital Financing Loan 22-Truck and Scada	TD Commercial Bank	Third-Party	Fixed Rate	1-Apr-18	15	\$ 633,344	3.06%	\$ 19,380
						\$ 14,375,648	3.12%	\$ 448,252

**Year: 2019 Actual**

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
Promissory Note	Town of Grimsby	Affiliated	Fixed Rate	1-Apr-01	20	\$ 5,782,746	4.54%	\$ 262,537
Capital Financing Loan 12-Smart Meters	TD Commercial Bank	Third-Party	Fixed Rate	20-Apr-12	15	\$ 805,005	2.11%	\$ 16,986
Capital Financing Loan 20-Capital & Reside	TD Commercial Bank	Third-Party	Fixed Rate	1-Feb-17	3	\$ 3,270,000	2.13%	\$ 69,651
Capital Financing Loan 21-Swap Agreement	TD Commercial Bank	Third-Party	Fixed Rate	1-Feb-17	10	\$ 3,373,757	2.05%	\$ 69,162
Capital Financing Loan 22-Truck and Scada	TD Commercial Bank	Third-Party	Fixed Rate	1-Apr-18	15	\$ 604,149	3.06%	\$ 18,487
						\$ 13,835,656	3.16%	\$ 436,822

**Year: 2020 Actual**

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
Promissory Note	Town of Grimsby	Affiliated	Fixed Rate	1-Apr-01	20	\$ 5,782,746	4.54%	\$ 262,537
Capital Financing Loan 12-Smart Meters	TD Commercial Bank	Third-Party	Fixed Rate	20-Apr-12	15	\$ 695,072	2.68%	\$ 18,628
Capital Financing Loan 20-Capital & Reside	TD Commercial Bank	Third-Party	Fixed Rate	1-Feb-17	3	\$ 3,270,000	2.58%	\$ 84,366
Capital Financing Loan 21-Swap Agreement	TD Commercial Bank	Third-Party	Fixed Rate	1-Feb-17	10	\$ 2,966,852	2.68%	\$ 79,512
Capital Financing Loan 22-Truck and Scada	TD Commercial Bank	Third-Party	Fixed Rate	1-Apr-18	15	\$ 568,163	2.68%	\$ 15,227
						\$ 13,282,834	3.47%	\$ 460,269

**Year: 2021 Bridge Year**

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
Promissory Note	Town of Grimsby	Affiliated	Fixed Rate	1-Apr-01	20	\$ 5,782,746	4.54%	\$ 262,537
Capital Financing Loan 12-Smart Meters	TD Commercial Bank	Third-Party	Fixed Rate	20-Apr-12	15	\$ 583,369	2.68%	\$ 15,634
Capital Financing Loan 20-Capital & Reside	TD Commercial Bank	Third-Party	Fixed Rate	1-Feb-17	3	\$ 3,270,000	2.58%	\$ 84,366
Capital Financing Loan 21-Swap Agreement	TD Commercial Bank	Third-Party	Fixed Rate	1-Feb-17	10	\$ 2,554,438	2.68%	\$ 68,459
Capital Financing Loan 22-Truck and Scada	TD Commercial Bank	Third-Party	Fixed Rate	1-Apr-18	15	\$ 530,703	2.68%	\$ 14,223
						\$ 12,721,256	3.50%	\$ 445,219

**Year: 2022 Test Year**

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
Promissory Note	Town of Grimsby	Affiliated	Fixed Rate	1-Apr-01	20	\$ 5,782,746	2.85%	\$ 164,808
Capital Financing Loan 12-Smart Meters	TD Commercial Bank	Third-Party	Fixed Rate	20-Apr-12	15	\$ 468,738	2.68%	\$ 12,562
Capital Financing Loan 20-Capital & Reside	TD Commercial Bank	Third-Party	Fixed Rate	1-Feb-17	3	\$ 3,270,000	2.58%	\$ 84,366
Capital Financing Loan 21-Swap Agreement	TD Commercial Bank	Third-Party	Fixed Rate	1-Feb-17	10	\$ 2,131,250	2.68%	\$ 57,117
Capital Financing Loan 22-Truck and Scada	TD Commercial Bank	Third-Party	Fixed Rate	1-Apr-18	15	\$ 492,112	2.68%	\$ 13,189
						\$ 12,144,846	2.73%	\$ 332,043

## 5.3 COST OF CAPITAL

The evidence summarizes the capital structure, method and cost of financing GPI's capital requirements for 2022.

### *Capital Structure*

For the 2022 Test Year, GPI confirms that it is using the OEB approved capital structure of 56% Long-term debt, 4% Short-term debt and 40% Equity - the parameters issued by the Board on November 9, 2020.

### *Return on Equity*

In its 2022 COS rate application, GPI has used a Return on Equity of 8.34% as issued by the Board on November 9, 2020 for its 2022 COS rate application. GPI recognizes that the ROE will be updated by Board guidelines and as such commits to updating the cost of capital parameters as new information is made available, prior to finalizing the Draft Rate Order.

### *Weighted Average Cost of Debt*

GPI proposes a weighted average cost of capital (WACC) of 4.90%, which is based on the calculations as set out in Table 5-5 below:



**Table 5-5**  
**Derivation of WACC**

Particulars	Cost Rate
	(%)
<b>Debt</b>	
Long-term Debt	2.73%
Short-term Debt	1.75%
<b>Total Debt</b>	2.61%
<b>Equity</b>	
Common Equity	8.34%
Preferred Shares	
<b>Total Equity</b>	8.34%
<b>Total WACC</b>	4.90%

#### **Long Term Debt**

GPI is requesting to recover the cost of long term-debt at a rate of 2.68% for the 2022 Test Year. This debt cost represents the weighted average cost of five separate debt instruments, comprised of a long- term debt for a promissory note and four separate loan agreements with TD Commercial Bank. These are described as follows:

##### **1. Promissory Note:**

GPI has a promissory note in the amount of \$5,782,746 with its municipal shareholder the Town of Grimsby, initially issued April 1, 2001. The Amended and Restated Promissory Note dated December 18, 2012 (as provided in EB-2015-0072, Exhibit 5 – Appendix A) was subsequently updated to reflect the OEB approved long-term Debt rate of 4.54%, for rates established in 2016. This new Amended and Restated Promissory Note dated January 1, 2017 had a due date of February 1, 2020. This due date has been extended to February 1, 2022. Currently, the actual interest rate on the promissory remains at 4.54%. The promissory note is classified as affiliate debt and is callable since it contains a condition that the principal shall be payable upon 12 months notice at any given time. A copy of the

1 Amended and Restated Promissory Note is provided as Exhibit 5, Tab 1, Attachment  
2 1.

3 For the portion of long-term debt that the promissory note represents, GPI is  
4 requesting to recover the cost of that debt at the current OEB approved long-term  
5 debt rate of 2.85%. It is understood that this rate will be updated to reflect the  
6 OEB issued long-term debt rate in place at the time of the Decision in this  
7 proceeding.

8 2. Loan #12:

9 On February 3, 2020, GPI renewed Loan #2 with a principal balance of \$731,890.  
10 This loan is for a five-year renewal term expiring February 1, 2025. Based upon  
11 the agreed upon amortization period, monthly blended principal and interest  
12 payments are calculated using the loan fixed rate of 2.68% per annum. In 2022,  
13 the remaining principal balance of this loan will be \$410,655. A copy of this loan  
14 renewal is provided as Exhibit 5, Tab 1, Attachment 2.

15 3. Loan #20: On February 3, 2020, GPI renewed Loan #20 with a principal balance  
16 of \$3,270,000. This loan is a non-amortizing loan, for a three-year renewal term  
17 expiring on February 1, 2023. The interest payments are calculated using a fixed  
18 rate of 2.58%. The credit facility in support of Loan #20 is provided in Exhibit  
19 5, Tab 1, Attachment 3.

20 4. Loan #21: On February 3, 2020, GPI renewed Loan #21 with a principal balance  
21 of \$3,102,553. This loan is for a five-year renewal term expiring February 1, 2025.  
22 Based upon the agreed upon amortization period, monthly blended principal and  
23 interest payments are calculated using the loan fixed rate of 2.68% per annum. In  
24 2022, the remaining principal balance of this loan will be \$1,916,823. A copy of this  
25 loan renewal is provided as Exhibit 5, Tab 1, Attachment 4.

26 5. Loan #22: On February 3, 2020 GPI renewed Loan #22 with a principal balance of  
27 \$580,801. This loan is for a five-year renewal term expiring February 1, 2025.  
28 Based upon the agreed upon amortization period, monthly blended principal and  
29 interest payments are calculated using the loan fixed rate of 2.68% per annum. In

2022, the remaining principal balance of this loan will be \$472,537. A copy of this loan renewal is provided as Exhibit 5, Tab 1, Attachment 5.

### ***Short Term Debt***

For the purposes of preparing this Application, GPI has used the cost of capital parameters issued by the Board on November 9, 2020 for 2021 COS rate applications, which reflect a deemed, short-term debt rate of 1.75%.

GPI will update the deemed short-term rate when the Board issues the updated cost of capital parameters, prior to the issuance of the Board's decision for this Application.

GPI has an Operating Line of Credit from TD Bank for \$4,250,000 at the Prime Rate.

### ***Profit or Loss on Redemption of Debt or Preferred Shares***

GPI is a for profit entity corporation and as such all requirements related to a non-profit organization do not apply.

There is no profit or loss on redemption of debt or preferred shares.

### ***Notional Debt***

Notional debt is the portion of deemed debt that results from differences between GPI's actual debt and deemed debt of 60% of rate base (56% long-term debt and 4% short-debt).

Notional debt can arise from a number of reasons such as the difference between actual capital assets and regulatory rate base due to the addition of formulaic working capital allowance.

Disparity from deemed capital structure is generally under the control of GPI as it may relate to the timing for debt financing for planned investments and the shareholder interest to reinvest retained earnings.



1 As of December 31, 2020 GPI's notional debt position is 56.16% Debt and 43.84%  
2 Equity. GPI is forecast to remain outside the deemed 60% Debt to 40% Equity position  
3 in 2021 Bridge Year and 2022 Test Year.

4 For the 2022 Test Year, the deemed amount of long-term debt is \$17,380,567 and the  
5 forecasted amount of long-term debt is \$12,144,846. Accordingly, GPI has positive  
6 notional debt of \$5,235,721.



Grimsby Power Inc.  
Filed: July 30, 2021  
EB-2021-0027  
Exhibit 5  
Tab 1  
Attachment 1

## **ATTACHMENT 1**

### **PROMISSORY NOTE**

December 1, 2020

## AMENDED AND RESTATED PROMISSORY NOTE

This is an Amendment date December 1, 2020 amending a certain Amended and Restated Promissory Note (the "Note") in the original principal amount of Five Million, Seven Hundred and Eighty-two Thousand, Seven Hundred and Forty-six Dollars and one cent (\$5,782,746.01) dated January 1, 2017, made by Grimsby Power Inc. (the "Corporation") and payable to the order of The Corporation of the Town of Grimsby (the "Town"). In consideration of the Town entering into the Amendment Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Note is hereby amended as follows:

"the Due Date of the Note shall be amended from February 1, 2021 to February 1, 2022, and each reference in the Note to Due Date shall refer to such Due Date as amended and extended hereby."

**GRIMSBY POWER INCORPORATED**

Per:



Remy Fernandes, MBA  
Chief Executive Officer



Grimsby Power Inc.  
Filed: July 30, 2021  
EB-2021-0027  
Exhibit 5  
Tab 1  
Attachment 2

## **ATTACHMENT 2**

**LOAN # 12**



31 Queen St  
St Catharines, Ontario  
L2R5G4

Telephone No.: (905)685-8455  
Fax No.: (905)685-8825

February 4, 2020

FEB 11 2020

Grimsby Power Incorporated  
231 Roberts Road  
Grimsby Ontario  
L3M 5N2

Attention: Mr. Remy Fernandes

Re: Rate and Payment Terms Notice  
Loan Number (the "Loan") 9206681-12 Transit 3520

This Notice is provided pursuant to the Letter Agreement signed by Grimsby Power Incorporated and The Toronto-Dominion Bank, through its 31 Queen Street Branch in St Catharines, Ontario.

The above noted Loan was renewed in the amount of \$731,890.39 on February 3, 2020 at a fixed rate of 2.680% per annum for a Rate Term expiring February 1, 2025.

Based on the agreed amortization period of 167 Months, monthly blended payments of principal and interest on the Loan are \$10,738.52 due on the 1st day of each successive month commencing on March 1, 2020. All amounts outstanding under the Loan are due and payable on or before the Contractual Term Maturity Date which is February 1, 2025.

Any questions with respect to this Rate and Payment Terms Notice should be directed to your TD Commercial Banking Account Manager.

Yours truly,

A handwritten signature in black ink, appearing to read 'Regine Leonardo'.

Regine Leonardo  
Commercial Funding Officer

Confidential





Grimsby Power Inc.  
Filed: July 30, 2021  
EB-2021-0027  
Exhibit 5  
Tab 1  
Attachment 3

## **ATTACHMENT 3**

### **CREDIT FACILITY IN SUPPORT OF LOAN # 20**



Niagara Commercial Banking Centre  
40 King Street  
St Catharines, Ontario  
L2R 3H4  
Telephone No.: (905) 685 7631  
Fax No.: (905) 685 7053

May 19, 2017

GRIMSBY POWER INCORPORATED  
231 Roberts Road  
Grimsby, ON  
L3M 5N2

Attention: Mr. Remy Fernandes, CEO

Dear Mr. Fernandes,

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

**BORROWER**

GRIMSBY POWER INCORPORATED (the "Borrower")

**LENDER**

**The Toronto-Dominion Bank** (the "Bank"), through its Niagara Commercial Banking Centre, in St Catharines, ON.

**CREDIT LIMIT**

- 1) CAD\$3,250,000
- 2) CAD\$964,845
- 3) CAD\$9,000,000 as reduced pursuant to the section headed "Repayment and Reduction of Amount of Credit Facility".

**TYPE OF CREDIT  
AND BORROWING  
OPTIONS**

- 1) **Operating Loan** available at the Borrower's option by way of:
  - Prime Rate Based Loans in CAD\$ ("Prime Based Loans")
- 2) **Letter of Credit ("L/C")**
- 3) **Committed Revolving Facility** available at the Borrower's option by way of:
  - Fixed Rate Term Loan in CAD\$
  - Floating Rate Term Loan available by way of:
    - Prime Rate Based Loans in CAD\$ ("Prime Based Loans")

**PURPOSE**

- 1) Finance working capital.
- 2) To satisfy IESO Prudential requirements.
- 3) Refinanced prior loans (9206681-20 and 9206681-21). Additional funds available to assist with financing capex.

**TENOR**

- 1) Uncommitted
- 2) Uncommitted until drawn
- 3) Committed

**CONTRACTUAL  
TERM**

- 3) **Fixed Rate Option:**  
Non-Amortizing Loan (Interest Only): Up to 36 months from the date of each drawdown.  
Amortizing Loan (Principal + Interest): Up to 60 months from the date of each drawdown.  
  
**Floating Rate Option:**  
Non-Amortizing Loan (Interest Only): Up to 12 months from the date of each drawdown.  
Amortizing Loan (Principal + Interest): Up to 12 months from the date of each drawdown.

**RATE TERM  
(FIXED RATE  
TERM LOAN)**

- 3) **Fixed Rate Option:**  
Non-Amortizing Loan (Interest Only): Up to 36 months from the date of each drawdown.  
Amortizing Loan (Principal + Interest): Up to 60 months from the date of each drawdown.
- 3) **Floating Rate Option:**  
Non-Amortizing Loan (Interest Only): Up to 12 months from the date of each drawdown.  
Amortizing Loan (Principal + Interest): Up to 12 months from the date of each drawdown.

### **AMORTIZATION**

- 3) 240 months from the date of each drawdown.

### **INTEREST RATES AND FEES**

Advances shall bear interest and fees as follows:

- 1) **Operating Loan:**
  - Prime Based Loans: Prime Rate + 0.000% per annum
- 2) **Letter of Credit**
  - L/C: 0.60% per annum
- 3) **Committed Revolving Facility:**
  - Fixed Rate Term Loans: as determined by the Bank, in its sole discretion, for the Rate Term
  - selected by the Borrower, and as set out in the Rate and Payment Terms Notice applicable to that Fixed Rate Term Loan.
  - Floating Rate Term Loans available by way of:
    - Prime Based Loans: Prime Rate + 0.500% per annum

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.

### **RENEWAL FEE**

CAD\$1,000 per annum.

### **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**

- | <b>Assigned<br/>Facilities</b> | <b>Description</b>   |
|--------------------------------|--|
| 1)                             | As required in multiples of \$10,000.  |
| 2)                             | Upon presentation by the beneficiary of full set of documents as conditioned in the Letter of Credit.  |
| 3)                             | Existing Loans: <ul style="list-style-type: none"><li>#9206681-12: current balance is \$1,028,528.27. Contractual Term Maturity is February 1, 2020. Amortization to April 1, 2026.</li><li>#9206681-20: current balance \$3,270,000. Contractual Term Maturity is February 1, 2020. Tranche is interest only until February 1, 2020.</li><li>#9206681-21: current balance is \$4,236,605.44. Contractual Term Maturity is February 1, 2020. Amortization to February 1, 2027.</li></ul> |



3) New Draws:

On a revolving basis as required.  
 Prime-based loans: minimum draws of \$300,000.  
 Fixed rate option: minimum draws of \$300,000.

Each drawdown under 3 will be a "tranche" and each tranche will bear its own interest rate and repayment terms as set out in the Rate and Payment Terms Notice delivered by the Bank to the Borrower in respect of that drawdown.

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.

**BUSINESS CREDIT  
SERVICE**

The Borrower will have access to the Operating Loan (Facility 1) via Loan Account Number 3520-9206681 (the "Loan Account") up to the Credit Limit of the Operating Loan by withdrawing funds from the Borrower's Current Account Number 3520-5206681 (the "Current Account"). The Borrower agrees that each advance from the Loan Account will be in an amount equal to \$10,000 (the "Transfer Amount") or a multiple thereof. If the Transfer Amount is NIL, the Borrower agrees that an advance from the Borrower's Loan Account may be in an amount sufficient to cover the debits made to the Current Account.

The Borrower agrees that:

- a) all other overdraft privileges which have governed the Borrower's Current Account are hereby cancelled.
- b) all outstanding overdraft amounts under any such other agreements are now included in indebtedness under this Agreement.

The Bank may, but is not required to, automatically advance the Transfer Amount or a multiple thereof or any other amount from the Loan Account to the Current Account in order to cover the debits made to the Current Account if the amount in the Current Account is insufficient to cover the debits. The Bank may, but is not required to, automatically and without notice apply the funds in the Current Account in amounts equal to the Transfer Amount or any multiple thereof or any other amount to repay the outstanding amount in the Loan Account.

**REPAYMENT AND  
REDUCTION OF  
AMOUNT OF CREDIT  
FACILITY**

Assigned Facilities	Description
1)	On demand. If the Bank demands repayment, the Borrower will pay to the Bank all amounts outstanding under the Operating Loan, including without limitation, the amount of all unmatured B/As and LIBOR Loans and the amount of all drawn and undrawn L/Gs and L/Cs. All costs to the Bank and all loss suffered by the Bank in re-employing the amounts so repaid will be paid by the Borrower.
2)	On demand. If the Bank demands repayment, the Borrower will pay to the Bank the amount of all drawn and undrawn L/C's.
3)	Existing Loans: #9206681-12: Fixed Rate at 2.11% with blended Principal + Interest payments of \$10,553.43. #9206681-20: Fixed rate, non-amortizing interest only at 2.13%. #9206681-21: Fixed Rate at 2.05% with blended Principal + Interest payments of \$39,668.46.
3)	New Draws: Prime-based loans: interest only or principal plus interest, with contractual term of 1 year. Fixed rate loans: blended monthly payments of P+I with contractual term up to 5 years, or non-amortizing interest only with contractual term up to 3 years.

## **PREPAYMENT**

<b>Assigned Facilities</b>	<b>Description</b>
--------------------------------	--------------------

- |    |   |
|----|---|
| 3) | Existing Loans:<br>#9206681-12: Fixed rate option, permitted in whole or in part at any time, subject to standard prepayment penalty.<br>#9206681-20: Fixed rate option, permitted in whole or in part at any time, subject to standard prepayment penalty.<br>#9206681-21: Fixed rate option, permitted in whole or in part at any time, subject to standard prepayment penalty. |
| 3) | New Draws:<br>Prime-based loans: no prepayment penalties apply.<br>Fixed rate loans: standard prepayment penalties apply.   |

## **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.

- a) General Security Agreement ("GSA") representing a First charge on all the Borrower's present and after acquired personal property.
- b) Assignment of Fire Insurance on inventory and equipment.
- c) Assignment of Liability Insurance.
- d) Postponement Agreement between TD Bank, Grimsby Power Incorporated and the Corporation of the Town of Grimsby.

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:

Delivery to the Bank of the following, all of which must be satisfactory to the Bank:

<b>Assigned Facilities</b>	<b>Description</b>
--------------------------------	--------------------

- |    |  |
|----|--|
| 1) | Executed Loan Agreement.                                       |
| 3) | Debt Service Coverage compliance pre-draw and post-draw basis. |



## **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:

<b>Assigned Facilities</b>	<b>Description</b>
All)	All existing indebtedness (beyond that permitted under Financial Covenants below), is held direct or indirect, secured or unsecured, with no acceleration rights by municipal shareholders and is bound by distribution restrictions outlined by Negative Covenants below.
All)	Comply with Affiliate Relationship Code (legislated by OEB).
All)	Comply with all applicable environmental regulations at all times.
All)	Comply with all contractual obligations and laws, including payment of taxes, at all times.
All)	Comply with all terms of all licenses and immediately advise the Bank if the OEB shall notify the Borrower of a default under a license or if the license is amended, cancelled, suspended or revoked. (Any of such occurrences will be an event of default.)
All)	File all OEB rate submissions as outlined in business plan.
All)	LDC to remain in the regulated business of electricity distribution and maintain all requisite licenses to do so.
All)	Maintain adequate liability insurance.
All)	Transfer pricing between affiliates to be in accordance with Affiliate Relationship Code and approved by the OEB, and no compliance orders from the OEB to exist under any OEB Code of Conduct.

### **Reporting Requirements:**

All)	Provide annual OEB rate submission and Service Quality Index (SQI), if applicable.
All)	Provide annually within 120 days of fiscal year end an updated 1 year budget for Grimsby Power Incorporated. The budget will include an income statement, and schedule of capital expenditures.
All)	Provide unaudited quarterly financial statements within 45 days of Q1, Q2 and Q3 (Q4 not required) for Grimsby Power Incorporated.
All)	Provide Audited annual financial statements within 120 days of fiscal year end for Grimsby Power Incorporated. To be accompanied by a Certificate of No Default, which details compliance calculations outlined under financial conditions.

## **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:

<b>Assigned Facilities</b>	<b>Description</b>
All)	Change its ownership/control without the Bank's prior written consent.
All)	Change its status as a Local Distribution Company.
All)	Make distributions beyond (EBITDA - Cash Taxes - Unfinanced Capex (net of contributed capital) - Interest Costs - Principal, if any), providing Debt Service Coverage Ratio test exceeds 1.20x and no other default has occurred
All)	Repay shareholder debt, beyond the permitted distributions outlined below, without the Bank's prior written consent.
All)	Undertake additional debt or guarantees without the Bank's prior written consent.
All)	Undertake further material outside investments, mergers, amalgamations or consolidations without the Bank's prior written consent.

## **PERMITTED LIENS**

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

<b>Assigned Facilities</b>	<b>Description</b>
All)	Purchase Money Security Interests, not to exceed at any time \$250,000.

## **FINANCIAL COVENANTS**

The Borrower agrees at all times to:

<b>Assigned Facilities</b>	<b>Description</b>
All)	<p>Borrower is to maintain a Minimum Debt Service Coverage Ratio of 1.20x, tested quarterly on a rolling 4 quarter basis. DSC is calculated as follows:</p> $\frac{\text{EBITDA}^* - \text{Cash Taxes} - 40\% \text{ of Capital Expenditures (net of contributed capital)}}{\text{Mandatory Principal payments} + \text{Interest}}$ <p>*EBITDA is defined as Earnings before Interest, Income Taxes, Depreciation and Amortization.</p>
All)	<p>Maintain a maximum Debt* to Capitalization** of 0.60:1.</p> <p>* Debt is defined as all interest bearing debt and non-interest bearing debt, including guarantees, not subordinated to these credit facilities, includes customer deposits long term and current portion.</p> <p>** Capitalization is defined as the sum of total Debt, Shareholders' equity, Contributed capital, and</p>



Preference share capital net of any Goodwill and other intangible assets such as deferred transition costs.

To be tested quarterly.

All) Maintain a Notional Debt Service Coverage of not less than 120% at all times.

To be tested annually.

The DSC is calculated as follows:

$$\frac{\text{EBITDA*} - \text{Cash Taxes (PILS)} - 40\% \text{ of Capex (net of contributed capital)}}{\text{Principal**} + \text{Interest}}$$

\*EBITDA is defined as Earnings before Interest, Income Taxes, Depreciation and Amortization.

\*\*Principal defined as non-amortizing term debt repaid notionally over 30 years.  
(ie. drawn non-amortizing term debt divided by 30) and mandatory principal payments on amortizing term debt.

#### **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:

<b>Assigned Facilities</b>	<b>Description</b>
--------------------------------	--------------------

- |      |  |
|------|--|
| All) | Any material adverse change in the legislation or regulation of the electrical distribution business in Ontario. |
| All) | Cross default with any other agreements for borrowed money entered into by borrower.                             |
| All) | Loss of OEB License.   |
| All) | Material judgments.  |

#### **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) TD Visa Business card (or cards).

#### **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.

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 **June 30, 2017**.

Yours truly,

**THE TORONTO-DOMINION BANK**



Peter Berridge  
Relationship Manager



David Fong  
Manager Commercial Credit

TO THE TORONTO-DOMINION BANK:

GRIMSBY POWER INCORPORATED hereby accepts the foregoing offer this 20 day of June, 2017. The Borrower confirms that, except as may be set out above, the credit facilities detailed herein shall not be used by or on behalf of any third party.

R. Fernandes  
Signature

REMY FERNANDES - CEO GPI  
Print Name & Position

M. Domokos  
Signature

MIOARA DOMOKOS - DIRECTOR OF FINANCE  
Print Name & Position

**cc. Guarantor(s)**

The Bank is providing the guarantor(s) with a copy of this letter as a courtesy only. The delivery of a copy of this letter does not create any obligation of the Bank to provide the guarantor(s) with notice of any changes to the credit facilities, including without limitation, changes to the terms and conditions, increases or decreases in the amount of the credit facilities, the establishment of new credit facilities or otherwise. The Bank may, or may not, at its option, provide the guarantor(s) with such information, provided that the Bank will provide such information upon the written request of the guarantor.



Grimsby Power Inc.  
Filed: July 30, 2021  
EB-2021-0027  
Exhibit 5  
Tab 1  
Attachment 4

## **ATTACHMENT 4**

**LOAN # 21**



31 Queen St  
St Catharines, ON  
L2R5G4

Telephone No.: (905)685-8455  
Fax No.: (905)685-8825

February 4, 2020

Grimsby Power Incorporated  
231 Roberts Rd  
Grimsby ON  
L3M 5N2

FEB 11 2020

Attention: Mr. Remy Fernandes

Re: Rate and Payment Terms Notice  
Loan Number (the "Loan") 9206681-21 Transit 3520

This Notice is provided pursuant to the Letter Agreement signed by Grimsby Power Incorporated and The Toronto-Dominion Bank, through its 31 Queen St Branch in St Catharines, ON.

The above noted Loan was renewed in the amount of \$3,102,553.13 on February 3, 2020 at a fixed rate of 2.680% per annum for a Rate Term expiring February 1, 2025.

Based on the agreed amortization period of 120 Months, monthly blended payments of principal and interest on the Loan are \$40,538.90 due on the 1st day of each successive month commencing on March 1, 2020. All amounts outstanding under the Loan are due and payable on or before the Contractual Term Maturity Date which is February 1, 2025.

Any questions with respect to this Rate and Payment Terms Notice should be directed to your TD Commercial Banking Account Manager.

Yours truly,

Winsome Smith  
Commercial Funding Specialist



Grimsby Power Inc.  
Filed: July 30, 2021  
EB-2021-0027  
Exhibit 5  
Tab 1  
Attachment 5

## **ATTACHMENT 5**

**LOAN # 22**



31 Queen St  
St Catharines, Ontario  
L2R5G4

Telephone No.: (905)685-8455  
Fax No.: (905)685-8825

FEB 11 2020

February 4, 2020

Grimsby Power Incorporated  
231 Roberts Road  
Grimsby Ontario  
L3M 5N2

Attention: Mr. Remy Fernandes

Re: Rate and Payment Terms Notice  
Loan Number (the "Loan") 9206681-22 Transit 3520

This Notice is provided pursuant to the Letter Agreement signed by Grimsby Power Incorporated and The Toronto-Dominion Bank, through its 31 Queen Street Branch in St Catharines, Ontario.

The above noted Loan was renewed in the amount of \$580,800.71 on February 3, 2020 at a fixed rate of 2.680% per annum for a Rate Term expiring February 1, 2025.

Based on the agreed amortization period of 180 Months, monthly blended payments of principal and interest on the Loan are \$4,365.55 due on the 1st day of each successive month commencing on March 1, 2020. All amounts outstanding under the Loan are due and payable on or before the Contractual Term Maturity Date which is February 1, 2025.

Any questions with respect to this Rate and Payment Terms Notice should be directed to your TD Commercial Banking Account Manager.

Yours truly,

A handwritten signature in black ink, appearing to read 'Regine Leonardo'.

Regine Leonardo  
Commercial Funding Officer

Confidential