

SYNERGY NORTH CORPORATION

EXHIBIT 5
COST OF CAPITAL



1 **TABLE OF CONTENTS**

2	5.1	Capital Structure	5
3	5.1.1	Overview	5
4	5.2	Cost of Capital	7
5	5.2.1	Exiting Rate Minimization	7
6	5.2.2	Cost of Debt: Long Term	7
7	5.2.3	Cost of Debt: Short Term	9
8	5.2.4	Preference Shares	9
9	5.2.5	Common Equity.....	9
10	5.2.6	Profit or Loss on Redemption of Debt or Preferred Shares	9
11	5.2.7	Historical Return on Equity	10
12	5.2.8	Notional Debt.....	10
13	5.2.9	Financing Strategy.....	10
14	5.2.10	Weighted Average Cost of Capital	11
15	5.3	Not for Profit Corporations.....	13

1 **TABLES**

2	Table 5-1: Cost of Capital	5
3	Table 5-2: Capital Structure and Cost of Capital (OEB Chapter 2 Appendix 2-OA)	6
4	Table 5-3: Historical Return on Equity	10
5	Table 5-4: Debt Instruments (OEB Chapter 2 Appendix 2-OB)	11

1 LIST OF ATTACHMENTS

- 2 5-A Municipal Promissory Note, COTB
- 3 5-B Promissory Note, KHEC
- 4 5-C City of Thunder Bay Rate Transaction Letter

5.1 CAPITAL STRUCTURE

5.1.1 OVERVIEW

This Exhibit summarizes the method and cost of financing capital requirements for the 2024 Test Year.

SNC 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 2023 Applications* dated October 20, 2022, for the cost of capital parameters.

TABLE 5-1: COST OF CAPITAL

Cost of Capital Parameter	Value for Applications for Rate Changes in 2023
ROE	9.36%
Deemed LT Debt Rate	4.88%
Deemed ST Debt Rate	4.79%

SNC will update the rates based on the Board issued the 2024 Cost of Capital parameters prior to the rate order being finalized in this proceeding.

SNC 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. Prior to December 1, 2023, the Shareholder operated under a Rate Minimization Model, whereby it did not receive any interest or principal payments on its debt. The Shareholder has now changed its philosophy requiring a \$10 million principal payment on its \$26.2 million shareholder loan and will require interest on the remaining portion of the debt. Both changes will be effective December 1, 2023. As per the Cost of Capital Report, the interest rate on the Shareholder debt will be limited to the Deemed LT Debt rate published in the most recent Cost of Capital Parameters. Since 2013, SNC's capital investment program has exceeded the internally generated funding and necessitated external financing to enable SNC to achieve the required capital infrastructure replacement. Although annual debt funding will be incurred for the foreseeable future, no significant debt/equity mix changes are expected.

Overall, SNC requests an interest expense of \$4,132,366 (4.32%) and a deemed return on equity of \$5,974,323 (9.36%) for a total regulated return on capital of \$10,106,689 (6.33%) for its 2024 Test Year.

Table 5-2 below is the rate base calculation consistent with Board Appendix 2-OA.

1 **TABLE 5-2: CAPITAL STRUCTURE AND COST OF CAPITAL (OEB CHAPTER 2 APPENDIX 2-OA)**

**Appendix 2-OA
Capital Structure and Cost of Capital**

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

Test Year: 2024

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$89,359,533	4.28%	\$3,826,628
2	Short-term Debt	4.00% (1)	\$6,382,824	4.79%	\$305,737
3	Total Debt	60.0%	\$95,742,356	4.32%	\$4,132,366
	Equity				
4	Common Equity	40.00%	\$63,828,238	9.36%	\$5,974,323
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$63,828,238	9.36%	\$5,974,323
7	Total	100.0%	\$159,570,594	6.33%	\$10,106,689

Notes
(1)

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

Last OEB-approved year: 2017

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$67,137,395	2.02%	\$1,357,965
2	Short-term Debt	4.00% (1)	\$4,795,528	1.82%	\$87,234
3	Total Debt	60.0%	\$71,932,923	2.01%	\$1,445,198
	Equity				
4	Common Equity	40.00%	\$47,955,282	8.85%	\$4,242,843
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$47,955,282	8.85%	\$4,242,843
7	Total	100.0%	\$119,888,205	4.74%	\$5,688,041

Notes
(1)

4.0% unless an applicant has proposed or been approved for a different amount.
2017 Board Approved Proxy has been computed based on (i) Former TBHEDI 2017 Board approved plus (ii) Former KHEC 2011 Board approved, adjusted for IRM factor between 2011-2017 on OM&A and Cost of Power. Average Fixed Assets based on 2011 Board Approved

5.2 COST OF CAPITAL

As required, SNC has included its Municipal Promissory Notes in Attachment 5-A.

5.2.1 EXITING RATE MINIMIZATION

The City of Thunder Bay has been operating on a Rate Minimization approach and, as a result, has been forgoing interest on its debt since the formation of Thunder Bay Hydro to the benefit of SNC's customers. In October 2021, The Corporation of the City of Thunder Bay approved a transition from a Rate Minimization model to a Rate of Return model by way of Resolution Attachment 5-C. Further, through this resolution, the City directed SNC to repay \$10 million in late 2023. As discussed below, SNC will borrow these funds to satisfy these requirements.

5.2.2 COST OF DEBT: LONG TERM

SNC uses a Return on Long Term Debt of 4.28% without prejudice to any revised Long Term Debt rate that the OEB may adopt in early 2024. This rate represents the weighted average cost of long-term debt.

As documented in the Distribution System Plan, SNC's investment in property, plant, and equipment for the next several years is anticipated to be in excess of the capital contributions, depreciation and net income reinvestment level. As such, financing is expected to be incurred annually.

SNC will require three additional loans after the date of this application to meet its financial requirements in 2024. SNC will need to borrow \$10,000,000 to fund a partial repayment of the Shareholder's debt (December 1, 2023), \$6,100,000 to cover 2023 capital asset additions on December 31, 2023, and an estimated \$7,956,000 on July 1, 2024. In addition, as discussed previously, effective December 1, 2023, SNC will now be required to pay interest on the remaining portion of the City of Thunder Bay Loan. SNC has used a rate of 4.98% on new loans and a rate of 4.88% on the City debt. The third-party debt rate represents the May 31, 2023, indicative lending rate provided by Infrastructure Ontario for a 30-year amortizing term loan. The related party rate is based on the OEB 2023 deemed long-term debt rate. SNC understands these rates are placeholder rates. Before final 2024 rates are approved, SNC expects to have the 2023 financing requirements in place. When final rates are determined, SNC proposes to use the 2024 rate published by the OEB for all related party debt.

Among the remaining debt, SNC has a promissory note payable to its minority shareholder, The City of Kenora. At the time of filing, there remains \$2,069,279 owing on the debt. The debt requires monthly

1 interest payments and an annual repayment of \$500,000. SNC has used the OEB deemed long-term
2 interest rate in this application. This promissory note and the City Resolution requiring annual payments
3 are attached as Attachment 5-B.

4 Details of SNC's remaining debt in which the utility used the actual long-term debt rate are included below.
5 Credit facility Agreement with TD Bank. This 15-year loan was originally for \$5,806,592 and had an interest
6 rate of 5.270%, payable monthly. This loan was originally for Thunder Bay Hydro's Smart meter project.
7 The loan matures in June of 2024.

8 Promissory Note with Infrastructure Ontario, this 30-year loan was originally for \$5,800,000. The loan is
9 repayable in semi-annual instalments of \$167,663, including interest at 4.04%. The loan matures in June
10 of 2043 and was used to fund Thunder Bay Hydro's capital asset additions.

11 Promissory Note with Infrastructure Ontario, this 30-year loan was originally for \$6,150,000. The loan is
12 repayable in semi-annual instalments of \$176,067, including interest at 3.96%. The loan matures in
13 October 2044 and was used to fund Thunder Bay Hydro's capital asset additions.

14 Promissory Note with Infrastructure Ontario, this 30-year loan was originally for \$4,000,000. The loan is
15 repayable in semi-annual instalments of \$111,616, including interest at 3.75%. The loan matures in March
16 2046 and was used to fund Thunder Bay Hydro's capital asset additions.

17 Promissory Note with Infrastructure Ontario, this 30-year loan was originally for \$7,306,000. The loan is
18 repayable in monthly instalments of \$32,319.77, including interest at 3.38%. The loan matures in July
19 2047 and was used to fund Thunder Bay Hydro's capital asset additions.

20 Promissory Note with Infrastructure Ontario, this 15-year loan was originally for \$1,500,000. The loan is
21 repayable in monthly instalments of \$8,333.33, plus interest at 2.87%. The loan matures in February 2027
22 and was used to fund Kenora Hydro's smart meter project.

23 Promissory Note with Infrastructure Ontario, this 30-year loan was originally for \$6,000,000. The loan is
24 repayable in monthly instalments of \$25,653.59, including interest at 3.11%. The loan matures in
25 December 2029 and funds SNC's capital asset additions.

26 Promissory Note with Infrastructure Ontario, this 30-year loan was originally for \$6,549,000. The loan is
27 repayable in monthly instalments of \$26,390.10, including interest at 2.65%. The loan matures in
28 November 2050 and funds SNC's capital asset additions.

Promissory Note with Infrastructure Ontario, this 30-year loan was originally for \$4,950,000. The loan is repayable in monthly instalments of \$25,080.93, including interest at 4.5%. The loan matures in May 2052 and funds SNC's capital asset additions.

Promissory Note with Infrastructure Ontario, this 30-year loan was originally for \$4,950,000. The loan is repayable in monthly instalments of \$25,257.71, including interest at 4.56%. The loan matures in December 2052 and funds SNC's capital asset additions.

Details of SNC's long-term debt instruments can be found in Table 5-4, consistent with Board Appendix 2-OB.

5.2.3 COST OF DEBT: SHORT TERM

SNC is requesting a return on Short Term Debt for the 2024 Test Year of 4.79% in accordance with the Cost of Capital Parameter Updates for 2023 Cost of Service Applications issued by the OEB on October 20, 2022. SNC understands that the OEB will be finalizing the return on Short Term Debt for 2024 rates based on the criteria set out in the OEB Report to the Board EB-2009-0084. SNC's use of a return on Short Term Debt of 4.79% is without prejudice to any revised Short Term Debt rate that the OEB may adopt for 2024.

5.2.4 PREFERENCE SHARES

SNC currently has no preferred shares in its equity structure and has no plans to issue any preferred shares in 2024 and beyond.

5.2.5 COMMON EQUITY

SNC is authorized to issue unlimited Common Shares, Class S Shares, Class A Special Shares and Class B Special Shares. As of December 31, 2022, 109,506 common shares and 1,000 Class A common shares were issued and fully paid. The 1,000 shares represent the equity investment of the renewable generation (solar PV) business activity. SNC requests a return on equity ("ROE") for the 2024 Test Year of 9.36%. SNC's use of a Return on Equity of 9.36% is without prejudice to any revised Return on Equity rate that the OEB may adopt for 2024.

5.2.6 PROFIT OR LOSS ON REDEMPTION OF DEBT OR PREFERRED SHARES

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

5.2.7 HISTORICAL RETURN ON EQUITY

SNC's historical deemed and achieved return on equity ("ROE") is presented in Table 5-3.

TABLE 5-3: HISTORICAL RETURN ON EQUITY

Performance Year	Utility	Profitability: Regulatory Return on Equity - Deemed	Profitability Regulatory Return on Equity- Achieved
2017	TBHEDI	8.78%	3.25%
2017	KHEC	9.58%	0.25%
2018	TBHEDI	8.78%	8.93%
2018	KHEC	9.58%	-1.30%
2019	SNC	8.85%	9.71%
2020	SNC	8.85%	7.98%
2021	SNC	8.85%	7.82%
2022	SNC	8.85%	3.82%

SNC's growth in rate base since its last decision and the necessary increase in forestry spending has resulted in actual results that continue to deviate from the expected return.

5.2.8 NOTIONAL DEBT

SNC's deemed debt is \$95,742,356, and the actual debt is \$78,632,167 for a positive Notional Debt of \$17,110,189. SNC has applied the weighted average cost versus the current deemed long-term debt rate issued by the OEB on its Notional Debt for purposes of this application. Before 2023, SNC operated under a Rate Minimization Model, which allowed the organization to reinvest its retained earnings, resulting in a positive notional debt.

5.2.9 FINANCING STRATEGY

SNC attempts to finance between 50-55% of its capital additions on an annual basis. The corporation attempts to align the length of its debt with the useful life of the assets acquired. This strategy usually results in 30-year terms. SNC's existing debt is below the OEB capital structure because of the City of Thunder Bay's historic rate minimization philosophy, which allowed the utility to reinvest its net income, reducing the requirements to take out debt. The impact of this strategy will decrease annually as assets acquired during this philosophy become fully depreciated.

5.2.10 WEIGHTED AVERAGE COST OF CAPITAL

SNC is applying for a Long-Term Debt cost rate for the 2024 Test Year of 4.28% which is the weighted average of SNC's existing and forecasted debt instruments as outlined in Table 5-4 below, consistent with Board Appendix 2-OB Debt Instruments.

TABLE 5-4: DEBT INSTRUMENTS (OEB CHAPTER 2 APPENDIX 2-OB)

Year 2017										
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	Non interest bearing Promissory Note	City of Thunder Bay	Affiliated		9-Apr-13	on demand	\$ 26,490,500	0.00%	\$ -	As per the City of Thunder Bay's rate minimization approach
2	Credit Facility Agreement	TD Commercial Bank	Third-Party	Fixed Rate	4-Jul-09	15	\$ 4,582,008	5.27%	\$ 241,471.84	Average principal, actual interest rate, actual interest paid
3	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	17-Jun-13	30	\$ 5,395,273	4.04%	\$ 217,969.01	Average principal, actual interest rate, actual interest paid
4	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Oct-14	30	\$ 5,896,911	3.96%	\$ 233,517.68	Average principal, actual interest rate, actual interest paid
5	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Mar-16	30	\$ 3,944,733	3.75%	\$ 147,927.49	Average principal, actual interest rate, actual interest paid
6	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	4-Jul-17	30	\$ 3,034,355	3.38%	\$ 102,561.19	Average principal, actual interest rate, actual interest paid
7	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-May-15	15	\$ 1,295,777	2.87%	\$ 37,188.79	Average principal, actual interest rate, actual interest paid
8	Interest bearing Promissory Note	City of Kenora	Affiliated	Variable Rate	26-Jan-18		\$ 3,069,279	2.90%	\$ 89,009.09	Average principal, actual interest rate, actual interest paid
Total							\$ 53,708,835	1.99%	\$ 1,069,645.09	

Year 2018										
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	Non interest bearing Promissory Note	City of Thunder Bay	Affiliated		9-Apr-13	on demand	\$ 26,490,500	0.00%	\$ -	As per the City of Thunder Bay's rate minimization approach
2	Credit Facility Agreement	TD Commercial Bank	Third-Party	Fixed Rate	4-Jul-09	15	\$ 4,037,523	5.27%	\$ 212,777.48	Average principal, actual interest rate, actual interest paid
3	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	17-Jun-13	30	\$ 5,276,730	4.04%	\$ 213,179.89	Average principal, actual interest rate, actual interest paid
4	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Oct-14	30	\$ 5,777,120	3.96%	\$ 228,773.95	Average principal, actual interest rate, actual interest paid
5	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Mar-16	30	\$ 3,868,723	3.75%	\$ 145,077.11	Average principal, actual interest rate, actual interest paid
6	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	4-Jul-17	30	\$ 7,180,852	3.38%	\$ 242,712.81	Average principal, actual interest rate, actual interest paid
7	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-May-15	15	\$ 1,195,777	2.87%	\$ 34,318.79	Average principal, actual interest rate, actual interest paid
8	Interest bearing Promissory Note	City of Kenora	Affiliated	Variable Rate	26-Jan-18		\$ 3,069,279	3.60%	\$ 110,494.04	Average td prime rate for the year
Total							\$ 56,896,504	2.09%	\$ 1,187,334.07	

Year 2019										
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	Non interest bearing Promissory Note	City of Thunder Bay	Affiliated		9-Apr-13	on demand	\$ 26,490,500	0.00%	\$ -	As per the City of Thunder Bay's rate minimization approach
2	Credit Facility Agreement	TD Commercial Bank	Third-Party	Fixed Rate	4-Jul-09	15	\$ 3,463,634	5.27%	\$ 182,533.50	Average principal, actual interest rate, actual interest paid
3	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	17-Jun-13	30	\$ 5,153,350	4.04%	\$ 208,195.34	Average principal, actual interest rate, actual interest paid
4	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Oct-14	30	\$ 5,652,538	3.96%	\$ 223,840.50	Average principal, actual interest rate, actual interest paid
5	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Mar-16	30	\$ 3,789,836	3.75%	\$ 142,118.85	Average principal, actual interest rate, actual interest paid
6	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	4-Jul-17	30	\$ 7,033,458	3.38%	\$ 237,730.88	Average principal, actual interest rate, actual interest paid
7	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-May-15	15	\$ 1,095,776	2.87%	\$ 31,448.77	Average principal, actual interest rate, actual interest paid
8	Interest bearing Promissory Note	City of Kenora	Affiliated	Variable Rate	26-Jan-18	on demand	\$ 3,069,279	3.95%	\$ 121,236.51	Average td prime rate for the year
9	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	16-Dec-19	30	\$ -	3.11%	\$ -	
Total							\$ 55,748,370	2.06%	\$ 1,147,104.35	

Year 2020										
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	Non interest bearing Promissory Note	City of Thunder Bay	Affiliated		9-Apr-13	on demand	\$ 26,490,500	0.00%	\$ -	As per the City of Thunder Bay's rate minimization approach
2	Credit Facility Agreement	TD Commercial Bank	Third-Party	Fixed Rate	4-Jul-09	15	\$ 2,858,751	5.27%	\$ 150,656.18	Average principal, actual interest rate, actual interest paid
3	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	17-Jun-13	30	\$ 5,024,935	4.04%	\$ 203,007.37	Average principal, actual interest rate, actual interest paid
4	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Oct-14	30	\$ 5,522,974	3.96%	\$ 218,709.76	Average principal, actual interest rate, actual interest paid
5	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Mar-16	30	\$ 3,707,963	3.75%	\$ 139,048.60	Average principal, actual interest rate, actual interest paid
6	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	4-Jul-17	30	\$ 6,881,005	3.38%	\$ 232,577.97	Average principal, actual interest rate, actual interest paid
7	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-May-15	15	\$ 998,585	2.87%	\$ 28,659.38	Average principal, actual interest rate, actual interest paid
8	Interest bearing Promissory Note	City of Kenora	Affiliated	Variable Rate	26-Jan-18	on demand	\$ 3,069,279	2.76%	\$ 84,798.04	Average td prime rate for the year
9	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	16-Dec-19	30	\$ 5,943,947	3.11%	\$ 184,856.76	Average principal, actual interest rate, actual interest paid
10	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	16-Nov-20	30	\$ 545,750	2.65%	\$ 14,462.37	Average principal, actual interest rate, actual interest paid
Total							\$ 61,043,688	2.06%	\$ 1,256,776.43	

Year 2021

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	Non interest bearing Promissory Note	City of Thunder Bay	Affiliated		9-Apr-13	on demand	\$ 26,490,500	0.00%	\$ -	As per the City of Thunder Bay's rate minimization approach
2	Credit Facility Agreement	TD Commercial Bank	Third-Party	Fixed Rate	4-Jul-09	15	\$ 2,221,201	5.27%	\$ 117,057.28	Average principal, actual interest rate, actual interest paid
3	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	17-Jun-13	30	\$ 4,891,279	4.04%	\$ 197,607.69	Average principal, actual interest rate, actual interest paid
4	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Oct-14	30	\$ 5,388,228	3.96%	\$ 213,373.83	Average principal, actual interest rate, actual interest paid
5	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Mar-16	30	\$ 3,622,990	3.75%	\$ 135,862.14	Average principal, actual interest rate, actual interest paid
6	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	4-Jul-17	30	\$ 6,723,317	3.38%	\$ 227,248.13	Average principal, actual interest rate, actual interest paid
7	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-May-15	15	\$ 895,777	2.87%	\$ 25,708.79	Average principal, actual interest rate, actual interest paid
8	Interest bearing Promissory Note	City of Kenora	Affiliated	Variable Rate	26-Jan-18	on demand	\$ 3,069,279	2.45%	\$ 75,197.33	Average td prime rate for the year
9	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	16-Dec-19	30	\$ 5,819,193	3.11%	\$ 180,976.91	Average principal, actual interest rate, actual interest paid
10	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	16-Nov-20	30	\$ 6,470,839	2.65%	\$ 171,477.23	Average principal, actual interest rate, actual interest paid
Total							\$ 65,592,604	2.05%	\$ 1,344,509.33	

Year 2022

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	Non interest bearing Promissory Note	City of Thunder Bay	Affiliated		9-Apr-13	on demand	\$ 26,490,500	0.00%	\$ -	As per the City of Thunder Bay's rate minimization approach
2	Credit Facility Agreement	TD Commercial Bank	Third-Party	Fixed Rate	4-Jul-09	15	\$ 1,549,220	5.27%	\$ 81,643.90	Average principal, actual interest rate, actual interest paid
3	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	17-Jun-13	30	\$ 4,752,170	4.04%	\$ 191,987.67	Average principal, actual interest rate, actual interest paid
4	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Oct-14	30	\$ 5,248,094	3.96%	\$ 207,824.51	Average principal, actual interest rate, actual interest paid
5	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Mar-16	30	\$ 3,534,802	3.75%	\$ 132,555.08	Average principal, actual interest rate, actual interest paid
6	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	4-Jul-17	30	\$ 6,560,217	3.38%	\$ 221,735.34	Average principal, actual interest rate, actual interest paid
7	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-May-15	15	\$ 795,777	2.87%	\$ 22,838.80	Average principal, actual interest rate, actual interest paid
8	Interest bearing Promissory Note	City of Kenora	Affiliated	Variable Rate	26-Jan-18	6	\$ 3,069,279	4.01%	\$ 123,078.08	Loan called in May 2022 agreement in place for a 6 year repayment term
9	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	16-Dec-19	30	\$ 5,690,503	3.11%	\$ 176,974.65	Average principal, actual interest rate, actual interest paid
10	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	16-Nov-20	30	\$ 6,323,858	2.65%	\$ 167,582.24	Average principal, actual interest rate, actual interest paid
11	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	6-May-22	30	\$ 2,876,021	4.50%	\$ 129,420.95	Average principal, actual interest rate, actual interest paid
12	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	22-Dec-15	30	\$ 216,986	4.56%	\$ 9,894.58	Loan taken at the end of the year, average principle based on accrued interest
Total							\$ 67,107,428	2.18%	\$ 1,465,535.80	

Year 2023

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	Interest bearing Promissory Note	City of Thunder Bay	Affiliated		1-Dec-23	on demand	\$ 16,490,500	4.88%	\$ 67,061.37	Changed to interest bearing Dec 1, 2023
2	Credit Facility Agreement	TD Commercial Bank	Third-Party	Fixed Rate	4-Jul-09	15	\$ 840,949	5.27%	\$ 44,318.03	Average principal, actual interest rate, actual interest paid
3	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	17-Jun-13	30	\$ 4,607,384	4.04%	\$ 186,138.30	Average principal, actual interest rate, actual interest paid
4	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Oct-14	30	\$ 5,102,355	3.96%	\$ 202,053.26	Average principal, actual interest rate, actual interest paid
5	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Mar-16	30	\$ 3,443,275	3.75%	\$ 129,127.83	Average principal, actual interest rate, actual interest paid
6	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	4-Jul-17	30	\$ 6,391,518	3.38%	\$ 216,033.30	Average principal, actual interest rate, actual interest paid
7	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-May-15	15	\$ 695,776	2.87%	\$ 19,968.77	Average principal, actual interest rate, actual interest paid
8	Interest bearing Promissory Note	City of Kenora	Affiliated	Variable Rate	26-Jan-18	6	\$ 2,569,279	5.45%	\$ 140,025.70	Average principal, actual interest rate, actual interest paid
9	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	16-Dec-19	30	\$ 5,557,752	3.11%	\$ 172,846.10	Average principal, actual interest rate, actual interest paid
10	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	16-Nov-20	30	\$ 6,172,935	2.65%	\$ 163,582.78	Average principal, actual interest rate, actual interest paid
11	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	6-May-22	30	\$ 4,866,587	4.50%	\$ 218,996.43	Average principal, actual interest rate, actual interest paid
12	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	22-Dec-15	30	\$ 4,914,084	4.56%	\$ 224,082.25	Average principal, actual interest rate, actual interest paid
13	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	31-Dec-23	30	\$ 16,712	4.98%	\$ 832.27	Loan taken at the end of the year, average principle based on accrued interest
14	Promissory Note	unknown	Third-Party	Fixed Rate	1-Dec-23	30	\$ 849,315	4.98%	\$ 42,295.89	Loan taken at the end of the year, average principle based on accrued interest
Total							\$ 62,518,423	2.92%	\$ 1,827,357.28	

Year 2024

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	Interest bearing Promissory Note	City of Thunder Bay	Affiliated		1-Dec-23	on demand	\$ 16,490,500	4.88%	\$ 804,736.40	Deemed rate as related party.
2	Credit Facility Agreement	TD Commercial Bank	Third-Party	Fixed Rate	4-Jul-09	15	\$ 148,343	5.27%	\$ 7,817.70	Average principal, actual interest rate, actual interest paid
3	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	17-Jun-13	30	\$ 4,456,689	4.04%	\$ 180,050.23	Average principal, actual interest rate, actual interest paid
4	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Oct-14	30	\$ 4,950,788	3.96%	\$ 196,051.19	Average principal, actual interest rate, actual interest paid
5	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-Mar-16	30	\$ 3,348,284	3.75%	\$ 125,560.66	Average principal, actual interest rate, actual interest paid
6	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	4-Jul-17	30	\$ 6,217,027	3.38%	\$ 210,135.50	Average principal, actual interest rate, actual interest paid
7	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	15-May-15	15	\$ 597,489	2.87%	\$ 17,147.94	Average principal, actual interest rate, actual interest paid
8	Interest bearing Promissory Note	City of Kenora	Affiliated	Variable Rate	26-Jan-18	6	\$ 2,069,279	4.88%	\$ 100,980.81	Deemed rate as related party.
9	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	16-Dec-19	30	\$ 5,420,815	3.11%	\$ 168,587.34	Average principal, actual interest rate, actual interest paid
10	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	16-Nov-20	30	\$ 6,017,962	2.65%	\$ 159,476.00	Average principal, actual interest rate, actual interest paid
11	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	6-May-22	30	\$ 4,782,901	4.50%	\$ 215,230.53	Average principal, actual interest rate, actual interest paid
12	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	22-Dec-15	30	\$ 4,833,402	4.56%	\$ 220,403.13	Average principal, actual interest rate, actual interest paid
13	Promissory Note	Infrastructure Ontario	Third-Party	Fixed Rate	31-Dec-23	30	\$ 6,058,974	4.98%	\$ 301,736.89	Average principal, actual interest rate, actual interest paid
14	Promissory Note	unknown	Third-Party	Fixed Rate	1-Dec-23	30	\$ 9,932,744	4.98%	\$ 494,650.64	Average principal, actual interest rate, actual interest paid
15	Promissory Note	unknown	Third-Party	Fixed Rate	1-Jul-24	30	\$ 3,306,971	4.98%	\$ 164,687.15	Average principal, actual interest rate, actual interest paid
Total							\$ 78,632,167	4.28%	\$ 3,367,252.11	

1 **5.3 NOT FOR PROFIT CORPORATIONS**

- 2 This filing requirement is not applicable as SNC is a for profit corporation.

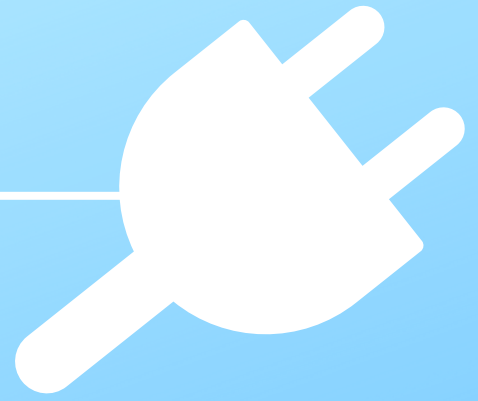


EXHIBIT 5

ATTACHMENT 5 - A

MUNICIPAL PROMISSORY NOTE, COTB

DEMAND PROMISSORY NOTE

CDN \$26,490,500.00

Thunder Bay, Ontario
Note Date: April 9, 2013

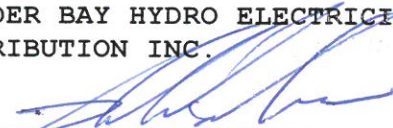
FOR VALUE RECEIVED, the undersigned, THUNDER BAY HYDRO ELECTRICITY DISTRIBUTION INC., a corporation existing under the laws of the Province of Ontario, (the "**Promisor**"), hereby promises to pay to or to the order of THE CORPORATION OF THE CITY OF THUNDER BAY (the "**Holder**") the principal amount of TWENTY-SIX MILLION, FOUR HUNDRED AND NINETY THOUSAND, FIVE HUNDRED DOLLARS (CDN \$26,490,500.00) (the "**Principal Amount**") in lawful money of Canada on the following terms:


1. The Promisor shall repay the Principal Amount to the holder on demand.
2. The Promisor shall not pay any interest to the Holder in connection with the Principal Amount hereunder.
3. The Promisor shall have the right to prepay at any time the Principal Amount, in whole or in part, without notice, bonus or penalty.
4. The Promisor hereby waives diligence, presentment, demand, protest, notice of any kind whatsoever and any other condition precedent to action against the Promisor for the repayment of this Promissory Note.
5. If the Promisor is required by law to make any deduction or withholding from any payment hereunder, it shall do so and the amount due from the Promisor in respect of such payment shall be increased to the extent necessary to ensure that, after making such deduction or withholding, the Holder receives a net amount equal to the amount it would have received had no deduction or withholding been required to be made. The Promisor shall promptly notify the holder if at any time either Promisor is required by law to make any such deduction or withholding.
6. No change, modification, alteration or rescission of any terms of this Promissory Note shall be binding on the Holder or the Promissory unless made in writing and signed by both of them.
7. This Promissory Note shall be binding upon and enure to the benefit of the Promisor and the Holder and their respective successors and permitted assigns. This Promissory Note and the rights and obligations hereunder may not be assigned by the Promisor except with the written consent of the Holder.

8. This Promissory Note shall be governed by and construed in accordance with the laws of the Province of Ontario.

IN WITNESS WHEREOF the Promisor has caused this Promissory Note to be executed on the date noted above.

THUNDER BAY HYDRO ELECTRICITY
DISTRIBUTION INC.

Per: 
Name: Robert Mace
Title: President

Per: 
Name: Cindy Speziale
Title: Vice-President Finance

We have authority to bind the Corporation

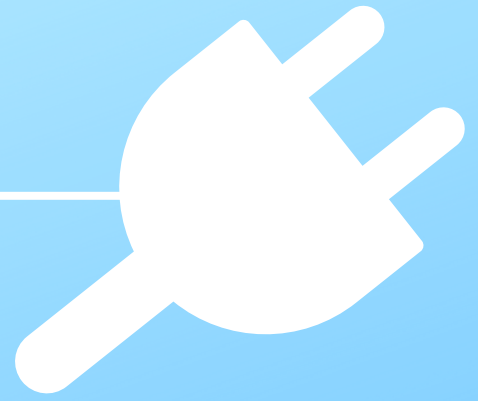


EXHIBIT 5

ATTACHMENT 5 - B

KHEC DEBENTURE

DEBENTURE

\$3,069,278.86

PAYABLE ON DEMAND

FOR VALUE RECEIVED the undersigned hereby promises to pay on demand to or to the order of **THE CORPORATION OF THE CITY OF KENORA** (the "**Holder**"), the principal amount (the "**Principal Amount**") of Three Million, Sixty-Nine Thousand, Two Hundred and Seventy-Eight Dollars and Eight-Six Cents (\$3,069,278.86) in lawful money of Canada, together with interest calculated and payable monthly in arrears on the last day of each month, with interest on overdue interest, equal to:

- (a) until the date (the "**Changeover Date**") which is the later of (i) the date of amalgamation of the undersigned and Thunder Bay Hydro Electricity Distribution Inc., and (ii) the date of completion of the first cost of service application before the Ontario Energy Board ("**OEB**") to be completed by the successor entity resulting from such amalgamation, the Prime Rate in effect on the last day of each month until paid, where the "**Prime Rate**" means the floating annual rate of interest established from time to time by TD Canada Trust as the base rate it will use to determine rates of interest on Canadian dollar loans to its customers in Canada and designated as its prime rate; and
- (b) after the Changeover Date, the current deemed long-term interest rate prescribed by the OEB in its most recent cost of capital parameter update, provided that the Holder may elect, in its sole and absolute discretion, that such interest not accrue or be paid at that time.

An election made by the Holder as aforesaid shall be reversible, and for greater clarity, if such an election is made, then the Holder may further elect at any time that interest shall begin to accrue and be paid on such debt at the current deemed long-term interest rate prescribed by the OEB in its most recent cost of capital parameter update. If the Holder so further elects, then interest shall only begin to accrue and be paid as of the date of such further election, and for greater clarity, no interest shall be deemed to have accrued during the time period after the initial election and before such further election.

The undersigned may not repay any portion of the Principal Amount at any time or times prior to demand without the prior written consent of the Holder.

The undersigned hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, default or enforcement hereof. This Debenture shall be binding upon the undersigned and upon its successors and assigns and shall enure to the benefit of the Holder and its successors and assigns.

The Debenture shall be governed by the laws of the Province of Ontario and the applicable laws of Canada.

Dated at Kenora this 26th day of January, 2018.

**KENORA HYDRO ELECTRIC
CORPORATION LTD.**

By: 

Name: DAVID SINCLAIR
Title: PRESIDENT & CEO

By: 

Name: Keren Brown
Title: Secretary

The Corporation of the City of Kenora Council Resolution



Resolution No. 8

Moved by Mark Smith

Seconded by Adrian Fournier

April 19, 2022

That Council of the City of Kenora hereby authorizes the execution of a subordination and postponement agreement between the City of Kenora, Ontario Infrastructure and Lands Corporation and Synergy North Corporation; and further

That in relation to the outstanding Note Payable of \$3,069,279.00, Synergy North be directed to make a principal payment of \$500,000.00 each year starting in 2022 until the full balance is paid in 2027; and further

That Administration secure a written commitment from Synergy North in the form of a letter of understanding committing to the repayment plan to Kenora for the existing debenture; and further

That the Mayor and CAO be hereby authorized to execute these agreements; and further

That the appropriate by-law be passed for this purpose.

Defeated Carried ✓

Mayor
or A/Mayor

Recorded Vote	AYE	NAY	Dec. of Interest	Absent
Councillor Chaze				✓
Councillor Goss				
Councillor McMillan				
Councillor Poirier				
Councillor Smith				
Councillor Van Wallegghem				
Mayor Reynard				

DISTRIBUTION: _____

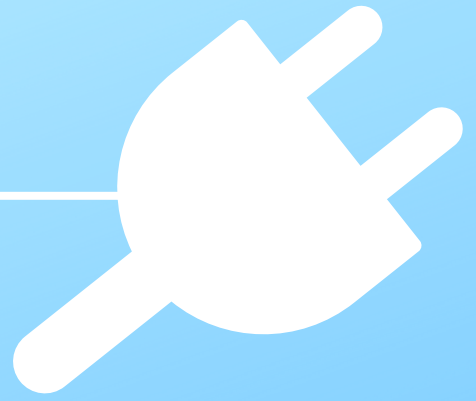


EXHIBIT 5

ATTACHMENT 5 - C

CITY OF THUNDER BAY RATE
TRANSACTION LETTER



CITY MANAGER'S OFFICE
2nd Floor, City Hall
500 Donald Street East
Thunder Bay, ON P7E 5V3

CITY MANAGER'S OFFICE

Tel: (807) 625-2224
Fax: (807) 623-1164

August 15, 2023

via email

Tim Wilson
President & CEO
Synergy North Corporation
34 Cumberland Street North
Thunder Bay, ON P7A 4L4

Dear Mr. Wilson:

Re: Transition from a Rate Minimization Model to a Rate of Return Model

On October 18, 2021, the Corporation of the City of Thunder Bay (the "**City**") Council approved a resolution to transition Synergy North Corporation ("**Synergy North**") from the previous "Rate Minimization Model" to a traditional "Rate of Return Model". Such transition, would, *inter alia*, entail the commencement of interest payments under the promissory note (the "**Promissory Note**") amended as of April 9, 2013 in the principal amount of \$26,490,500 issued by Synergy North and held by the City. Such interest payments would be made at the OEB's 2024 deemed long-term debt rate, as issued by the OEB from time to time.

In addition, the City, in accordance with its rights to repayment of principal pursuant to section 1 of the Promissory Note, intends to demand a principal payment in the amount of \$10,000,000 during the 2023 calendar year. We understand that Synergy North intends to make this payment by refinancing this amount.

This letter is not intended to waive or amend any rights or obligations as between Synergy North, the City, any subsidiary of the City or the other shareholder of Synergy North.

Please contact the undersigned with any questions by email at norm.gale@thunderbay.ca or by phone at 807-625-2224.

Yours truly,

Norm Gale, City Manager
City of Thunder Bay

53962371.5