

## EXHIBIT 5 – COST OF CAPITAL AND CAPITAL STRUCTURE

2024 Cost of Service

Orangeville Hydro Limited

EB-2023-0045

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## 5.0 COST OF CAPITAL AND CAPITAL STRUCTURE

In this exhibit, Orangeville Hydro Limited (“OHL”) presents evidence regarding capital structure, debt financing and the calculation of its return on Equity for the 2024 Test Year.

### 5.1 CAPITAL STRUCTURE

#### 5.1.1 PARAMETERS USED

OHL seeks to recover a weighted average cost of capital of 6.48% through rates in the 2024 Test Year. OHL has followed the “Report of the Board on Cost of Capital for Ontario’s Regulated Utilities” (December 11, 2009), as well as the “Review of the Existing Methodology of the Cost of Capital for Ontario’s Regulated Utilities” (January 14, 2016) in determining the applicable cost of capital.

**Table 5-1 - Overview of Capital Structure**

Description	% of Rate Base	Rate of Return
Long Term Debt	56.00%	4.54%
Unfunded Short Term Debt	4.00%	4.79%
<b>Total Debt</b>	<b>60.00%</b>	
Common Share Equity	40.00%	9.36%
Total equity	40.00%	
<b>Total Rate Base</b>	<b>100.00%</b>	<b>6.48%</b>

In calculating the applicable cost of capital, OHL has used:

- The OEB’s deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity.
- The most recent published allowed return on equity (ROE) rate of 9.36%, short term debt rate of 4.79% as per the OEB’s prescribed Cost of Capital Parameters published for 2023 Cost of Service applications.
- A long-term debt rate of 4.54% based on existing third-party debt. Further explanation of this calculation is provided in section 5.2 Cost of Capital.

OHL is not proposing any deviations from the previously approved deemed capital structure of 40% equity, 56% long-term debt, and 4% short-term debt.

OHL acknowledges that the OEB will update the ROE for 2024 at a later date and it will update this Application to reflect the OEB’s updated Cost of Capital Parameters for 2024 applications and as new information is issued, to the extent that updated information is applicable to the application.

### 5.1.2 COMPLETED APPENDIX 2-OA

Table 5-2 is OEB Appendix 2-OA which summarizes OHL’s proposed capital structure for the 2024 Test Year.

Since its last Cost of Service in 2014, OHL has not issued any preferred shares, has not retired any long-term debt, nor has it initiated any buy-back of units.

**Table 5-2 - OEB Appendix 2-OA 2024 Test Year Proposed Cost of Capital**

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	56.00%	\$14,975,847	4.54%	\$680,597
2	Short-term Debt	4.00% (1)	\$1,069,703	4.79%	\$51,239
3	<b>Total Debt</b>	<b>60.0%</b>	<b>\$16,045,550</b>	<b>4.56%</b>	<b>\$731,835</b>
	<b>Equity</b>				
4	Common Equity	40.00%	\$10,697,033	9.36%	\$1,001,242
5	Preferred Shares		\$ -		\$ -
6	<b>Total Equity</b>	<b>40.0%</b>	<b>\$10,697,033</b>	<b>9.36%</b>	<b>\$1,001,242</b>
7	<b>Total</b>	<b>100.0%</b>	<b>\$26,742,584</b>	<b>6.48%</b>	<b>\$1,733,078</b>

Table 5-3 below is OEB Appendix 2-OA which summarizes OHL’s last Board Approved capital structure in EB-2013-0160 for the 2014 Test Year.

Table 5-3 - OEB Appendix 2-OA 2014 Board-Approved Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return	
		(%)	(\$)	(%)	(%)	(\$)	(\$)
	<b>Debt</b>						
1	Long-term Debt	56.00%	\$10,817,013	3.30%		\$356,645	
2	Short-term Debt	4.00%	\$772,644	2.11%		\$16,303	
3	<b>Total Debt</b>	<b>60.0%</b>	<b>\$11,589,657</b>	<b>3.22%</b>		<b>\$372,948</b>	
	<b>Equity</b>						
4	Common Equity	40.00%	\$7,726,438	9.36%		\$723,195	
5	Preferred Shares		\$ -	0.00%		\$ -	
6	<b>Total Equity</b>	<b>40.0%</b>	<b>\$7,726,438</b>	<b>9.36%</b>		<b>\$723,195</b>	
7	<b>Total</b>	<b>100.0%</b>	<b>\$19,316,095</b>	<b>5.67%</b>		<b>\$1,096,142</b>	

Variance analysis of cost of capital can be found in section 5.1.4 Variance Analysis of Capital Structure.

5.1.3 COMPLETED APPENDIX 2-OB

Tables 5-4 to 5-14 below is Appendix 2-OB Debt Instruments. This Appendix summarizes OHL’s debt instruments for 2014 Board Approved, and 2014 actual to 2023 Tear Year. OHL uses the weighted average cost of long-term debt as the principal balance.

Table 5-4 - OEB Appendix 2-OB 2014 Actual Loan Schedule

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>
1	Term Loan Payable - 4.25%	TD Bank	Third Party	Fixed	19-Apr-10	4	\$ 1,598,681	0.0425	\$ 20,103.96
2	Term Loan Payable 9214932-02 - 3.38%	TD Bank	Third Party	Fixed	1-Aug-12	10	\$ 4,928,417	0.0338	\$ 166,580.49
3	Term Loan Payable 9214932-12- 3.33%	TD Bank	Third Party	Fixed	19-Apr-14	5	\$ 4,054,853	0.0333	\$ 97,802.55
4	Term Loan Payable 2.79%, interest only	TD Bank	Third Party	Fixed	1-Dec-12	5	\$ 2,500,000	0.0279	\$ 69,750.00
Total							\$ 13,081,951	2.71%	\$ 354,237.00

Table 5-5 - OEB Appendix 2-OB 2015 Actual Loan Schedule

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>
1	Term Loan Payable 9214932-02 - 3.38%	TD Bank	Third Party	Fixed	1-Aug-12	10	\$ 4,623,535	0.0338	\$ 151,756.00
2	Term Loan Payable 9214932-12- 3.33%	TD Bank	Third Party	Fixed	19-Apr-14	5	\$ 3,983,418	0.0333	\$ 132,754.44
3	Term Loan Payable 2.79%, interest only	TD Bank	Third Party	Fixed	1-Dec-12	5	\$ 2,500,000	0.0279	\$ 69,750.00
Total							\$ 11,106,953	3.19%	\$ 354,260.44

**Table 5-6 - OEB Appendix 2-OB 2016 Actual Loan Schedule**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>
1	Term Loan Payable 9214932-02 - 3.38%	TD Bank	Third Party	Fixed	1-Aug-12	10	\$ 4,308,399	0.0338	\$ 146,487.40
2	Term Loan Payable 9214932-12- 3.33%	TD Bank	Third Party	Fixed	19-Apr-14	5	\$ 3,899,493	0.0333	\$ 130,326.92
3	Term Loan Payable 2.79%, interest only	TD Bank	Third Party	Fixed	1-Dec-12	5	\$ 2,500,000	0.0279	\$ 69,941.10
Total							\$ 10,707,892	3.24%	\$ 346,755.42

**Table 5-7 - OEB Appendix 2-OB 2017 Actual Loan Schedule**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>
1	Term Loan Payable 9214932-02 - 3.38%	TD Bank	Third Party	Fixed	1-Aug-12	10	\$ 3,982,444	0.0338	\$ 135,070.64
2	Term Loan Payable 9214932-12- 3.33%	TD Bank	Third Party	Fixed	19-Apr-14	5	\$ 3,812,731	0.0333	\$ 127,078.97
3	Term Loan Payable 2.79%, interest only	TD Bank	Third Party	Fixed	1-Dec-12	5		0.0279	\$ 63,909.58
4	Term Loan Payable 3.40%, interest only	TD Bank	Third Party	Fixed	1-Dec-17	5	\$ 2,500,000	0.034	\$ 7,219.18
5	Term Loan Payable - 3.60%	TD Bank	Third Party	Fixed	31-Mar-17	10	\$ 1,979,009	0.036	\$ 59,194.79
Total							\$ 12,274,184	3.20%	\$ 392,473.16

**Table 5-8 - OEB Appendix 2-OB 2018 Actual Loan Schedule**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>
1	Term Loan Payable 9214932-02 - 3.38%	TD Bank	Third Party	Fixed	1-Aug-12	10	\$ 3,645,088	0.0338	\$ 123,796.65
2	Term Loan Payable 9214932-12- 3.33%	TD Bank	Third Party	Fixed	19-Apr-14	5	\$ 3,722,851	0.0333	\$ 124,090.38
3	Term Loan Payable 3.40%, interest only	TD Bank	Third Party	Fixed	1-Dec-17	5	\$ 2,500,000	0.034	\$ 85,000.00
4	Term Loan Payable - 3.60%	TD Bank	Third Party	Fixed	31-Mar-17	10	\$ 1,932,128	0.036	\$ 69,630.24
Total							\$ 11,800,067	3.41%	\$ 402,517.27

**Table 5-9 - OEB Appendix 2-OB 2019 Actual Loan Schedule**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>
1	Term Loan Payable 9214932-02 - 3.38%	TD Bank	Third Party	Fixed	1-Aug-12	10	\$ 3,296,152	0.0338	\$ 111,908.79
2	Term Loan Payable 9214932-12- 3.33%	TD Bank	Third Party	Fixed	19-Apr-14	5		0.0333	\$ 18,115.82
3	Term Loan Payable 3.40%, interest only	TD Bank	Third Party	Fixed	1-Dec-17	5	\$ 2,500,000	0.034	\$ 85,000.00
4	Term Loan Payable - 4.20%	TD Bank	Third Party	Fixed	2-Jan-19	10	\$ 1,976,875	0.042	\$ 83,104.52
5	Term Loan Payable - 3.60%	TD Bank	Third Party	Fixed	31-Mar-17	10	\$ 1,879,398	0.036	\$ 67,735.04
6	Term Loan Payable 9214932-12- 3.54%	TD Bank	Third Party	Fixed	19-Apr-19	20	\$ 3,630,741	0.0354	\$ 107,932.55
Total							\$ 13,283,166	3.57%	\$ 473,796.72

**Table 5-10 - OEB Appendix 2-OB 2020 Actual Loan Schedule**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>
1	Term Loan Payable 9214932-02 - 3.38%	TD Bank	Third Party	Fixed	1-Aug-12	10	\$ 2,935,384	0.0338	\$ 100,022.42
2	Term Loan Payable 3.40%, interest only	TD Bank	Third Party	Fixed	1-Dec-17	5	\$ 2,500,000	0.034	\$ 85,232.88
3	Term Loan Payable - 4.20%	TD Bank	Third Party	Fixed	2-Jan-19	10	\$ 1,929,751	0.042	\$ 81,356.58
4	Term Loan Payable - 3.60%	TD Bank	Third Party	Fixed	31-Mar-17	10	\$ 1,824,833	0.036	\$ 65,958.33
5	Term Loan Payable 9214932-12- 3.54%	TD Bank	Third Party	Fixed	19-Apr-19	20	\$ 3,537,202	0.0354	\$ 127,742.00
Total							\$ 12,727,170	3.62%	\$ 460,312.21

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**Table 5-11 - OEB Appendix 2-OB 2021 Actual Loan Schedule**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>
1	Term Loan Payable 9214932-02 - 3.38%	TD Bank	Third Party	Fixed	1-Aug-12	10	\$ 2,562,231	0.0338	\$ 87,139.53
2	Term Loan Payable 3.40%, interest only	TD Bank	Third Party	Fixed	1-Dec-17	5	\$ 2,500,000	0.034	\$ 85,000.00
3	Term Loan Payable - 4.20%	TD Bank	Third Party	Fixed	2-Jan-19	10	\$ 1,880,608	0.042	\$ 79,068.99
4	Term Loan Payable - 3.60%	TD Bank	Third Party	Fixed	31-Mar-17	10	\$ 1,768,271	0.036	\$ 63,740.88
5	Term Loan Payable 9214932-12- 3.54%	TD Bank	Third Party	Fixed	19-Apr-19	20	\$ 3,440,863	0.0354	\$ 121,944.87
6	Term Loan Payable - 2.58% renewable	TD Bank	Third Party	Fixed	3-Feb-21	5	\$ 959,733	0.0258	\$ 24,755.07
7	Term Loan Payable 9214932-04 - 3.62%	TD Bank	Third Party	Fixed	1-Dec-21	5	\$ 1,000,000	0.0362	\$ 3,173.70
<b>Total</b>							<b>\$ 14,111,707</b>	<b>3.29%</b>	<b>\$ 464,823.04</b>

**Table 5-12 - OEB Appendix 2-OB 2022 Actual Loan Schedule**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>
1	Term Loan Payable 9214932-02 - 3.38%	TD Bank	Third Party	Fixed	1-Aug-12	10		0.0338	\$ 50,809.93
2	Term Loan Payable 9214932-02 -4.866%	TD Bank	Third Party	Fixed	1-Aug-22	5	\$ 2,226,459	0.04866	\$ 35,955.02
3	Term Loan Payable 3.40%, interest only	TD Bank	Third Party	Fixed	1-Dec-17	5		0.034	\$ 76,736.74
4	Term Loan Payable 5.007%, P 13888.89+	TD Bank	Third Party	Fixed	1-Dec-22	5	\$ 2,451,389	0.05007	\$ 10,014.64
5	Term Loan Payable - 4.20%	TD Bank	Third Party	Fixed	2-Jan-19	10	\$ 1,829,246	0.042	\$ 76,915.85
6	Term Loan Payable - 3.60%	TD Bank	Third Party	Fixed	31-Mar-17	10	\$ 1,709,545	0.036	\$ 61,630.13
7	Term Loan Payable 9214932-12- 3.54%	TD Bank	Third Party	Fixed	19-Apr-19	20	\$ 3,340,232	0.0354	\$ 118,402.79
8	Term Loan Payable - 2.58% renewable	TD Bank	Third Party	Fixed	3-Feb-21	5	\$ 931,234	0.0258	\$ 24,055.46
9	Term Loan Payable 9214932-13 - 4.922%	TD Bank	Third Party	Fixed	8-Sep-22	5	\$ 2,993,122	0.04922	\$ 50,088.46
10	Term Loan Payable 9214932-04 - 3.62%	TD Bank	Third Party	Fixed	1-Dec-21	5	\$ 986,481	0.0362	\$ 35,712.08
<b>Total</b>							<b>\$ 16,467,707</b>	<b>3.28%</b>	<b>\$ 540,321.10</b>

**Table 5-13 - OEB Appendix 2-OB 2023 Bridge Loan Schedule**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>
1	Term Loan Payable 9214932-02 -4.866%	TD Bank	Third Party	Fixed	1-Aug-22	5	\$ 2,030,188	0.04866	\$ 99,113.52
2	Term Loan Payable 5.007%, P 13888.89+	TD Bank	Third Party	Fixed	1-Dec-22	5	\$ 2,342,536	0.05007	\$ 109,719.57
3	Term Loan Payable - 4.20%	TD Bank	Third Party	Fixed	2-Jan-19	10	\$ 1,775,684	0.042	\$ 74,670.52
4	Term Loan Payable - 3.60%	TD Bank	Third Party	Fixed	31-Mar-17	10	\$ 1,648,669	0.036	\$ 59,442.12
5	Term Loan Payable 9214932-12- 3.54%	TD Bank	Third Party	Fixed	19-Apr-19	20	\$ 3,235,988	0.0354	\$ 114,720.79
6	Term Loan Payable - 2.58% renewable	TD Bank	Third Party	Fixed	3-Feb-21	5	\$ 902,009	0.0258	\$ 23,302.30
7	Term Loan Payable 9214932-13 - 4.922%	TD Bank	Third Party	Fixed	8-Sep-22	5	\$ 2,963,449	0.04922	\$ 145,942.90
8	Term Loan Payable 9214932-04 - 3.62%	TD Bank	Third Party	Fixed	1-Dec-21	5	\$ 959,928	0.0362	\$ 34,786.71
<b>Total</b>							<b>\$ 15,858,451</b>	<b>4.17%</b>	<b>\$ 661,698.43</b>

**Table 5-14 - OEB Appendix 2-OB 2024 Test Loan Schedule**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>
1	Term Loan Payable 9214932-02 -4.866%	TD Bank	Third Party	Fixed	1-Aug-12	5	\$ 1,927,367	0.04866	\$ 94,653.23
2	Term Loan Payable 3.40%, interest only	TD Bank	Third Party	Fixed	1-Dec-22	5	\$ 2,220,591	0.05007	\$ 111,740.73
3	Term Loan Payable - 4.20%	TD Bank	Third Party	Fixed	2-Jan-19	10	\$ 1,719,933	0.042	\$ 72,536.88
4	Term Loan Payable - 3.60%	TD Bank	Third Party	Fixed	31-Mar-17	10	\$ 1,585,647	0.036	\$ 57,337.94
5	Term Loan Payable 9214932-12- 3.54%/5.	TD Bank	Third Party	Fixed	19-Apr-19	20	\$ 3,150,302	0.0354	\$ 153,848.04
6	Term Loan Payable - 2.58% renewable	TD Bank	Third Party	Fixed	3-Feb-21	5	\$ 872,052	0.0258	\$ 22,593.37
7	Term Loan Payable 9214932-13 - 4.922%	TD Bank	Third Party	Fixed	8-Sep-22	5	\$ 2,916,918	0.04922	\$ 144,060.36
8	Term Loan Payable 9214932-04 - 3.62%	TD Bank	Third Party	Fixed	1-Dec-21	5	\$ 933,430	0.0362	\$ 33,923.86
9	Budgeted Term Loan	TD Bank	Third Party	Fixed	31-May-24	5	\$ 743,954	0.053	\$ 39,636.41
<b>Total</b>							<b>\$ 16,070,196</b>	<b>4.54%</b>	<b>\$ 730,330.81</b>

**5.1.4 VARIANCE ANALYSIS OF CAPITAL STRUCTURE**



1 Provides variances between 2024 Test Year proposed and 2014 OEB Approved capital  
2 structure.

3 **Table 5-15 - 2024 Test Year vs 2014 OEB Approved Capital Structure**

2024 Test Year Component	Capitalization Ratio (%)	Capitalization Ratio (\$)	Cost Rate (%)	Return (\$)
Long-term Debt	56%	\$ 14,975,847	4.54%	\$ 680,597
Short-term Debt	4%	\$ 1,069,703	4.79%	\$ 51,239
<b>Total Debt</b>	<b>60%</b>	<b>\$ 16,045,550</b>	<b>4.56%</b>	<b>\$ 731,835</b>
Common Equity	40%	\$10,697,033	9.36%	\$ 1,001,242
Preferred Shares		0		
<b>Total Equity</b>	<b>40%</b>	<b>\$ 10,697,033</b>	<b>9.36%</b>	<b>\$ 1,001,242</b>
<b>2024 Test Year Proposed Total</b>	<b>100%</b>	<b>\$ 26,742,584</b>	<b>6.48%</b>	<b>\$ 1,733,078</b>
2014 BA Component	Capitalization Ratio (%)	Capitalization Ratio (\$)	Cost Rate (%)	Return (\$)
Long-term Debt	56%	\$ 10,817,013	3.30%	\$ 356,645
Short-term Debt	4%	\$ 772,644	2.11%	\$ 16,303
<b>Total Debt</b>	<b>60%</b>	<b>\$ 11,589,657</b>	<b>3.22%</b>	<b>\$ 372,948</b>
Common Equity	40%	\$7,726,438	9.36%	\$ 723,195
Preferred Shares				
<b>Total Equity</b>	<b>40%</b>	<b>\$ 7,726,438</b>	<b>9.36%</b>	<b>\$ 723,195</b>
<b>2014 BA Total</b>	<b>100%</b>	<b>\$ 19,316,095</b>	<b>5.67%</b>	<b>\$ 1,096,142</b>
2024 Test Year to 2014 BA Variance	Capitalization Ratio (%)	Capitalization Ratio (\$)	Cost Rate (%)	Return (\$)
Long-term Debt	0.00%	\$ 4,158,834	1.25%	\$ 323,952
Short-term Debt	0.00%	\$ 297,060	2.68%	\$ 34,936
<b>Total Debt</b>	<b>0.00%</b>	<b>\$ 4,455,893</b>	<b>1.34%</b>	<b>\$ 358,888</b>
Common Equity	0.00%	\$ 2,970,596	0.00%	\$ 278,048
Preferred Shares				
<b>Total Equity</b>	<b>0.00%</b>	<b>\$ 2,970,596</b>	<b>0.00%</b>	<b>\$ 278,048</b>
<b>2024 Test Year to 2014 BA Variances</b>	<b>0.00%</b>	<b>\$ 7,426,489</b>	<b>1.34%</b>	<b>\$ 636,935</b>

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6 OHL is requesting an increase of \$358,888 (\$731,835 versus \$372,948) in total interest from the  
7 2014 OEB approved amount to the 2024 Test Year amount. The increase is due to a  
8 1.34% increase in the interest rate and a \$4.5M increase in debt.

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1 OHL typically has added a CAPEX loan every second year with TD Bank for approximately \$1.0  
2 to \$3.0M to help fund the increasing capital work to service OHL's growing customer base over  
3 the past 10 years.

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5 OHL is also requesting an increase of \$278,048 (\$1,001,242 versus \$723,195) in total return on  
6 equity from the 2014 OEB approved amount to the 2024 Test Year amount. The increase is due  
7 to a \$3.0M increase in equity on comparable 9.36% return on equity rate and a \$3.0M increase  
8 in equity. OHL will update its requested placeholder total return on equity amount based on the  
9 OEB's issuance of the 2024 ROE rate.

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11 OHL continues to make significant investments in infrastructure to replace and maintain aging  
12 assets, as well as developing underserved areas within Orangeville and Grand Valley. This has  
13 caused equity to increase significantly from 2014 to 2024.

## 14 15 5.2 COST OF CAPITAL

### 16 5.2.1 CALCULATION OF EACH CAPITAL COMPONENT COST

17 As per the filing requirements, OHL is providing actual vs deemed capital component costs for  
18 the 2014 OEB approved, 2014-2022 historical years, 2023 Bridge year and 2024 Test year  
19 component costs can be found in Table 5-16 to Table 5-19. In the below table for 2014 Board  
20 Approved values, the allocated depreciation of \$(60,470) should have been included with  
21 Recoverable OM&A expenses, but in the table below, the amount of \$(60,470) was instead  
22 included with the Total Working Capital Expenses.

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**Table 5-16 - 2014 OEB Approved Capital Structure**

<b>2014 - CGAAP</b>		
<b>Description</b>	<b>Deemed Portion</b>	<b>Effective Rate</b>
Long-Term Debt	56.00%	3.30%
Short-Term Debt	4.00%	2.11%
Return On Equity	40.00%	9.36%
<b>Weighted Debt Rate</b>		<b>3.22%</b>
<b>Regulated Rate of Return</b>		<b>5.67%</b>

<b>WORKING CAPITAL ALLOWANCE FOR 2014</b>		
<b>Distribution Expenses</b>		
Distribution Expenses - Operation		472,964
Distribution Expenses - Maintenance		574,086
Billing and Collecting		690,788
Community Relations		16,092
Administrative and General Expenses		1,501,253
Taxes Other than Income Taxes		-
<b>Total Eligible Distribution Expenses</b>		<b>3,255,183</b>
Power Supply Expenses		27,763,022
<b>Total Working Capital Expenses</b>		<b>30,957,735</b>
Working Capital Allowance @	10.00%	3,095,774

<b>RATE BASE CALCULATION FOR 2014</b>		
Fixed Assets Opening Balance 2014		15,800,862
Fixed Assets Closing Balance 2014		16,639,780
<b>Average Fixed Asset Balance for 2014</b>		<b>16,220,321</b>
Working Capital Allowance		3,095,774
<b>Rate Base</b>		<b>19,316,095</b>
Regulated Rate of Return		5.67%
<b>Regulated Return on Capital</b>		<b>1,096,142</b>
Deemed Interest Expense		372,948
Deemed Return on Equity		723,195

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Table 5-17 - 2014 to 2017 Capital Structure

2014			2015			2016			2017		
Description	Deemed Portion	Effective Rate	Description	Deemed Portion	Effective Rate	Description	Deemed Portion	Effective Rate	Description	Deemed Portion	Effective Rate
Long-Term Debt	56.00%	3.30%	Long-Term Debt	56.00%	3.30%	Long-Term Debt	56.00%	3.30%	Long-Term Debt	56.00%	3.30%
Short-Term Debt	4.00%	2.11%	Short-Term Debt	4.00%	2.11%	Short-Term Debt	4.00%	2.11%	Short-Term Debt	4.00%	2.11%
Return On Equity	40.00%	9.36%	Return On Equity	40.00%	9.36%	Return On Equity	40.00%	9.36%	Return On Equity	40.00%	9.36%
Weighted Debt Rate		3.22%	Weighted Debt Rate		3.22%	Weighted Debt Rate		3.22%	Weighted Debt Rate		3.22%
Regulated Rate of Return		5.68%	Regulated Rate of Return		5.68%	Regulated Rate of Return		5.68%	Regulated Rate of Return		5.68%

WORKING CAPITAL ALLOWANCE FOR 2014			WORKING CAPITAL ALLOWANCE FOR 2015			WORKING CAPITAL ALLOWANCE FOR 2016			WORKING CAPITAL ALLOWANCE FOR 2017		
Distribution Expenses			Distribution Expenses			Distribution Expenses			Distribution Expenses		
Distribution Expenses - Operation		456,612	Distribution Expenses - Operation		460,635	Distribution Expenses - Operation		406,298	Distribution Expenses - Operation		446,425
Distribution Expenses - Maintenance		463,656	Distribution Expenses - Maintenance		500,883	Distribution Expenses - Maintenance		501,001	Distribution Expenses - Maintenance		543,006
Billing and Collecting		672,779	Billing and Collecting		711,093	Billing and Collecting		722,310	Billing and Collecting		773,777
Community Relations		25,135	Community Relations		16,698	Community Relations		53,322	Community Relations		31,171
Administrative and General Expenses		1,596,320	Administrative and General Expenses		1,592,562	Administrative and General Expenses		1,628,566	Administrative and General Expenses		1,516,132
Donations - LEAP		11,924	Donations - LEAP		5,711	Donations - LEAP		5,711	Donations - LEAP		7,388
Taxes Other than Income Taxes		-	Taxes Other than Income Taxes		-	Taxes Other than Income Taxes		-	Taxes Other than Income Taxes		-
Less Allocated Depreciation in OM&A		(53,409)	Less Allocated Depreciation in OM&A		(68,841)	Less Allocated Depreciation in OM&A		(78,947)	Less Allocated Depreciation in OM&A		(83,833)
Total Eligible Distribution Expenses		3,171,524	Total Eligible Distribution Expenses		3,218,741	Total Eligible Distribution Expenses		3,238,260	Total Eligible Distribution Expenses		3,240,067
Power Supply Expenses		26,967,661	Power Supply Expenses		29,745,385	Power Supply Expenses		33,273,556	Power Supply Expenses		29,609,584
Total Working Capital Expenses		30,139,185	Total Working Capital Expenses		32,964,126	Total Working Capital Expenses		36,511,816	Total Working Capital Expenses		32,849,651
Working Capital Allowance @ 10.00%		3,013,919	Working Capital Allowance @ 10.00%		3,296,413	Working Capital Allowance @ 10.00%		3,651,182	Working Capital Allowance @ 10.00%		3,284,965

RATE BASE CALCULATION FOR 2014			RATE BASE CALCULATION FOR 2015			RATE BASE CALCULATION FOR 2016			RATE BASE CALCULATION FOR 2017		
Fixed Assets Opening Balance 2014		15,695,190	Fixed Assets Opening Balance 2015		16,391,075	Fixed Assets Opening Balance 2016		16,467,536	Fixed Assets Opening Balance 2017		17,131,085
Fixed Assets Closing Balance 2014		16,391,075	Fixed Assets Closing Balance 2015		16,467,536	Fixed Assets Closing Balance 2016		17,131,085	Fixed Assets Closing Balance 2017		18,083,203
Average Fixed Asset Balance for 2014		16,043,128	Average Fixed Asset Balance for 2015		16,429,305	Average Fixed Asset Balance for 2016		16,799,310	Average Fixed Asset Balance for 2017		17,607,144
Working Capital Allowance		3,013,919	Working Capital Allowance		3,296,413	Working Capital Allowance		3,651,182	Working Capital Allowance		3,284,965
Rate Base		19,057,046	Rate Base		19,725,718	Rate Base		20,450,492	Rate Base		20,892,109
Regulated Rate of Return		5.68%	Regulated Rate of Return		5.68%	Regulated Rate of Return		5.68%	Regulated Rate of Return		5.68%
Regulated Return on Capital		1,081,754	Regulated Return on Capital		1,119,741	Regulated Return on Capital		1,160,852	Regulated Return on Capital		1,185,920
Deemed Interest Expense		368,258	Deemed Interest Expense		381,180	Deemed Interest Expense		395,185	Deemed Interest Expense		403,719
Deemed Return on Equity		713,496	Deemed Return on Equity		738,531	Deemed Return on Equity		765,666	Deemed Return on Equity		782,201

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Table 5-18 - 2018 to 2021 Capital Structure

2018			2019			2020			2021		
Description	Deemed Portion	Effective Rate	Description	Deemed Portion	Effective Rate	Description	Deemed Portion	Effective Rate	Description	Deemed Portion	Effective Rate
Long-Term Debt	56.00%	3.30%	Long-Term Debt	56.00%	3.30%	Long-Term Debt	56.00%	3.30%	Long-Term Debt	56.00%	3.30%
Short-Term Debt	4.00%	2.11%	Short-Term Debt	4.00%	2.11%	Short-Term Debt	4.00%	2.11%	Short-Term Debt	4.00%	2.11%
Return On Equity	40.00%	9.36%	Return On Equity	40.00%	9.36%	Return On Equity	40.00%	9.36%	Return On Equity	40.00%	9.36%
Weighted Debt Rate		3.22%	Weighted Debt Rate		3.22%	Weighted Debt Rate		3.22%	Weighted Debt Rate		3.22%
Regulated Rate of Return		5.68%	Regulated Rate of Return		5.68%	Regulated Rate of Return		5.68%	Regulated Rate of Return		5.68%

WORKING CAPITAL ALLOWANCE FOR 2018			WORKING CAPITAL ALLOWANCE FOR 2019			WORKING CAPITAL ALLOWANCE FOR 2020			WORKING CAPITAL ALLOWANCE FOR 2021		
Distribution Expenses			Distribution Expenses			Distribution Expenses			Distribution Expenses		
Distribution Expenses - Operation		388,461	Distribution Expenses - Operation		525,906	Distribution Expenses - Operation		607,287	Distribution Expenses - Operation		857,768
Distribution Expenses - Maintenance		366,418	Distribution Expenses - Maintenance		433,085	Distribution Expenses - Maintenance		200,701	Distribution Expenses - Maintenance		220,193
Billing and Collecting		763,378	Billing and Collecting		807,700	Billing and Collecting		774,214	Billing and Collecting		976,444
Community Relations		32,725	Community Relations		22,929	Community Relations		9,604	Community Relations		14,203
Administrative and General Expenses		1,645,020	Administrative and General Expenses		1,646,194	Administrative and General Expenses		1,597,246	Administrative and General Expenses		1,305,991
Donations - LEAP		6,270	Donations - LEAP		6,250	Donations - LEAP		9,388	Donations - LEAP		6,250
Taxes Other than Income Taxes		14,349	Taxes Other than Income Taxes		36,763	Taxes Other than Income Taxes		41,103	Taxes Other than Income Taxes		41,256
Less Allocated Depreciation in OM&A		(89,283)	Less Allocated Depreciation in OM&A		(94,914)	Less Allocated Depreciation in OM&A		(96,653)	Less Allocated Depreciation in OM&A		(98,795)
Total Eligible Distribution Expenses		3,125,336	Total Eligible Distribution Expenses		3,383,923	Total Eligible Distribution Expenses		3,142,290	Total Eligible Distribution Expenses		3,323,319
Power Supply Expenses		27,833,754	Power Supply Expenses		29,083,782	Power Supply Expenses		32,771,802	Power Supply Expenses		29,029,339
Total Working Capital Expenses		30,959,090	Total Working Capital Expenses		32,467,705	Total Working Capital Expenses		35,914,093	Total Working Capital Expenses		32,352,657
Working Capital Allowance @ 10.00%		3,095,909	Working Capital Allowance @ 10.00%		3,246,770	Working Capital Allowance @ 10.00%		3,591,409	Working Capital Allowance @ 10.00%		3,235,268

RATE BASE CALCULATION FOR 2018			RATE BASE CALCULATION FOR 2019			RATE BASE CALCULATION FOR 2020			RATE BASE CALCULATION FOR 2021		
Fixed Assets Opening Balance 2018		18,083,203	Fixed Assets Opening Balance 2019		18,691,380	Fixed Assets Opening Balance 2020		19,017,648	Fixed Assets Opening Balance 2021		19,676,331
Fixed Assets Closing Balance 2018		18,691,380	Fixed Assets Closing Balance 2019		19,017,648	Fixed Assets Closing Balance 2020		19,676,331	Fixed Assets Closing Balance 2021		20,535,536
Average Fixed Asset Balance for 2018		18,387,292	Average Fixed Asset Balance for 2019		18,854,514	Average Fixed Asset Balance for 2020		19,346,989	Average Fixed Asset Balance for 2021		20,105,933
Working Capital Allowance		3,095,909	Working Capital Allowance		3,246,770	Working Capital Allowance		3,591,409	Working Capital Allowance		3,235,268
Rate Base		21,483,201	Rate Base		22,101,284	Rate Base		22,938,398	Rate Base		23,341,199
Regulated Rate of Return		5.68%	Regulated Rate of Return		5.68%	Regulated Rate of Return		5.68%	Regulated Rate of Return		5.68%
Regulated Return on Capital		1,219,472	Regulated Return on Capital		1,254,557	Regulated Return on Capital		1,322,075	Regulated Return on Capital		1,324,840
Deemed Interest Expense		415,141	Deemed Interest Expense		427,885	Deemed Interest Expense		443,262	Deemed Interest Expense		451,945
Deemed Return on Equity		804,331	Deemed Return on Equity		827,472	Deemed Return on Equity		858,814	Deemed Return on Equity		873,894

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**Table 5-19 - 2022 to 2024 Capital Structure**

2022			2023			2024		
Description	Deemed Portion	Effective Rate	Description	Deemed Portion	Effective Rate	Description	Deemed Portion	Effective Rate
Long-Term Debt	56.00%	3.30%	Long-Term Debt	56.00%	3.30%	Long-Term Debt	56.00%	4.54%
Short-Term Debt	4.00%	2.11%	Short-Term Debt	4.00%	2.11%	Short-Term Debt	4.00%	4.79%
Return On Equity	40.00%	9.36%	Return On Equity	40.00%	9.36%	Return On Equity	40.00%	9.36%
<b>Weighted Debt Rate</b>		3.22%	<b>Weighted Debt Rate</b>		3.22%	<b>Weighted Debt Rate</b>		4.56%
<b>Regulated Rate of Return</b>		5.68%	<b>Regulated Rate of Return</b>		5.68%	<b>Regulated Rate of Return</b>		6.48%

WORKING CAPITAL ALLOWANCE FOR 2022			WORKING CAPITAL ALLOWANCE FOR 2023			WORKING CAPITAL ALLOWANCE FOR 2024		
Distribution Expenses			Distribution Expenses			Distribution Expenses		
Distribution Expenses - Operation		797,113	Distribution Expenses - Operation		876,770	Distribution Expenses - Operation		1,008,856
Distribution Expenses - Maintenance		367,349	Distribution Expenses - Maintenance		372,689	Distribution Expenses - Maintenance		350,426
Billing and Collecting		983,094	Billing and Collecting		1,074,172	Billing and Collecting		1,191,556
Community Relations		32,446	Community Relations		51,171	Community Relations		61,354
Administrative and General Expenses		1,453,141	Administrative and General Expenses		1,431,634	Administrative and General Expenses		1,615,028
Donations - LEAP		6,259	Donations - LEAP		6,259	Donations - LEAP		8,302
Taxes Other than Income Taxes		41,686	Taxes Other than Income Taxes		43,008	Taxes Other than Income Taxes		44,298
Less Allocated Depreciation in OM&A		(99,368)	Less Allocated Depreciation in OM&A		(97,851)	Less Allocated Depreciation in OM&A		(95,304)
<b>Total Eligible Distribution Expenses</b>		<b>3,581,719</b>	<b>Total Eligible Distribution Expenses</b>		<b>3,757,853</b>	<b>Total Eligible Distribution Expenses</b>		<b>4,184,517</b>
Power Supply Expenses		30,671,964	Power Supply Expenses		29,356,772	Power Supply Expenses		29,298,887
<b>Total Working Capital Expenses</b>		<b>34,253,683</b>	<b>Total Working Capital Expenses</b>		<b>33,114,624</b>	<b>Total Working Capital Expenses</b>		<b>33,483,404</b>
Working Capital Allowance @	10.00%	3,425,368	Working Capital Allowance @	10.00%	3,311,462	Working Capital Allowance @	7.50%	2,511,255

RATE BASE CALCULATION FOR 2022			RATE BASE CALCULATION FOR 2023			RATE BASE CALCULATION FOR 2024		
Fixed Assets Opening Balance 2022		20,535,536	Fixed Assets Opening Balance 2023		22,392,450	Fixed Assets Opening Balance 2024		23,340,703
Fixed Assets Closing Balance 2022		22,392,450	Fixed Assets Closing Balance 2023		23,340,703	Fixed Assets Closing Balance 2024		25,121,954
<b>Average Fixed Asset Balance for 2022</b>		<b>21,463,993</b>	<b>Average Fixed Asset Balance for 2023</b>		<b>22,866,577</b>	<b>Average Fixed Asset Balance for 2024</b>		<b>24,231,328</b>
Working Capital Allowance		3,425,368	Working Capital Allowance		3,311,462	Working Capital Allowance		2,511,255
<b>Rate Base</b>		<b>24,889,362</b>	<b>Rate Base</b>		<b>26,178,039</b>	<b>Rate Base</b>		<b>26,742,584</b>
Regulated Rate of Return		5.68%	Regulated Rate of Return		5.68%	Regulated Rate of Return		6.48%
<b>Regulated Return on Capital</b>		<b>1,412,820</b>	<b>Regulated Return on Capital</b>		<b>1,485,970</b>	<b>Regulated Return on Capital</b>		<b>1,733,078</b>
Deemed Interest Expense		480,962	Deemed Interest Expense		505,864	Deemed Interest Expense		731,835
Deemed Return on Equity		931,858	Deemed Return on Equity		980,106	Deemed Return on Equity		1,001,242

**5.2.2 REDEMPTION OF DEBT AND/OR PREFERENCE SHARES**

OHL has not redeemed any debt. OHL does not have preference shares.

**5.2.3 CURRENT NOTES OR DEBT ARRANGEMENTS WITH AFFILIATES**

OHL does not have any notes or debt with affiliates. All of OHL’s current debt is with Toronto Dominion bank, a 3<sup>rd</sup> party commercial bank. Therefore, OHL will not be providing copies of current debt arrangements with the bank.

The rate on all current debt is pegged on Bank of Canada’s prime rate.

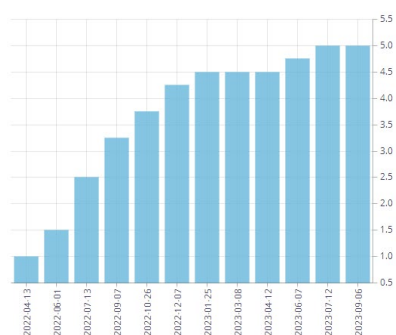
OHL is in compliance with the policies documented in the 2009 Report referenced in section 5.1.1.

**5.2.4 NEW DEBT IN BRIDGE AND TEST YEAR**

OHL will not be taking new debt in the 2023 Bridge Year.

OHL is planning on taking \$1.5M of new third-party debt in the 2024 Test Year at a rate of 5.3%

1 on May 31, 2024, for a term of 5 years. In App 2-OB\_Debt Instruments, this loan appears as an  
 2 average principal value of \$743,954, as it had a value of \$0 at January 1, 2024. The Bank of  
 3 Canada carries out its monetary policy by influencing short-term interest rates. It does this by  
 4 adjusting the target for the overnight rate on eight fixed dates each year which can be found by  
 5 following this link [Policy interest rate - Bank of Canada](#). In December 2022, OHL took on debt  
 6 at 5.007% when the overnight rate was at 4.25%. OHL deems its 2024 debt rate of 5.3% as  
 7 conservative given the overnight rate has subsequently increased by 0.75% as of September 6,  
 8 2023.



Date*	Target (%)	Change (%)
September 6, 2023	5.00	---
July 12, 2023	5.00	+0.25
June 7, 2023	4.75	+0.25
April 12, 2023	4.50	---
March 8, 2023	4.50	---
January 25, 2023	4.50	+0.25
December 7, 2022	4.25	+0.50
October 26, 2022	3.75	+0.50
September 7, 2022	3.25	+0.75
July 13, 2022	2.50	+1.00
June 1, 2022	1.50	+0.50
April 13, 2022	1.00	+0.50

\*As of 2021, a change takes effect the day after its announcement.

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## 5.2.5 HISTORICAL RETURN ON EQUITY ACHIEVED

13 The table below provides an overview of OHL’s achieved return on equity from the 2014 Board  
 14 Approved (EB-2013-0160) to the 2024 Test Year.

**Table 5-20 - Achieved vs. Deemed Return on Equity**

	2014 Actuals MIFRS	2015 Actuals MIFRS	2016 Actuals MIFRS	2017 Actuals MIFRS	2018 Actuals MIFRS	2019 Actuals MIFRS	2020 Actuals MIFRS	2021 Actuals MIFRS	2022 Actuals MIFRS
Achieved Return	9.47%	6.40%	8.68%	10.60%	11.92%	10.36%	11.83%	9.46%	5.71%
Deemed Return	9.36%	9.36%	9.36%	9.36%	9.36%	9.36%	9.36%	9.36%	9.36%

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The Achieved ROE for OHL has been within the +-3% dead band of the deemed ROE for every  
 year since 2014 except for 2022. The cause of the decrease in ROE for 2022 was due to a  
 credit to customers that was paid at the end of 2022. OHL entered into an Assurance of  
 Voluntary Compliance with the OEB that was related to a billing system error that overbilled  
 customers more than the Ontario Energy Board-approved fixed charges. This credit to  
 customers reduced the net income of OHL for 2022, and therefore reduced the achieved ROE.

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### 5.3 NOT FOR PROFIT CORPORATIONS

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OHL is not a cooperative or a not-for-profit organization and as such, all requirements related to

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a not-for-profit organization do not apply.