

Exhibit 5:

Cost of Capital and Capital Structure



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5.1 OVERVIEW

In this Exhibit, Oshawa Power is providing evidence regarding its capital structure, its cost and the calculation of return on equity (ROE) and debt for the 2026 Test Year.

A capital structure of 56% long-term debt, 4% short-term debt and 40% equity has been used, reflecting the OEB's March 27, 2025 Decision and Order on Cost of Capital & Other Matters (2025 Cost of Capital Decision, EB-2024-0063). Table 5-1 below reflects the OEB's final Jan 1, 2025 Cost of Capital deemed ROE, deemed long-term debt rate and short-term debt rate established as part of that Decision and Order.

Table 5-1: Cost of Capital Parameters

| Parameter | 2025 Values |
|-----------------------------|-------------|
| Return on Equity | 9.00% |
| Deemed Long-Term Debt rate | 4.51% |
| Deemed Short-Term Debt rate | 3.91% |

Oshawa Power acknowledges these rates are subject to update at such time as the 2026 Cost of Capital parameters are issued by the OEB. Overall, Oshawa Power is requesting a deemed interest expense of \$3,800,586 and a deemed ROE of \$6,622,513 for a total regulated return on capital of \$10,423,099 for its 2026 Test Year.

5.2 CAPITAL STRUCTURE

In the 2025 Cost of Capital Decision, the OEB maintained a capital structure consisting of 60% debt (56% long-term, 4% short-term) and 40% equity for all Ontario distributors for rate making purposes. Oshawa Power requests this deemed capital structure for purposes of its recovery of cost of capital. Such structure is unchanged from Oshawa Power's current structure approved in its last rebasing application (EB-2020-0048).

Tables 5-2 and 5-3 below from Appendix 2-OA identify Oshawa Power's 2021 OEB Approved capital structure, and proposed deemed capital structure for the 2026 Test Year.

1 **Table 5-2: Capital Structure & Cost of Capital – 2021 OEB Approved (Appendix 2-OA)**

Last OEB-approved year: 2021

| Line No. | Particulars | Capitalization Ratio | | Cost Rate | Return |
|----------|---------------------|----------------------|----------------------|--------------|--------------------|
| | | (%) | (\$) | (%) | (\$) |
| | Debt | | | | |
| 1 | Long-term Debt | 56.00% | \$82,181,177 | 3.34% | \$2,744,200 |
| 2 | Short-term Debt | 4.00% (1) | \$5,870,084 | 1.75% | \$102,726 |
| 3 | Total Debt | 60.0% | \$88,051,261 | 3.23% | \$2,846,926 |
| | Equity | | | | |
| 4 | Common Equity | 40.00% | \$58,700,840 | 8.34% | \$4,895,650 |
| 5 | Preferred Shares | | \$ - | | \$ - |
| 6 | Total Equity | 40.0% | \$58,700,840 | 8.34% | \$4,895,650 |
| 7 | Total | 100.0% | \$146,752,101 | 5.28% | \$7,742,576 |

2 **Table 5-3: Capital Structure & Cost of Capital – 2026 Test Year (Appendix 2-OA)**

Test Year: 2026

| Line No. | Particulars | Capitalization Ratio | | Cost Rate | Return |
|----------|---------------------|----------------------|----------------------|--------------|---------------------|
| | | (%) | (\$) | (%) | (\$) |
| | Debt | | | | |
| 1 | Long-term Debt | 56.00% | \$103,016,864 | 3.41% | \$3,512,875 |
| 2 | Short-term Debt | 4.00% (1) | \$7,358,347 | 3.91% | \$287,711 |
| 3 | Total Debt | 60.0% | \$110,375,211 | 3.44% | \$3,800,586 |
| | Equity | | | | |
| 4 | Common Equity | 40.00% | \$73,583,474 | 9.00% | \$6,622,513 |
| 5 | Preferred Shares | | \$ - | 0.00% | \$ - |
| 6 | Total Equity | 40.0% | \$73,583,474 | 9.00% | \$6,622,513 |
| 7 | Total | 100.0% | \$183,958,685 | 5.67% | \$10,423,099 |

3 **5.3 COMPONENT DEBT COSTS**

4 **5.3.1 Short-Term Debt**

5 For the 2026 Test Year, this Application uses the OEB's deemed short-term debt rate of
6 3.91% in accordance with in the 2025 Cost of Capital Decision.

7 **5.3.2 Existing Long-Term Debt**

In this Application, the long-term debt rate requested is a long term debt cost of 3.41%. The total funded long term debt obligation is currently \$106.7 million. In March 2025, Oshawa Power consolidated its long-term debt at this lower rate, resulting in annual savings to Oshawa Power's customers of \$164,830 compared to the interest cost of the individual loans held previously, as shown in Table 5-4 below.

Table 5-4: Annual Savings Due to Loan Consolidation

| Loan | Loan Amount | Interest Rate | Interest Cost |
|--|-----------------------|---------------|---------------------|
| Term Loan 1 | \$ 60,000,000 | 3.65% | \$ 2,190,000 |
| Term Loan 2 | \$ 20,000,000 | 2.23% | \$ 446,000 |
| Term Loan 3 | \$ 10,000,000 | 4.60% | \$ 460,000 |
| Term Loan 4 | \$ 5,000,000 | 3.85% | \$ 192,500 |
| Term Loan 5 | \$ 11,700,000 | 4.40% | \$ 514,800 |
| Total | \$ 106,700,000 | | \$ 3,803,300 |
| New Consolidated | \$ 106,700,000 | 3.41% | \$ 3,638,470 |
| Annual Savings from Consolidation with New Rate | | | \$ 164,830 |

The aggregate amount of debt of \$111.7 million for the 2026 Test Year due to an increase in anticipated long-term debt as described below.

5.3.3 Anticipated New Long-Term Debt

Oshawa Power anticipates a requirement to issue new long-term debt in the 2025 Bridge Year in the amount of \$5.0 million. The actual timing, amount, and term of a new debt issuance will be influenced by several factors such as actual versus anticipated cash flow and financial market conditions. It has been assumed in Oshawa Power's long-term debt calculation that this new debt will have the same interest rate as the new consolidated loan of 3.41%. If this new debt is issued before the OEB renders its Decision and Order on this Application, Oshawa Power requests that the long-term debt rate used to determine final 2026 distribution rates be updated to reflect the actual rate.

5.3.4 Notional Debt

Oshawa Power's deemed debt for 2026 is \$110.4 million as provided in Table 5-3 above, and the actual debt, per Table 5-10 below, is projected to be \$111.7 million. Accordingly, Oshawa Power has negative notional debt of \$1.3 million.

5.3.5 Debt Instrument Details

The debt instrument information for the 2021-2024 actuals, and forecasts for the 2025 Bridge Year and 2026 Test Year are shown below. Please note that Oshawa Power's parent company, Oshawa Power and Utilities Corporation is denoted as OPUC in the tables below.

Table 5-5: Debt Instruments for 2021 Actuals (Appendix 2-OB)

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal (\$) | Rate (%) ² | Interest (\$) ¹ | Additional Comments, if any |
|-------|-------------|---------|---------------------------------|-------------------------|------------|--------------|----------------|-----------------------|----------------------------|-----------------------------|
| 1 | Note | OPUC | Affiliated | Fixed Rate | 22-Oct-18 | | \$ 60,064,000 | 3.65% | \$2,191,735.36 | Actual Rate |
| 2 | Term Loan | TD Bank | Third-Party | Fixed Rate | 1-Oct-20 | | \$ 20,000,000 | 2.23% | \$ 445,400.00 | Actual Rate |
| Total | | | | | | | \$ 80,064,000 | 3.29% | \$2,637,135.36 | |

Table 5-6: Debt Instruments for 2022 Actuals (Appendix 2-OB)

| Year <input type="text" value="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 | Note | OPUC | Affiliated | Fixed Rate | 22-Oct-18 | | \$ 60,064,000 | 3.65% | \$2,191,735.36 | Actual Rate |
| 2 | Term Loan | TD Bank | Third-Party | Fixed Rate | 1-Oct-20 | | \$ 20,000,000 | 2.23% | \$ 445,400.00 | Actual Rate |
| Total | | | | | | | \$ 80,064,000 | 3.29% | \$2,637,135.36 | |

Table 5-7: Debt Instruments for 2023 Actuals (Appendix 2-OB)

| Year <input type="text" value="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 | Term Loan | OPUC | Affiliated | Fixed Rate | 22-Oct-18 | | \$ 60,000,000 | 3.65% | \$2,189,400.00 | Term loan transferred to Networks |
| 2 | Term Loan | TD Bank | Third-Party | Fixed Rate | 1-Oct-20 | | \$ 20,000,000 | 2.23% | \$ 445,400.00 | Actual Rate |
| 3 | Term Loan | TD Bank | Third-Party | Fixed Rate | 22-Jun-23 | | \$ 10,000,000 | 4.60% | \$ 243,232.88 | Actual Rate |
| Total | | | | | | | \$ 90,000,000 | 3.20% | \$2,878,032.88 | |

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Table 5-8: Debt Instruments for 2024 Actuals (Appendix 2-OB)

| 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 | Term Loan | TD Bank | Third-Party | Fixed Rate | 1-Oct-18 | 10 | \$ 60,000,000 | 3.65% | \$2,189,400.00 | Actual Rate |
| 2 | Term Loan | TD Bank | Third-Party | Fixed Rate | 1-Oct-20 | 10 | \$ 20,000,000 | 2.23% | \$ 445,400.00 | Actual Rate |
| 3 | Term Loan | TD Bank | Third-Party | Fixed Rate | 22-Jun-23 | 5.33 | \$ 10,000,000 | 4.60% | \$ 460,000.00 | Actual Rate |
| 4 | Term Loan | TD Bank | Third-Party | Fixed Rate | 23-Oct-24 | 4 | \$ 5,000,000 | 3.85% | \$ 36,898.63 | Actual Rate |
| 5 | Term Loan | TD Bank | Third-Party | Fixed Rate | 21-Jun-24 | 4.33 | \$ 11,700,000 | 4.40% | \$ 286,056.99 | Actual Rate |
| | | | | | | | | | | |
| Total | | | | | | | \$ 106,700,000 | 3.20% | \$3,417,755.62 | |

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Table 5-9: Debt Instruments for 2025 Bridge Year (Appendix 2-OB)

| Year 2025 <i>Blended rate - reflects reduction in debt rates part way through the year</i> | | | | | | | | | | |
|--|---------------------------------------|---------|---------------------------------|-------------------------|------------|--------------|----------------|-----------------------|----------------------------|-----------------------------|
| 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 | Term Loan | TD Bank | Third-Party | Fixed Rate | 1-Oct-18 | 10 | \$ 60,000,000 | 3.65% | \$ 479,868.49 | Actual Rate |
| 2 | Term Loan | TD Bank | Third-Party | Fixed Rate | 1-Oct-20 | 10 | \$ 20,000,000 | 2.23% | \$ 97,621.92 | Actual Rate |
| 3 | Term Loan | TD Bank | Third-Party | Fixed Rate | 22-Jun-23 | 5.33 | \$ 10,000,000 | 4.60% | \$ 100,821.92 | Actual Rate |
| 4 | Term Loan | TD Bank | Third-Party | Fixed Rate | 23-Oct-24 | 4 | \$ 5,000,000 | 3.85% | \$ 42,169.86 | Actual Rate |
| 5 | Term Loan | TD Bank | Third-Party | Fixed Rate | 21-Jun-24 | 4.33 | \$ 11,700,000 | 4.40% | \$ 112,781.69 | Actual Rate |
| 6 | Term Loan (Blended Swap 1 to 5 above) | TD Bank | Third-Party | Fixed Rate | 22-Mar-25 | 5.75 | \$ 106,700,000 | 3.41% | \$2,842,663.40 | Actual Rate |
| 7 | Term Loan (Unfunded) | TD Bank | Third-Party | Fixed Rate | | | \$ 5,000,000 | 3.41% | \$ 114,445.21 | Not Yet Funded |
| | | | | | | | | | | |
| Total | | | | | | | \$ 111,700,000 | 3.39% | \$3,790,372.39 | |

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Table 5-10: Debt Instruments for 2026 Test Year (Appendix 2-OB)

| Year 2026 | | | | | | | | | | |
|---|----------------------|---------|---------------------------------|-------------------------|------------|--------------|----------------|-----------------------|----------------------------|-----------------------------|
| 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 | Term Loan | TD Bank | Third-Party | Fixed Rate | 22-Mar-25 | 5.75 | \$ 106,700,000 | 3.41% | \$3,640,604.00 | Actual Rate |
| 2 | Term Loan (Unfunded) | TD Bank | Third-Party | Fixed Rate | | | \$ 5,000,000 | 3.41% | \$ 170,500.00 | Not Yet Funded |
| | | | | | | | | | | |
| Total | | | | | | | \$ 111,700,000 | 3.41% | \$3,811,104.00 | |

4 **5.4 RETURN ON EQUITY**

5 Oshawa Power is requesting an ROE for the 2026 Test Year of 9.00%, in accordance
 6 with the direction for 2025 cost-based rate applications in the 2025 Cost of Capital
 7 Decision. Oshawa Power's historical ROE achieved is in Table 5-11 below.

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Table 5-11: Historical Return on Equity Achieved

| Return on Equity | 2021 | 2022 | 2023 | 2024 |
|---------------------|-------|-------|-------|-------|
| Achieved (%) | 7.98% | 8.96% | 9.50% | 4.70% |

5.5 OVERVIEW OF FINANCING STRATEGY

In its 2026-2030 Business Plan (Exhibit 1, Attachment 1-3), Oshawa Power identified the development and implementation of a Financing Strategy. As can be seen in Table 5-10 above, Oshawa Power's bank debt will expire in 2030. To secure long-term cost of debt certainty on behalf of its customers as is typical for regulated utilities, Oshawa Power began exploring a bond issuance to replace Oshawa Power's existing debt and to support funding of its new building. Bank debt introduces more frequent refinancing events, the costs of which if they coincide with periods of high interest rates, are passed on to customers.

Oshawa Power met with four banks in late 2024 and again in early 2025 to investigate early termination of this debt in favour of a bond issuance in 2025. It was determined that interest rate of the bonds would be higher than the current bank debt instruments, impacting long-term debt rate requested for 2026 in this Application, as shown above. As a result, as a key part of its Financing Strategy, Oshawa Power is postponing this bond issuance until after these instruments expire. This will allow Oshawa Power's customers to continue to benefit from the current favourable bank debt rates.

Oshawa Power intends, upon the maturity of its existing debt, to refinance with long-term fixed-rate debt. The benefits of such a capital structure are to lower refinancing risk, and in particular the possibility of having to refinance in a period of high interest rates.

5.7 NOT FOR PROFIT CORPORATIONS

Oshawa Power is a for profit corporation, therefore this filing requirement is not applicable.