

Exhibit 5:

Cost of Capital

Interrogatory Responses



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Exhibit 5 – Cost of Capital Interrogatories

5-Staff/CCMBC-185

Ref. 1: Exhibit 5, Table 5-11, p.7

Question(s):

Please explain why Oshawa PUC Networks' return on equity decreased to 4.70% in 2024.

Oshawa Power Response

Profitability decreased year over year primarily due to increase in operating expenses. Refer to Audited Financial statements Note 18 for change in expenses by category.

P.363 Exhibit 1

IRR Table 5-1: Note 18. Operations, maintenance and administration

OSHAWA PUC NETWORKS INC.

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2024

18. Operations, maintenance and administration:

Operations, maintenance and administrative expense consists of the following:

	2024	2023
Salaries/benefits/payroll	\$ 8,480	\$ 6,368
External services	3,813	3,449
Repairs and maintenance	879	518
Communications, postage and printing	830	909
Vehicle expenses	538	529
Bad debt expense	1,472	1,120
Administrative charges	686	472
Utilities, insurance, rent and municipal taxes	649	595
OEB regulatory fee, license and permits	565	605
Other	1,153	1,087
Total operations, maintenance and administrative	\$ 19,065	\$ 15,652

5-Staff-186

Ref. 1: EB-2024-0063 Cost of Capital Decision, March 27, 2025, p. 65

Ref. 2: Chapter 2 Appendices, 2-OA Capital Structure**Question(s):**

- a) Please revise Appendix 2 - OA Capital Structure to show the Capitalization Ratio (% and \$), Cost Rate (%), and Return (\$) of both Notional Long-term Debt and Actual Long-term Debt. Please ensure the average of the Notional Long-term Debt and Actual Long-term Debt matches that in the RRWF.
- b) Please confirm Oshawa PUC Networks will update the 2026 Cost of Capital parameters once they are available.

Oshawa Power Response

- a) Appendix 2-OA Capital Structure has been revised to show the Capitalization Ratio (% and \$), Cost Rate (%), and Return (\$) of both Notional Long-term Debt and Actual Long-term Debt filed as

OPUCN_IRR_2026_Filing_Requirements_Chapter
2_Appendices_1.0_20250730.

IRR Table 5-2: Actual and Deemed Long-term Debt

Description	Actual	Deemed Per Appendix 2-OA_IRR revised	Notional Debt
Long Term Debt	111,700,000	102,992,956	- 8,707,044

Actual long-term debt and notional long-term debt are priced at the same cost rate as Oshawa Power's cost of actual long-term debt is lower than the deemed long-term debt rate (DLTDR) at the time of debt issuance. Oshawa Power's actual cost of long-term debt is 3.41% as compared to the DLTDR at the time of issuance 4.51% (EB-2024-0063 March 27, 2025) page 72.

The average of the Notional Long-term Debt and Actual Long-term Debt matches that in the RRWF filed as

OPUCN_IRR_2026_Rev_Reqt_Workform_1.0_20250730.

IRR Table 5-3: Appendix 2-OA Capital Structure

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: 2026

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return	
		(%)	(\$)	(%)		(\$)	
	Debt						
1	Long-term Debt (Actual)	60.73%	\$111,700,000	3.41%		\$3,808,970	
	Long-term Debt (Notional)	-4.73%	(\$8,707,044)	3.41%		(\$296,910)	
2	Short-term Debt	4.00%	\$7,356,640	3.91%		\$287,645	
3	Total Debt	60.0%	\$110,349,595	3.44%		\$3,799,704	
	Equity						
4	Common Equity	40.00%	\$73,566,397	9.00%		\$6,620,976	
5	Preferred Shares		\$ -	0.00%		\$ -	
6	Total Equity	40.0%	\$73,566,397	9.00%		\$6,620,976	
7	Total	100.0%	\$183,915,992	5.67%		\$10,420,680	

- b) Yes, Oshawa Power will update the 2026 Cost of Capital parameters once they are available.

5-Staff/CCMBC-187

Ref. 1: Exhibit 5, p.5

Ref. 2: Chapter 2 Appendices, 2-OB, Debt Instruments

Question(s):

- a) Has Oshawa PUC Networks secured the 2025 loan of \$5 million with the third-party lenders yet?
- a. If so, please update 2026 Debt Instruments table (Appendix 2-OB) to reflect updated information.

- b) Please provide additional information regarding the new long-term debt, specifically whether it is intended to fund any specific capital project(s), or other types of work.

Oshawa Power Response

- a) Loan has been secured and available. No update required.
b) Loan is intended to be used to cover various capital projects.

5-Staff/CCMBC-188

Ref. 1: Exhibit 5, p.5

Ref. 2: Chapter 2 Appendices, 2-OB, Debt Instruments

Preamble

In March 2025, Oshawa PUC Networks consolidated five long-term debts at a lower rate of 3.41%, resulting in annual savings to Oshawa PUC Networks' customers of \$164,830.

In Reference 2, the 2026 table shows the consolidated debt has a term of 5.75 years, while the 2025 table indicates that the primary five debts have terms of 10 years, 10 years, 5.33 years, 4 years, and 5.75 years respectively.

Question(s):

- a) Please explain how the 5.75-year term was calculated or established.

Oshawa Power Response

The 5.75-year term reflects the term between the date of debt consolidation (Mar 2025) of debts to the end of the term (i.e. Dec 2030)

5-VECC-189

Ref. 1: Exhibit 5

Ref. 2: Chapter 2 Appendices, 2-OB, Debt Instruments

Question(s):

- a) Until the year 2024 the TD Bank loans, 1-Oct-20 and 22-Jun-23, appear to have had no term. Please confirm the loan terms
- b) In 2023 Appendix 2-OB shows a \$60M affiliate loan at 3.65% “transferred to Networks” and in the 2024 an equivalent amount with a start date of 1-Oct-18 and at the same rate (3.65%) is shown as being borrowed from TD Bank. Please explain this transaction.

Oshawa Power Response

- a) Prior to June 2023, the debt instrument was established between TD and the parent company. There was a notes payable from the parent company to Oshawa Power and there were no contractual terms between the parent company and Oshawa Power. After June 2023, the debt instrument was transferred to Oshawa Power from the parent company. Prior to 2024, debt instruments listed in Table 5-5, 5-6 and 5-7 pertain to an affiliate loan between the parent company and Oshawa Power with no terms associated.
- b) The reason for the transaction was to align the benefactor of the debt with the underlying entity with the financing