

# Exhibit 5:

# Cost of Capital

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## 5.1 CAPITAL STRUCTURE

### 5.1.1 OVERVIEW

The purpose of this evidence is to summarize Entegrus Powerlines Inc.'s ("EPI") cost of capital and capital structure as it applies to the 2026 Test Year.

EPI has followed the EB-2024-0063 Decision and Order (the "2025 Cost of Capital Report"), dated March 27, 2025, to determine its capital structure and the 2026 cost of capital parameters presented in this evidence. EPI acknowledges these rates are subject to change when the OEB issues the 2026 cost of capital parameters. EPI will update its short-term debt and return on equity rates based on the 2026 cost of capital parameters prior to the rate order being finalized in this proceeding.

EPI has completed the OEB's Appendix 2-OA and Appendix 2-OB, please see the live excel version of Chapter 2 Appendices (EPI\_2026\_Filing\_Requirements\_Chapter2\_Appendices\_1.0\_20250829).

### 5.1.2 CALCULATION OF THE 2016 OEB APPROVED PROXY

As described in Exhibit 1, EPI's last Cost of Service ("COS") application (EB-2015-0061) was filed for 2016 rates, while former St. Thomas Energy Inc.'s ("STEI") last COS application (EB-2014-0113) was for 2015 rates. Thereafter, EPI and STEI merged on April 1, 2018, with the amalgamated utility continuing as EPI.

As a result, EPI's 2016 OEB Approved Proxy amount reflects the combined capital structure and cost of capital of both predecessor utilities. Although each rate zone retains its own OEB Approved cost of capital, EPI presents both zone-specific and combined cost of capital figures below for comparison.

#### ENTEGRUS POWERLINES INC.

The Legacy EPI rate zone's cost of capital was last approved in EPI's 2016 COS Application (EB-2015-0061). As part of that proceeding, the following cost of capital parameters were approved (as shown in Table 5-1 below):

- 56% long-term debt with a rate of return of 4.50%,

- 1 • 4% short-term debt with a rate of return of 1.65%,
- 2 • 40% common equity with a rate of return of 9.19%, and
- 3 • Weighted average cost of capital of 6.26%.

4 **TABLE 5-1: EPI OEB APPROVED CAPITAL STRUCTURE**

Line No.	Description	Approved in EB-2015-0061			
		Capitalization Ratio		Cost Rate	Return \$
		%	\$		
1	<b>Debt</b>				
2	Long Term Debt	56.00%	\$48,372,916	4.50%	\$2,179,083
3	Short Term Debt	4.00%	\$3,455,208	1.65%	\$57,011
4	<b>Total Debt</b>	<b>60.00%</b>	<b>\$51,828,125</b>	<b>4.31%</b>	<b>\$2,236,094</b>
5	<b>Equity</b>				
6	Common Equity	40.00%	\$34,552,083	9.19%	\$3,175,336
7	Preferred Shares	0.00%	\$0		\$0
8	<b>Total Equity</b>	<b>40.00%</b>	<b>\$34,552,083</b>	<b>9.19%</b>	<b>\$3,175,336</b>
9	<b>Total</b>	<b>100.00%</b>	<b>\$86,380,208</b>	<b>6.26%</b>	<b>\$5,411,431</b>

6 **ST. THOMAS ENERGY INC.**

7 The cost of capital for the STEI rate zone was last approved in STEI's 2015 Cost of Service Application  
8 (EB-2014-0113). As part of that proceeding, the following cost of capital parameters were approved:

- 9 • 56% long-term debt with a rate of return of 4.60%,
- 10 • 4% short-term debt with a rate of return of 2.16%,
- 11 • 40% common equity with a rate of return of 9.30%, and
- 12 • Weighted average cost of capital of 6.38%.

13 For purposes of comparison, EPI has recalculated the cost of capital in Table 5-2 below. The left section  
14 shows the original approved structure, while the right has been inflated to 2016 amounts by STEI's 2016  
15 OEB Approved IRM net price cap index adjustment of 1.8%.

**TABLE 5-2: STEI OEB APPROVED CAPITAL STRUCTURE**

Line No.	Description	Approved in EB-2014-0113				Inflated to 2016			
		Capitalization Ratio		Cost	Return	Capitalization Ratio		Cost	Return
		%	\$	Rate	\$	%	\$	Rate	\$
<b>1</b>	<b>Debt</b>								
2	Long Term Debt	56.00%	\$16,414,371	4.60%	\$755,061	56.00%	\$16,709,830	4.60%	\$768,652
3	Short Term Debt	4.00%	\$1,172,455	2.16%	\$25,325	4.00%	\$1,193,559	2.16%	\$25,781
4	<b>Total Debt</b>	<b>60.00%</b>	<b>\$17,586,826</b>	<b>4.44%</b>	<b>\$780,386</b>	<b>60.00%</b>	<b>\$17,903,389</b>	<b>4.44%</b>	<b>\$794,433</b>
<b>5</b>	<b>Equity</b>								
6	Common Equity	40.00%	\$11,724,551	9.30%	\$1,090,383	40.00%	\$11,935,593	9.30%	\$1,110,010
7	Preferred Shares	0.00%	\$0		\$0	0.00%	\$0		\$0
8	<b>Total Equity</b>	<b>40.00%</b>	<b>\$11,724,551</b>	<b>9.30%</b>	<b>\$1,090,383</b>	<b>40.00%</b>	<b>\$11,935,593</b>	<b>9.30%</b>	<b>\$1,110,010</b>
9	<b>Total</b>	<b>100.00%</b>	<b>\$29,311,377</b>	<b>6.38%</b>	<b>\$1,870,769</b>	<b>100.00%</b>	<b>\$29,838,982</b>	<b>6.38%</b>	<b>\$1,904,443</b>

### EPI OEB APPROVED PROXY

Table 5-3 provides the aggregated OEB Approved EPI and STEI capital structure and cost of capital totals. The aggregated OEB Approved Proxy figures on the right have been used in preparing Appendix 2-OA.

**TABLE 5-3: EPI OEB APPROVED PROXY**

Line No.	Rate Zone	Approved in EB-2015-0061, EB-2014-0113				OEB Approved Proxy			
		Capitalization Ratio		Cost	Return	STT Inflated to 2016		Cost	Return
		%	\$	Rate	\$	%	\$	Rate	\$
<b>1</b>	<b>Long Term Debt</b>								
2	Legacy Entegrus	56.00%	\$48,372,916	4.50%	\$2,179,083	56.00%	\$48,372,916	4.50%	\$2,179,083
3	STT	56.00%	\$16,414,371	4.60%	\$755,061	56.00%	\$16,709,830	4.60%	\$768,652
4	<b>Total LT Debt</b>	<b>56.00%</b>	<b>\$64,787,288</b>	<b>4.53%</b>	<b>\$2,934,144</b>	<b>56.00%</b>	<b>\$65,082,746</b>	<b>4.53%</b>	<b>\$2,947,736</b>
<b>5</b>	<b>Short Term Debt</b>								
6	Legacy Entegrus	4.00%	\$3,455,208	1.65%	\$57,011	4.00%	\$3,455,208	1.65%	\$57,011
7	STT	4.00%	\$1,172,455	2.16%	\$25,325	4.00%	\$1,193,559	2.16%	\$25,781
8	<b>Total ST Debt</b>	<b>4.00%</b>	<b>\$4,627,663</b>	<b>1.78%</b>	<b>\$82,336</b>	<b>4.00%</b>	<b>\$4,648,768</b>	<b>1.78%</b>	<b>\$82,792</b>
<b>9</b>	<b>Common Equity</b>								
10	Legacy Entegrus	40.00%	\$34,552,083	9.19%	\$3,175,336	40.00%	\$34,552,083	9.19%	\$3,175,336
11	STT	40.00%	\$11,724,551	9.30%	\$1,090,383	40.00%	\$11,935,593	9.30%	\$1,110,010
12	<b>Total Common Equity</b>	<b>40.00%</b>	<b>\$46,276,634</b>	<b>9.22%</b>	<b>\$4,265,720</b>	<b>40.00%</b>	<b>\$46,487,676</b>	<b>9.22%</b>	<b>\$4,285,347</b>
<b>13</b>	<b>Preferred Shares</b>								
14	Legacy Entegrus	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
15	STT	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
16	<b>Total Preferred Shares</b>		<b>\$0</b>		<b>\$0</b>		<b>\$0</b>		<b>\$0</b>
17	<b>Grand Total</b>	<b>100.00%</b>	<b>\$115,691,585</b>	<b>6.29%</b>	<b>\$7,282,200</b>	<b>100.00%</b>	<b>\$116,219,190</b>	<b>6.29%</b>	<b>\$7,315,874</b>

**5.1.3 CAPITAL STRUCTURE AND PARAMETERS**

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EPI has prepared this Application using a deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% Equity, in accordance with the 2025 Cost of Capital Report.

For the 2026 Test Year, EPI is proposing a deemed interest expense of \$4,924,767 (4.31%) and a deemed return on equity of \$6,852,496 (9.00%), resulting in a total regulated return on capital of \$11,777,263 (6.19%). Table 5-4 below presents the rate base calculation in a format consistent with OEB Appendix 2-OA.

1 **TABLE 5-4: CAPITAL STRUCTURE AND COST OF CAPITAL**

Year: 2026 Test Year

Particulars	Capitalization Ratio		Cost Rate		Return	
	(%)	(\$)	(%)		(\$)	
<b>Debt</b>						
Long-term Debt	56.00%	\$106,594,385	4.34%		\$4,627,064	
Short-term Debt	4.00%	\$7,613,885	3.91%		\$297,703	
<b>Total Debt</b>	<b>60.0%</b>	<b>\$114,208,269</b>	<b>4.31%</b>		<b>\$4,924,767</b>	
<b>Equity</b>						
Common Equity	40.00%	\$76,138,846	9.00%		\$6,852,496	
Preferred Shares		\$ -			\$ -	
<b>Total Equity</b>	<b>40.0%</b>	<b>\$76,138,846</b>	<b>9.00%</b>		<b>\$6,852,496</b>	
<b>Total</b>	<b>100.0%</b>	<b>\$190,347,116</b>	<b>6.19%</b>		<b>\$11,777,263</b>	

Year: 2016 OEB Approved Proxy

Particulars	Capitalization Ratio		Cost Rate		Return	
	(%)	(\$)	(%)		(\$)	
<b>Debt</b>						
Long-term Debt	56.00%	\$65,082,746	4.53%		\$2,947,736	
Short-term Debt	4.00%	\$4,648,768	1.78%		\$82,792	
<b>Total Debt</b>	<b>60.0%</b>	<b>\$69,731,514</b>	<b>4.35%</b>		<b>\$3,030,527</b>	
<b>Equity</b>						
Common Equity	40.00%	\$46,487,676	9.22%		\$4,285,347	
Preferred Shares		\$ -			\$ -	
<b>Total Equity</b>	<b>40.0%</b>	<b>\$46,487,676</b>	<b>9.22%</b>		<b>\$4,285,347</b>	
<b>Total</b>	<b>100.0%</b>	<b>\$116,219,190</b>	<b>6.29%</b>		<b>\$7,315,874</b>	



## 5.2 COST OF CAPITAL

### 5.2.1 COST OF DEBT: LONG-TERM

EPI is requesting a return on long-term debt of 4.34% for the 2026 Test Year. This rate reflects the weighted average cost of long-term debt.

#### LONG-TERM DEBT REFINANCING

In late 2024, EPI refinanced its long-term debt portfolio by consolidating all outstanding obligations with TD Commercial Banking ("TD Bank"). This strategic refinancing was driven by two key factors. First, EPI maintained regular dialogue with the Municipality of Chatham-Kent ("Municipality") concerning the \$23.5M note payable, including whether the Municipality had alternative plans for the associated funds. In April 2024, the Municipality confirmed its intention to request repayment of the note prior to year-end. Second, in early 2024, EPI's former third-party lender applied a 25 basis point increase to its lending rates.

In response to these developments, EPI initiated a search for a new third-party lender during summer 2024. TD Bank was selected due to its competitive terms, innovative offerings, and established experience within Ontario's electricity sector.

As part of the refinancing, EPI replaced its affiliated notes payable and third-party term debt as follows:

- Affiliated notes payable of approximately \$36M at an interest rate of 4.54% were replaced with an interest-only term loan from TD Bank, with a principal amount of \$36M and a fixed interest rate of 4.263%. This results in interest savings of approximately \$499k over the 2026–2030 period.
- Third-party term debt totaling approximately \$52M, with an average interest rate of 4.267%, was novated to TD Bank at the same average rate, ensuring no impact on EPI's future interest costs. Also, note that this rate is below the OEB's most recent deemed long-term debt rate of 4.51%.

This refinancing initiative not only secured more favourable lending terms but also delivered measurable interest savings for EPI ratepayers, reducing long-term borrowing costs and enhancing overall financial efficiency.

#### **CURRENT AND FORECASTED LONG-TERM DEBT**

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The following outlines the details of EPI's current and forecasted long-term debt portfolio, which the company has relied upon to establish the actual long-term debt rate applied to its deemed long-term debt rate in Table 5-4 above:

- Term loan with TD Bank – this 30-year term loan was originally issued for \$52,000,000 in December 2024. The loan is being repaid through monthly blended principal and interest payments of \$256,326. The interest rate is fixed at 4.267% through an interest rate swap arrangement. The loan, which matures in December 2054, was utilized to finance EPI's capital asset additions.
- Term loan with TD Bank – this interest-only term loan was issued in December 2024 and has a principal balance of \$36,000,000, with monthly interest payments of \$127,890. The interest rate is fixed at 4.263% through an interest rate swap agreement. The loan was used to fund EPI's capital and operational needs.
- Term loan with TD Bank – this 30-year term loan was originally issued for \$14,500,000 in July 2025. The loan is being repaid through monthly blended principal and interest payments of \$74,333. The interest rate is fixed at 4.60% through an interest rate swap arrangement. The loan, which matures in December 2055, was utilized to finance EPI's capital asset additions.
- Committed revolving term loan with TD Bank – EPI has drawn \$8,000,000 from this revolving credit facility, which has a total limit of \$10,000,000. The loan carries a variable interest rate set at the TD Bank Prime Rate minus 35 basis points. This facility has been utilized to finance EPI's working capital requirements. For the purpose of determining the actual long-term debt rate in this application, EPI has applied the OEB's long-term debt rate of 4.51% to this credit facility for the 2026 Test Year, in alignment with the 2025 Cost of Capital Report issued on March 27, 2025.

- To support its 2026 capital investment program, EPI anticipates the need for an additional term loan following the date of this application. It is estimated that EPI will borrow \$10,500,000 on July 1, 2026, to fund capital asset additions for the year. An interest rate of 4.60% has been applied to this new borrowing, based on the indicative rate provided by TD Bank as of July 2, 2025 for a 30-year amortizing term loan.

In accordance with OEB Appendix 2-OB, Table 5-5 and Table 5-6 present EPI's outstanding debt for the periods 2016 to 2021 and 2022 through the 2026 Test Year, respectively.

1 **TABLE 5-5: DEBT INSTRUMENTS (2016 TO 2021)**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable Rate	Start Date	Term (Years)	Avg Principal (\$)	Rate (%)	Interest (\$)
<b>1</b>	<b>2016 Actual</b>								
2	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 30, 2000	n/a	\$23,523,326	5.87%	\$1,380,819
3	Note Payable 2	Entegrus Inc.	Affiliated	Variable	June 30, 2005	n/a	\$4,300,000	7.25%	\$311,750
4	Note Payable 3	Entegrus Inc.	Affiliated	Variable	November 18, 2009	n/a	\$1,000,000	7.62%	\$76,200
5	Note Payable 4	Entegrus Inc.	Affiliated	Variable	December 16, 2010	n/a	\$8,250,000	5.87%	\$484,275
6	Note Payable 5	Entegrus Inc.	Affiliated	Variable	December 31, 2014	n/a	\$10,000,000	4.88%	\$488,000
7	Note Payable 6	Entegrus Inc.	Affiliated	Variable	December 31, 2015	n/a	\$450,000	4.77%	\$21,465
<b>8</b>	<b>Total</b>						<b>\$47,523,326</b>	<b>5.81%</b>	<b>\$2,762,509</b>
<b>9</b>	<b>2017 Actual</b>								
10	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 30, 2000	n/a	\$23,523,326	4.54%	\$1,067,959
11	Note Payable 2	Entegrus Inc.	Affiliated	Variable	June 30, 2005	n/a	\$4,300,000	4.54%	\$195,220
12	Note Payable 3	Entegrus Inc.	Affiliated	Variable	November 18, 2009	n/a	\$1,000,000	4.54%	\$45,400
13	Note Payable 4	Entegrus Inc.	Affiliated	Variable	December 16, 2010	n/a	\$8,250,000	4.54%	\$374,550
14	Note Payable 5	Entegrus Inc.	Affiliated	Variable	December 31, 2014	n/a	\$10,000,000	4.54%	\$454,000
15	Note Payable 6	Entegrus Inc.	Affiliated	Variable	December 31, 2015	n/a	\$450,000	4.54%	\$20,430
16	Note Payable 7	Entegrus Inc.	Affiliated	Variable	December 31, 2016	n/a	\$2,000,000	4.54%	\$90,800
<b>17</b>	<b>Total</b>						<b>\$49,523,326</b>	<b>4.54%</b>	<b>\$2,248,359</b>
<b>18</b>	<b>2018 Actual</b>								
19	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 30, 2000	n/a	\$23,523,326	4.54%	\$1,067,959
20	Note Payable 2	Entegrus Inc.	Affiliated	Variable	June 30, 2005	n/a	\$4,300,000	4.54%	\$195,220
21	Note Payable 3	Entegrus Inc.	Affiliated	Variable	November 18, 2009	n/a	\$1,000,000	4.54%	\$45,400
22	Note Payable 4	Entegrus Inc.	Affiliated	Variable	December 16, 2010	n/a	\$7,933,562	4.54%	\$360,184
23	Note Payable 5	Entegrus Inc.	Affiliated	Variable	December 31, 2014	n/a	\$10,000,000	4.54%	\$454,000
24	Note Payable 6	Entegrus Inc.	Affiliated	Variable	December 31, 2015	n/a	\$450,000	4.54%	\$20,430
25	Note Payable 7	Entegrus Inc.	Affiliated	Variable	December 31, 2016	n/a	\$2,000,000	4.54%	\$90,800
26	Term Debt 1	CIBC	Third-Party	Fixed	April 3, 2018	25	\$13,385,606	3.60%	\$481,882
27	Term Debt 2	CIBC	Third-Party	Fixed	December 18, 2018	25	\$287,671	3.68%	\$10,578
<b>28</b>	<b>Total</b>						<b>\$62,880,165</b>	<b>4.34%</b>	<b>\$2,726,452</b>
<b>29</b>	<b>2019 Actual</b>								\$0
30	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 30, 2000	n/a	\$23,523,326	4.54%	\$1,067,959
31	Note Payable 2	Entegrus Inc.	Affiliated	Variable	June 30, 2005	n/a	\$4,158,630	4.54%	\$188,802
32	Note Payable 3	Entegrus Inc.	Affiliated	Variable	November 18, 2009	n/a	\$1,000,000	4.54%	\$45,400
33	Note Payable 5	Entegrus Inc.	Affiliated	Variable	December 31, 2014	n/a	\$10,000,000	4.54%	\$454,000
34	Note Payable 6	Entegrus Inc.	Affiliated	Variable	December 31, 2015	n/a	\$450,000	4.54%	\$20,430
35	Note Payable 7	Entegrus Inc.	Affiliated	Variable	December 31, 2016	n/a	\$2,000,000	4.54%	\$90,800
36	Term Debt 1	CIBC	Third-Party	Fixed	April 3, 2018	25	\$17,447,138	3.60%	\$628,097
37	Term Debt 2	CIBC	Third-Party	Fixed	December 18, 2018	25	\$7,403,334	3.68%	\$272,221
38	Term Debt 3	CIBC	Third-Party	Fixed	December 20, 2019	25	\$172,603	3.32%	\$5,730
<b>35</b>	<b>Total</b>						<b>\$66,155,031</b>	<b>4.19%</b>	<b>\$2,773,439</b>
<b>36</b>	<b>2020 Actual</b>								
37	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 22, 2000	n/a	\$23,523,326	4.54%	\$1,067,959
38	Note Payable 3	Entegrus Inc.	Affiliated	Variable	November 18, 2009	n/a	\$1,000,000	4.54%	\$45,400
39	Note Payable 5	Entegrus Inc.	Affiliated	Variable	December 31, 2014	n/a	\$10,000,000	4.54%	\$454,000
40	Note Payable 6	Entegrus Inc.	Affiliated	Variable	December 31, 2015	n/a	\$450,000	4.54%	\$20,430
41	Note Payable 7	Entegrus Inc.	Affiliated	Variable	December 31, 2016	n/a	\$2,000,000	4.54%	\$90,800
42	Note Payable 8	Entegrus Inc.	Affiliated	Variable	December 31, 2019	n/a	\$525,890	3.21%	\$16,881
43	Term Debt 1	CIBC	Third-Party	Fixed	April 3, 2018	25	\$16,974,743	3.60%	\$611,091
44	Term Debt 2	CIBC	Third-Party	Fixed	December 18, 2018	25	\$7,212,907	3.68%	\$265,219
45	Term Debt 3	CIBC	Third-Party	Fixed	December 20, 2019	25	\$5,179,230	3.32%	\$171,950
46	Term Debt 4	CIBC	Third-Party	Fixed	June 2, 2020	25	\$2,026,717	2.41%	\$48,844
<b>47</b>	<b>Total</b>						<b>\$68,892,813</b>	<b>4.05%</b>	<b>\$2,792,574</b>
<b>48</b>	<b>2021 Actual</b>								
49	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 22, 2000	n/a	\$23,523,326	4.54%	\$1,067,959
50	Note Payable 3	Entegrus Inc.	Affiliated	Variable	November 18, 2009	n/a	\$953,425	4.54%	\$43,285
51	Note Payable 5	Entegrus Inc.	Affiliated	Variable	December 31, 2014	n/a	\$10,000,000	4.54%	\$454,000
52	Note Payable 6	Entegrus Inc.	Affiliated	Variable	December 31, 2015	n/a	\$450,000	4.54%	\$20,430
53	Note Payable 7	Entegrus Inc.	Affiliated	Variable	December 31, 2016	n/a	\$2,000,000	4.54%	\$90,800
54	Term Debt 1	CIBC	Third-Party	Fixed	April 3, 2018	25	\$16,485,059	3.60%	\$593,462
55	Term Debt 2	CIBC	Third-Party	Fixed	December 18, 2018	25	\$7,016,480	3.68%	\$257,996
56	Term Debt 3	CIBC	Third-Party	Fixed	December 20, 2019	25	\$5,039,484	3.32%	\$167,311
57	Term Debt 4	CIBC	Third-Party	Fixed	June 2, 2020	25	\$3,392,230	2.41%	\$81,753
58	Term Debt 5	CIBC	Third-Party	Fixed	January 27, 2021	25	\$2,468,398	2.79%	\$68,770
<b>59</b>	<b>Total</b>						<b>\$71,328,401</b>	<b>3.99%</b>	<b>\$2,845,766</b>

1 **TABLE 5-6: DEBT INSTRUMENTS (2022 TO 2026 TEST YEAR)**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable Rate	Start Date	Term (Years)	Avg Principal (\$)	Rate (%)	Interest (\$)
<b>1</b>	<b>2022 Actual</b>								
2	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 22, 2000	n/a	\$23,523,326	4.54%	\$1,067,959
3	Note Payable 5	Entegrus Inc.	Affiliated	Variable	December 31, 2014	n/a	\$10,000,000	4.54%	\$454,000
4	Note Payable 6	Entegrus Inc.	Affiliated	Variable	December 31, 2015	n/a	\$450,000	4.54%	\$20,430
5	Note Payable 7	Entegrus Inc.	Affiliated	Variable	December 31, 2016	n/a	\$2,000,000	4.54%	\$90,800
6	Term Debt 1	CIBC	Third-Party	Fixed	April 3, 2018	25	\$15,977,452	3.60%	\$575,188
7	Term Debt 2	CIBC	Third-Party	Fixed	December 18, 2018	25	\$6,812,708	3.68%	\$250,503
8	Term Debt 3	CIBC	Third-Party	Fixed	December 20, 2019	25	\$4,895,817	3.32%	\$162,541
9	Term Debt 4	CIBC	Third-Party	Fixed	June 2, 2020	25	\$3,286,297	2.41%	\$79,200
10	Term Debt 5	CIBC	Third-Party	Fixed	January 27, 2021	25	\$2,883,926	2.79%	\$80,346
11	Term Debt 6	CIBC	Third-Party	Fixed	April 1, 2022	25	\$5,581,202	4.05%	\$225,983
10	Term Debt 7	CIBC	Third-Party	Fixed	November 3, 2022	25	\$832,522	5.04%	\$41,959
<b>11</b>	<b>Total</b>						<b>\$76,243,249</b>	<b>4.00%</b>	<b>\$3,048,910</b>
<b>12</b>	<b>2023 Actual</b>								
13	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 22, 2000	n/a	\$23,523,326	4.54%	\$1,067,959
14	Note Payable 5	Entegrus Inc.	Affiliated	Variable	December 31, 2014	n/a	\$10,000,000	4.54%	\$454,000
15	Note Payable 6	Entegrus Inc.	Affiliated	Variable	December 31, 2015	n/a	\$450,000	4.54%	\$20,430
16	Note Payable 7	Entegrus Inc.	Affiliated	Variable	December 31, 2016	n/a	\$2,000,000	4.54%	\$90,800
17	Term Debt 1	CIBC	Third-Party	Fixed	April 3, 2018	25	\$15,451,266	3.60%	\$556,246
18	Term Debt 2	CIBC	Third-Party	Fixed	December 18, 2018	25	\$6,601,316	3.68%	\$242,730
19	Term Debt 3	CIBC	Third-Party	Fixed	December 20, 2019	25	\$4,747,308	3.32%	\$157,611
20	Term Debt 4	CIBC	Third-Party	Fixed	June 2, 2020	25	\$3,177,782	2.41%	\$76,585
21	Term Debt 5	CIBC	Third-Party	Fixed	January 27, 2021	25	\$2,796,398	2.79%	\$77,908
22	Term Debt 6	CIBC	Third-Party	Fixed	April 1, 2022	25	\$7,284,817	4.05%	\$294,962
23	Term Debt 7	CIBC	Third-Party	Fixed	November 3, 2022	25	\$4,934,952	5.04%	\$248,722
24	Term Debt 8	CIBC	Third-Party	Fixed	December 21, 2023	25	\$260,274	4.96%	\$12,910
<b>25</b>	<b>Total</b>						<b>\$81,227,438</b>	<b>4.06%</b>	<b>\$3,300,861</b>
<b>26</b>	<b>2024 Actual</b>								
27	Note Payable 1	Municipality of Chatham-Kent	Affiliated	Variable	September 22, 2000	n/a	\$22,749,956	4.54%	\$1,032,848
28	Note Payable 5	Entegrus Inc.	Affiliated	Variable	December 31, 2014	n/a	\$9,260,274	4.54%	\$420,416
29	Note Payable 6	Entegrus Inc.	Affiliated	Variable	December 31, 2015	n/a	\$416,712	4.54%	\$18,919
30	Note Payable 7	Entegrus Inc.	Affiliated	Variable	December 31, 2016	n/a	\$1,852,055	4.54%	\$84,083
31	Term Debt 1	CIBC	Third-Party	Fixed	April 3, 2018	25	\$14,472,622	3.85%	\$557,196
32	Term Debt 2	CIBC	Third-Party	Fixed	December 18, 2018	25	\$6,196,345	3.93%	\$243,330
33	Term Debt 3	CIBC	Third-Party	Fixed	December 20, 2019	25	\$4,460,079	3.57%	\$159,225
34	Term Debt 4	CIBC	Third-Party	Fixed	June 2, 2020	25	\$2,977,473	2.66%	\$79,201
35	Term Debt 5	CIBC	Third-Party	Fixed	January 27, 2021	25	\$2,627,614	3.04%	\$79,774
36	Term Debt 6	CIBC	Third-Party	Fixed	April 1, 2022	25	\$6,891,536	4.30%	\$296,267
37	Term Debt 7	CIBC	Third-Party	Fixed	November 3, 2022	25	\$4,687,878	5.29%	\$247,989
36	Term Debt 8	CIBC	Third-Party	Fixed	December 21, 2023	25	\$9,134,923	4.96%	\$453,092
37	Term Debt 9	TD Commercial Banking	Third-Party	Fixed	December 20, 2024	30	\$1,852,055	4.27%	\$79,027
38	Term Debt 10	TD Commercial Banking	Third-Party	Fixed	December 20, 2024	n/a	\$1,282,192	4.26%	\$54,660
<b>39</b>	<b>Total</b>						<b>\$88,861,714</b>	<b>4.28%</b>	<b>\$3,806,028</b>
<b>40</b>	<b>2025 Bridge Year</b>								
41	Term Debt 9	TD Commercial Banking	Third-Party	Fixed	December 20, 2024	30	\$51,529,642	4.27%	\$2,198,770
42	Term Debt 10	TD Commercial Banking	Third-Party	Fixed	December 20, 2024	n/a	\$36,000,000	4.26%	\$1,534,680
43	Revolving Debt 1	TD Commercial Banking	Third-Party	Variable	January 30, 2025	2	\$7,342,466	4.51%	\$331,145
44	Term Debt 11	TD Commercial Banking	Third-Party	Fixed	July 2, 2025	30	\$7,216,375	4.60%	\$331,953
<b>45</b>	<b>Total</b>						<b>\$102,088,483</b>	<b>4.31%</b>	<b>\$4,396,548</b>
<b>46</b>	<b>2026 Test Year</b>								
47	Term Debt 9	TD Commercial Banking	Third-Party	Fixed	December 20, 2024	30	\$50,635,134	4.27%	\$2,160,601
48	Term Debt 10	TD Commercial Banking	Third-Party	Fixed	December 20, 2024	n/a	\$36,000,000	4.26%	\$1,534,680
49	Revolving Debt 1	TD Commercial Banking	Third-Party	Variable	January 30, 2025	2	\$8,000,000	4.51%	\$360,800
50	Term Debt 11	TD Commercial Banking	Third-Party	Fixed	July 2, 2025	30	\$14,275,596	4.60%	\$656,677
51	Term Debt 12	TD Commercial Banking	Third-Party	Fixed	July 1, 2026	30	\$5,730,978	4.60%	\$263,625
<b>52</b>	<b>Total</b>						<b>\$114,641,708</b>	<b>4.34%</b>	<b>\$4,976,384</b>

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### 5.2.2 COST OF DEBT: SHORT-TERM

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EPI is proposing a return on short-term debt for the 2026 Test Year of 3.91% in accordance with the 2025 Cost of Capital Report dated March 27, 2025. EPI's use of a return on short-term debt of 3.91% is without prejudice to any revised short-term debt rate that the OEB may adopt for 2026 rates.

### 5.2.3 PREFERENCE SHARES

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EPI currently has no preferred shares in its equity structure and has no plans to issue any preferred shares in 2026 and beyond.

### 5.2.4 COMMON EQUITY

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EPI is proposing a return on equity ("ROE") of 9.00% for the 2026 Test Year, in accordance with the 2025 Cost of Capital Report dated March 27, 2025. This requested ROE is submitted without prejudice to any revised ROE rate that the OEB may adopt for 2026.

### 5.2.5 PROFIT OR LOSS ON REDEMPTION OF DEBT AND/OR PREFERENCE SHARES

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

### 5.2.6 HISTORICAL RETURN ON EQUITY

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EPI's historical deemed and achieved ROE is presented in Table 5-7 below.

1 **TABLE 5-7: HISTORICAL ROE**

Row	Performance Year	Utility	Profitability: Regulatory Return on Equity - Deemed	Profitability: Regulatory Return on Equity - Actual
1	2015	Former STEI	9.30%	11.64%
2	2016	EPI	9.19%	7.46%
3	2016	Former STEI	9.30%	10.65%
4	2017	EPI	9.19%	7.64%
5	2017	Former STEI	9.30%	11.60%
6	2018	EPI	9.19%	8.20%
7	2019	EPI	9.19%	10.58%
8	2020	EPI	9.19%	8.23%
9	2021	EPI	9.19%	9.29%
10	2022	EPI	9.19%	7.85%
11	2023	EPI	9.19%	8.79%
12	2024	EPI	9.19%	7.58%

### 3 **5.2.7 NOTIONAL DEBT**

4 EPI's deemed and actual long-term debt amounts are similar. For 2026, the amount of actual long-term  
5 debt of \$114,641,708 (see Table 5-6) exceeds the deemed long-term debt amount of \$114,208,269 (see  
6 Table 5-4) by \$433,439.

### 7 **5.2.8 FINANCING STRATEGY**

8 EPI targets debt financing of 50% to 65% of its annual capital additions. The company's debt strategy is  
9 designed to align the term of each financing arrangement with the average useful life of the  
10 corresponding assets. As a result, EPI's term length for its debt instruments is typically 30 years.

## 1 **5.3 NOT FOR PROFIT CORPORATIONS**

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