

**EXHIBIT 5 – COST OF CAPITAL AND CAPITAL
STRUCTURE**

Exhibit 5 – Cost of Capital

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5.1 OVERVIEW

London Hydro was incorporated November 7, 2000 in accordance with the requirements of the *Electricity Act, 1998*, S.O. 1998, c.15, Sched. A.

London Hydro is a wholly-owned subsidiary of the Corporation of the City of London, providing electrical distribution services to the inhabitants of the City of London.

London Hydro has not held any related party debt since the last Cost of Service Application in 2022. For additional clarity, all debt is held with third parties.

Share capital consists of 1,001 common shares issued to the Corporation of the City of London in the amount of \$96,116,000.

Since the time of the last Application, there have been no additional issuances or redemption of any type of shares (common or preferred) and as such, there has been no profit or loss associated with the redemption of shares.

London Hydro confirms there has been no realized profit or loss recorded on the redemption of debt. London Hydro also confirms there has been no unrealized gains or losses of debt recorded in the test year.

5.2 CAPITAL STRUCTURE

In its March 27, 2025 Decision and Order (EB-2024-0063), the OEB determined that for rate making purposes, the OEB will deem a single capital structure of 60% debt (56% long-term, 4% short-term)/40% equity for all distributors. This is identified in Table 2 of Schedule C.

In the current Application, London Hydro is maintaining its deemed debt/equity structure for rate making purposes at 60% debt (56% long-term and 4% short-term)/40% equity in accordance with the OEB directions in the Cost of Capital Decision and Order.

London Hydro continues to have an actual debt/equity structure that departs from the OEB deemed structure for rate making purposes, but is not proposing any departure from the deemed structure for the purposes of rate making in this Application.

The following table provides the details of London Hydro's Board Approved and Actual capital structures.

Table 5- 1 - Capital Structure

	2022 Board Approved Deemed		2022 Actual		2023 Actual		2024 Actual		2025 Actual		2026 Bridge		2027 Test Year Deemed	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Long term debt	212,554,850	56.0%	131,250,000	36.0%	200,000,000	47.1%	200,000,000	46.6%	200,000,000	46.2%	259,164,900	56.0%	277,210,189	56.0%
Short term / unfunded debt	15,182,489	4.0%		0.0%	-	0.0%	-	0.0%	-	0.0%	18,511,779	4.0%	19,800,728	4.0%
Total debt	227,737,339	60.0%	131,250,000	36.0%	200,000,000	47.1%	200,000,000	46.6%	200,000,000	46.2%	277,676,678	60.0%	297,010,917	60.0%
Common equity	151,824,893	40.0%	233,160,000	64.0%	224,982,000	52.9%	229,435,000	53.4%	232,919,000	53.8%	185,117,786	40.0%	198,007,278	40.0%
Total Rate Base	379,562,232	100.0%	364,410,000	100.0%	424,982,000	100.0%	429,435,000	100.0%	432,919,000	100.0%	462,794,464	100.0%	495,018,195	100.0%

5.3 COST OF EQUITY

For the purposes of this application, London Hydro used a ROE of 9.11% as per the OEB's October 31, 2025 decision, identified above.

Table 5- 2 below provides London Hydro's achieved return on equity compared to the deemed return expected by the OEB.

Table 5- 2 - Achieved and Deemed ROE (2021 - 2025)

ACHIEVED AND DEEMED ROE (2021 – 2025)					
ROE	2021	2022	2023	2024	2025
Achieved ROE	6.96%	6.39%	7.05%	7.54%	6.37%
Deemed ROE	8.78%	8.66%	8.66%	8.66%	8.66%
Difference	-1.82%	-2.27%	-1.61%	-1.12%	-2.29%

5.4 COST OF DEBT

In Table 2 of Schedule C of the Board's March 27, 2025 Decision and Order (EB-2024-0063), the OEB determined that the 60% deemed debt component for rate making purposes would be comprised of a short-term debt amount to be fixed at 4% and a long-term debt amount of 56% of the rate base. Pursuant to those directions, London Hydro has incorporated those changes within this Application.

On October 31, 2025 the OEB issued an update to the cost of capital parameters for the 2026 Cost of Service applications. The short-term debt rate pursuant to that update was 2.72% and the long-term debt rate was 4.73%. London Hydro acknowledges these parameters and, as required in the filing guidelines, has utilized the short-term debt rate figure into this Application. London Hydro acknowledges that the OEB will be finalizing the deemed debt rates for applications for May 1, 2027 rates based on 2027 market interest rate information and this Application will need to be revised if those debt rates change from the October 31, 2025 updated values.

5.4.1 Long-Term Debt

London Hydro's long-term debt consists entirely of third-party debt through the issuance of three swap agreements, and a variable committed line of credit agreement. All of the debt agreements are held by TD Bank.

All three swap agreements were executed after a competitive bidding process where major Canadian banks were invited to submit bid proposals which include the following information: All-in rates (including the interest and stamping fee components, if applicable), covenant and security requirements, and references. London Hydro management evaluated the individual bids and provided a recommendation to London Hydro's Board of Directors for approval.

1 The following are the debt instruments that have been maintained or entered into by London
2 Hydro since the last rate approval process.

3
4 In 2020, London Hydro entered into a swap agreement in the amount of \$75,000,000, which
5 matures in June 2032, effectively converting variable interest rates to an effective interest rate of
6 1.23% plus a stamping fee of 0.74% for an all-in rate of 1.97%. The interest rate is committed
7 until 2032, while the stamping fee is to be renewed in 2028. The debt agreement has interest only
8 payments until maturity.

9 In 2020, London Hydro entered into a future swap agreement in the amount of \$125,000,000 that
10 took effect in June 2022 and matures in June 2032. The effective interest rate on this swap
11 agreement is 1.39% with a stamping fee of 0.74% for an effective all-in rate of 2.13%. The interest
12 rate is committed until 2032, while the stamping fee is to be renewed in 2028. The debt agreement
13 has interest only payments until maturity.

14 In December 2025, London Hydro entered into a swap agreement in the amount of \$90,000,000,
15 which matures in June 2032. The swap effectively converts variable interest rates to an effective
16 interest rate of 3.155% plus a stamping fee of 0.825% for an all-in rate of 3.98%. The interest
17 rate is committed until 2032, while the stamping fee is to be renewed in 2028. The debt
18 agreement has interest only payments until maturity.

19
20 London Hydro maintains a committed line of credit agreement with TD Bank, most recently
21 updated in December 2025, that allows London Hydro the option to borrow up to \$90,000,000 at
22 a variable rate of Bank Prime less 0.6%. A standby fee of 0.2% is applied on any unused amounts.

5.4.2 Short-Term Debt

London Hydro maintains an uncommitted \$20.0 million revolving line of credit with TD Bank to support its short-term liquidity. This unsecured facility is used periodically throughout the year, primarily to manage cash flow timing around IESO settlement dates. Borrowings bear interest at bank prime rate less 0.60%.

5.4.3 Future Debt

London Hydro does not expect to enter into any new debt agreements between the date of this Application and the end of 2027, although it does expect to borrow additional funds using the committed facility with TD bank included above.

A schedule of London Hydro's actual and Board-approved cost of debt for the period 2022 to 2027 is provided in the following table.

Table 5- 3 - Cost of Debt

Debt Type	COST OF LONG-TERM DEBT							
	2022 Board Approved Deemed	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Board Prescribed	2027 Test Year
Long-term Debt	2.30%	2.49%	2.35%	2.71%	2.52%	2.72%	4.73%	2.85%
Short-term Debt	1.17%	4.13%	6.94%	6.76%	4.91%	3.85%	2.72%	2.72%

The following tables support the amounts reported in Table 5- 3 - Cost of Debt as required in this Exhibit.

		Year		2022	OEB Approved				
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$) (Note 1)
1	RBC SWAP #2	Royal Bank	Third-Party	Fixed Rate	29-Nov-14	7.75	\$ 42,500,000	2.83%	\$ 1,202,750.00
2	RBC SWAP #3	Royal Bank	Third-Party	Fixed Rate	1-Feb-18	4.4	\$ 20,000,000	2.98%	\$ 596,000.00
3	TD SWAP	TD Bank	Third-Party	Fixed Rate	4-Dec-20	12	\$ 75,000,000	1.97%	\$ 1,477,500.00
4	TD SWAP #2	TD Bank	Third-Party	Fixed Rate	4-Dec-20	12	\$ 62,500,000	2.13%	\$ 1,331,250.00
Total							\$ 200,000,000	2.30%	\$ 4,607,500.00
		Year		2022	Historical Year				
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$) (Note 1)
1	RBC SWAP #2	Royal Bank	Third-Party	Fixed Rate	29-Nov-14	7.75	\$ 42,500,000	2.83%	\$ 1,202,750.00
2	RBC SWAP #3	Royal Bank	Third-Party	Fixed Rate	1-Feb-18	4.4	\$ 20,000,000	2.98%	\$ 596,000.00
3	TD SWAP	TD Bank	Third-Party	Fixed Rate	4-Dec-20	12	\$ 75,000,000	1.97%	\$ 1,477,500.00
4	TD SWAP #2	TD Bank	Third-Party	Fixed Rate	4-Dec-20	12	\$ 62,500,000	2.13%	\$ 1,331,250.00
Total							\$ 200,000,000	2.30%	\$ 4,607,500.00
		Year		2023	Historical Year				
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$) (Note 1)
1	TD SWAP #1	TD Bank	Third-Party	Fixed Rate	4-Dec-20	11.5	\$ 125,000,000	2.13%	\$ 2,662,500.00
2	TD SWAP #2	TD Bank	Third-Party	Fixed Rate	4-Dec-20	11.5	\$ 75,000,000	1.97%	\$ 1,477,500.00
3	TD Committed	TD Bank	Third-Party	Variable Rate		2	\$ 14,167,000	6.37%	\$ 902,437.90
4									
Total							\$ 214,167,000	2.35%	\$ 5,042,437.90
		Year		2024	Historical Year				
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
1	TD SWAP #1	TD Bank	Third-Party	Fixed Rate	4-Dec-20	11.5	\$ 125,000,000	2.13%	\$ 2,662,500.00
2	TD SWAP #2	TD Bank	Third-Party	Fixed Rate	4-Dec-20	11.5	\$ 75,000,000	1.97%	\$ 1,477,500.00
3	TD Committed	TD Bank	Third-Party	Variable Rate		2	\$ 38,333,000	6.08%	\$ 2,330,646.40
Total							\$ 238,333,000	2.71%	\$ 6,470,646.40

Year 2025 Historical Year									
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
1	TD SWAP #1	TD Bank	Third-Party	Fixed Rate	4-Dec-20	11.5	\$ 125,000,000	2.13%	\$ 2,662,500.00
2	TD SWAP #2	TD Bank	Third-Party	Fixed Rate	4-Dec-20	11.5	\$ 75,000,000	1.97%	\$ 1,477,500.00
3	TD SWAP #3	TD Bank	Third-Party	Fixed Rate	22-Dec-25	6.5	\$ 1,875,000	3.98%	\$ 74,625.00
	TD Committed	TD Bank	Third-Party	Variable Rate		2	\$ 50,000,000	4.25%	\$ 2,125,000.00
Total							\$ 251,875,000	2.52%	\$ 6,339,625.00
Year 2026 Bridge Year									
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 1)	Interest (\$) (Note 1)
1	TD SWAP #1	TD Bank	Third-Party	Fixed Rate	4-Dec-20	11.5	\$ 125,000,000	2.13%	\$ 2,662,500.00
2	TD SWAP #2	TD Bank	Third-Party	Fixed Rate	4-Dec-20	11.5	\$ 75,000,000	1.97%	\$ 1,477,500.00
3	TD SWAP #3	TD Bank	Third-Party	Fixed Rate	22-Dec-25	6.5	\$ 90,000,000	3.98%	\$ 3,582,000.00
	TD Committed	TD Bank	Third-Party	Variable Rate		2	\$ 15,000,000	3.85%	\$ 577,500.00
Total							\$ 305,000,000	2.72%	\$ 8,299,500.00
Year 2027 Test Year									
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 1)	Interest (\$) (Note 1)
1	TD SWAP #1	TD Bank	Third-Party	Fixed Rate	4-Dec-20	11.5	\$ 125,000,000	2.13%	\$ 2,662,500.00
2	TD SWAP #2	TD Bank	Third-Party	Fixed Rate	4-Dec-20	11.5	\$ 75,000,000	1.97%	\$ 1,477,500.00
3	TD SWAP #3	TD Bank	Third-Party	Fixed Rate	22-Dec-25	6.5	\$ 90,000,000	3.98%	\$ 3,582,000.00
4	TD Committed	TD Bank	Third-Party	Variable Rate		2	\$ 55,000,000	3.85%	\$ 2,117,500.00
Total							\$ 345,000,000	2.85%	\$ 9,839,500.00

Note 1 - Interest \$ is calculated simply as the ending principal balance * the rate. As a result, the interest dollars may differ from the actual interest paid during the year.

5.4.4 Notional Debt

London Hydro's actual debt is higher than its deemed debt. London Hydro's actual debt in 2027 is expected to be \$345,000,000 (See 2027 Test year above) while the deemed debt is \$297,010,917 (see Table 5- 1). The actual debt expected in 2027 exceeds the deemed amount by \$47,989,083.

5.5 RETURN ON EQUITY

London Hydro is requesting a Return on Equity ("ROE") for the 2027 Test Year of 9.11% in accordance with the OEB's updated cost of capital parameters and ROE calculations issued on October 31, 2025. London Hydro understands that the OEB will be finalizing the ROE parameter for applications for May 1, 2027 rates based on 2027 market interest rate information and that the OEB will request that this Application be revised if the ROE amount changes from the October 31, 2025 updated values. A schedule of London Hydro's 2022 Board Approved and 2027 Test Year returns on equity and debt are presented in the following table:

Table 5- 4 - Return on Rate Base

RETURN ON RATE BASE				
	2022 Board Approved		2027 Test Year	
	Amount	%	Amount	%
Total Rate Base	379,562,232		495,018,195	
Long-term Debt	212,554,850	56%	277,210,189	56%
Short-term Debt	15,182,489	4%	19,800,728	4%
Common Equity	151,824,893	40%	198,007,278	40%
	379,562,232		495,018,195	
Interest on Long-term Debt	4,888,762	2.30%	7,900,490	2.85%
Interest on Short-term Debt	177,635	1.17%	538,580	2.72%
Return on Common Equity	13,148,036	8.66%	18,038,463	9.11%
Return on Rate Base	18,214,432	4.80%	26,477,533	5.35%