



Waterloo North Hydro

EXHIBIT 5

COST OF CAPITAL

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EXHIBIT 5: COST OF CAPITAL

2.5 EXHIBIT 5: COST OF CAPITAL AND CAPITAL STRUCTURE

Overview

Waterloo North Hydro Inc. (WNH) was incorporated March 1, 2000 in accordance with the requirements of the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A.

WNH is a wholly owned subsidiary of Waterloo North Hydro Holding Corporation, which is owned by the Corporation of the City of Waterloo, the Corporation of the Township of Wellesley and the Corporation of the Township of Woolwich.

The purpose of this evidence is to summarize the method and cost of financing capital requirements for the 2021 Test Year.

2.5.1 CAPITAL STRUCTURE

WNH has a current deemed capital structure of 4% short-term debt with a return of 1.65%, 56% long-term debt with a return of 4.07% and 40% equity with a return of 9.19% as approved in the 2016 COS (Cost of Service) rate decision EB-2015-0108.

WNH has prepared this 2021 COS Application in accordance with the Ontario Energy Board's guidelines provided in the *Report of the Board on Cost of Capital for Ontario's Regulated Utilities* (the "2009 Report") issued on December 11, 2009. For the purposes of preparing this Application, WNH has used the cost of capital parameters issued by the Board on October 31, 2019 for 2020 cost of service rate applications for rates with effective dates in 2020. WNH will update its cost of capital parameter to reflect future Board issued cost of capital parameters for rates with effective dates in 2021 prior to the

1 issuance of the Board's decision for its Application. WNH proposes no deviation from the
2 Board's cost of capital methodology.

3

4 **2.5.2 COST OF CAPITAL (RETURN ON EQUITY AND COST OF DEBT)**

5

6 As outlined above, for the purposes of preparing this Application WNH has used the cost
7 of capital parameters issued by the Board on October 31, 2019 for 2020 COS rate
8 applications which reflects a return on equity of 8.52%. WNH will update the return on
9 equity to reflect future Board issued cost of capital parameters for rates with effective
10 dates in 2021 prior to the issuance of the Board's decision for its Application.

11

12 **Cost of Debt: Long Term**

13

14 WNH is requesting a return on long term debt for the 2021 Test Year of 3.43%. This rate
15 of return represents the weighted average cost of long term debt for two promissory notes
16 and ten current Bankers Acceptance Term Loans.

17

18 WNH has two promissory notes with Waterloo North Hydro Holding Corporation, its
19 parent company, for \$17,266,271 and \$16,246,940. The Senior Promissory Note of
20 \$17,266,271 was issued July 1, 2009 with no set term. Currently, the actual interest rate
21 on the promissory note is 6%. The Junior Promissory Note of \$16,246,940 was issued
22 May 1, 2000 with no set term. Currently, the actual interest rate is 5.665% [one and one-
23 eighth percent (1 1/8%) above the Board's Deemed Long-Term Debt Rate currently in
24 WNH's rates], this rate was effective January 1, 2016. The promissory notes are
25 classified as affiliate debt and are callable since it contains a condition that the principal
26 shall be payable upon 270 days' notice at any given time. Copies of the promissory notes
27 are included as Attachment 5-2.

28

29 In accordance with the 2009 Report, WNH is requesting a return on the portion of long
30 term debt that the promissory notes represent for the 2021 Test Year reflecting the

1 Board's deemed long term debt rate. For the purposes of preparing this Application, WNH
2 has used the cost of capital parameters issued by the Board on October 31, 2019 for
3 2020 COS rate applications which reflect a deemed long term debt rate of 3.21%. WNH
4 will update the deemed long term debt rate to reflect future Board issued cost of capital
5 parameters for rates with effective dates in 2021 prior to the issuance of the Board's
6 decision for its Application.

7

8 Due to COVID-19 cash flow concerns and long term debt rates, WNH has locked in
9 financing for 2020 and 2021. These long term debt instruments have been included in
10 Table 5-1. The rates are actual and therefore no forecasted rate is required for the Test
11 Year.

12

13 For both the short-term and long-term bank debt WNH has a general security agreement
14 creating in favour of CIBC (Canadian Imperial Bank of Commerce) a first priority security
15 interest covering all company assets. The details of the Long-Term Bank Debt with CIBC
16 are reflected in Table 5-1 below.

1

Table 5–1 Long-Term Bank Debt with CIBC

Details	Covering	Original Loan		2021	
		Date	Amount	Year End Balance	Average Principal Balance
Bank Debt with CIBC, hedged by interest rate SWAP at 2.95% + 100 basis points per annum payable in monthly payments of \$88,667, due April 1, 2037	Mortgage 2012	April 16, 2012	26,600,000	16,314,666	16,846,666
Bank Debt with CIBC, hedged by interest rate SWAP at 1.98% + 100 basis points per annum payable in monthly payments of \$129,167, due January 29, 2021	Smart Meter 2013	April 1, 2013	12,141,667	-	10,764
Bank Debt with CIBC, hedged by interest rate SWAP at 3.434% + 100 basis points per annum payable in monthly payments of \$62,500, due July 4, 2033	Term Loan 2013	July 4, 2013	15,000,000	8,687,500	9,062,500
Bank Debt with CIBC, hedged by interest rate SWAP at 3.035% + 100 basis points per annum payable in monthly payments of \$62,500, due June 4, 2034	Term Loan 2014	June 4, 2014	15,000,000	9,375,000	9,750,000
Bank Debt with CIBC, hedged by interest rate SWAP at 2.430% + 100 basis points per annum payable in monthly payments of \$41,667, due May 18, 2035	Term Loan 2015	May 18, 2015	10,000,000	6,708,333	6,958,333
Bank Debt with CIBC, hedged by interest rate SWAP at 1.505% + 100 basis points per annum payable in monthly payments of \$37,500, due July 15, 2036	Term Loan 2016	July 15, 2016	9,000,000	6,562,500	6,787,500
Bank Debt with CIBC, hedged by interest rate SWAP at 2.565% + 100 basis points per annum payable in monthly payments of \$41,667, due July 2, 2037	Term Loan 2017	October 1, 2017	10,000,000	7,916,667	8,166,667
Bank Debt with CIBC, hedged by interest rate SWAP at 2.854% + 100 basis points per annum payable in monthly payments of \$33,333, due June 1, 2038	Term Loan 2018	September 4, 2018	8,000,000	6,700,000	6,900,000
Bank Debt with CIBC, hedged by interest rate SWAP at 2.271% + 100 basis points per annum. 2 tranches of principle borrowed: \$6.0M and \$3.6M on November 1, 2019 and April 1, 2020, respectively. Total monthly payments are \$40,000 with final payment due October 3, 2039	Term Loan 2019	November 1, 2019 April 1, 2020	6,000,000 3,600,000 9,600,000	8,675,000	8,895,000
Bank Debt with CIBC, hedged by bank interest rate SWAP at 1.608% + 100 basis points per annum. 5 tranches of principle borrow \$4.0M, \$4.0M, \$4.0M, \$3.0M and \$3.0M on June 1, 2020, September 1, 2020, December 1, 2020, April 1, 2021 and July 2, 2021, respectively. Total monthly payments are \$75,000 with final payment due July 2, 2041	Term Loan 2020 & 2021	June 1, 2020 September 1, 2020 December 1, 2020 April 1, 2021 July 2, 2021	4,000,000 4,000,000 4,000,000 3,000,000 3,000,000 18,000,000	17,087,500	15,221,875

2 **Cost of Debt: Short Term**

3

4 For the purposes of preparing this Application, WNH has used the cost of capital
 5 parameters issued by the Board on October 31, 2019 for 2020 COS rate applications
 6 which reflect a deemed short term debt rate of 2.75%. WNH will update the deemed short
 7 term debt rate to reflect future Board issued cost of capital parameters for rates with
 8 effective dates in 2021 prior to the issuance of the Board's decision for its Application.

Capital Structure and Cost of Capital

Table 5-2 is a reproduction of Appendix 2-OA that demonstrates the elements of the Capital Structure and Cost of Capital for the 2016 Board-Approved and 2021 Test Year. For 2021, the Weighted Average Cost of Capital of 5.44% will be applied to the Rate Base of \$244,685,394, which is explained in detail in Exhibit 2, to determine a Return on Rate Base of \$13,310,227 that is included in the proposed Revenue Requirement.

Table 5-2 Capital Structure and Cost of Capital

Appendix 2-OA					
Capital Structure and Cost of Capital					
Test Year: <u>2021</u>					
Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
Debt					
1	Long-term Debt	56.00%	\$137,023,821	3.43%	\$4,702,195
2	Short-term Debt	4.00% (1)	\$9,787,416	2.75%	\$269,154
3	Total Debt	60.0%	\$146,811,236	3.39%	\$4,971,349
Equity					
4	Common Equity	40.00%	\$97,874,158	8.52%	\$8,338,878
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$97,874,158	8.52%	\$8,338,878
7	Total	100.0%	\$244,685,394	5.44%	\$13,310,227
Notes					
(1)	4.0% unless an applicant has proposed or been approved for a different amount.				

1

Appendix 2-OA Capital Structure and Cost of Capital					
Last OEB-approved Year: <u>2016</u>					
Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$116,848,602	4.07%	\$4,760,058
2	Short-term Debt	4.00% ⁽¹⁾	\$8,346,329	1.65%	\$137,714
3	Total Debt	<u>60.0%</u>	<u>\$125,194,930</u>	<u>3.91%</u>	<u>\$4,897,773</u>
	Equity				
4	Common Equity	40.00%	\$83,463,287	9.19%	\$7,670,276
5	Preferred Shares		\$ -		\$ -
6	Total Equity	<u>40.0%</u>	<u>\$83,463,287</u>	<u>9.19%</u>	<u>\$7,670,276</u>
7	Total	<u>100.0%</u>	<u>\$208,658,217</u>	<u>6.02%</u>	<u>\$12,568,049</u>

Notes
 (1) 4.0% unless an applicant has proposed or been approved for a different amount.

2 **Weighted Average Cost of Long-Term Debt**

3

4 Table 5-3 is a reproduction of Appendix 2-OB listing WNH's long term debt instruments
 5 and weighted average cost of long term debt from 2016 to the 2021 Test Year.

1

Table 5-3 Debt Instruments

**Appendix 2-OB
 Debt Instruments**

Year **2016**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Shareholder - Sr Debt	Waterloo North Hydro Holding Company	Affiliated	Fixed	1-Jul-09	On Demand	\$ 17,266,271	6.000%	1,035,976	
2	Shareholder - Jr Debt	Waterloo North Hydro Holding Company	Affiliated	Fixed	1-May-00	On Demand	\$ 16,246,940	5.665%	920,389	
3	Banker's Acceptance - Mortgage	CIBC	Third-Party	Fixed	16-Apr-12	25	\$ 22,149,269	3.950%	874,896	
4	Banker's Acceptance - Smart Meter	CIBC	Third-Party	Fixed	1-Apr-13	8	\$ 7,227,659	2.980%	215,384	
5	Banker's Acceptance - Term Loan 2013	CIBC	Third-Party	Fixed	4-Jul-13	20	\$ 12,802,444	4.434%	567,660	
6	Banker's Acceptance - Term Loan 2014	CIBC	Third-Party	Fixed	4-Jun-14	20	\$ 13,490,350	4.035%	544,336	
7	Banker's Acceptance - Term Loan 2015	CIBC	Third-Party	Fixed	18-May-15	20	\$ 9,451,337	3.430%	324,181	
8	Banker's Acceptance - Term Loan 2016	CIBC	Third-Party	Fixed	15-Jul-16	20	\$ 4,402,769	2.505%	110,289	Average principal
Total							\$ 103,037,039	4.46%	4,593,112	

Year **2017**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Shareholder - Sr Debt	Waterloo North Hydro Holding Company	Affiliated	Fixed	1-Jul-09	On Demand	\$ 17,266,271	6.00%	1,035,976	
2	Shareholder - Jr Debt	Waterloo North Hydro Holding Company	Affiliated	Fixed	1-May-00	On Demand	\$ 16,246,940	5.665%	920,389	
3	Banker's Acceptance - Mortgage	CIBC	Third-Party	Fixed	16-Apr-12	25	\$ 21,082,190	3.950%	832,746	
4	Banker's Acceptance - Smart Meter	CIBC	Third-Party	Fixed	1-Apr-13	8	\$ 5,677,935	2.980%	169,202	
5	Banker's Acceptance - Term Loan 2013	CIBC	Third-Party	Fixed	4-Jul-13	20	\$ 12,050,809	4.434%	534,333	
6	Banker's Acceptance - Term Loan 2014	CIBC	Third-Party	Fixed	4-Jun-14	20	\$ 12,738,283	4.035%	513,990	
7	Banker's Acceptance - Term Loan 2015	CIBC	Third-Party	Fixed	18-May-15	20	\$ 8,949,873	3.430%	306,981	
8	Banker's Acceptance - Term Loan 2016	CIBC	Third-Party	Fixed	15-Jul-16	20	\$ 8,579,253	2.505%	214,910	
9	Banker's Acceptance - Term Loan 2017	CIBC	Third-Party	Fixed	1-Oct-17	20	\$ 4,952,582	3.57%	176,560	Average principal
Total							\$ 107,544,134	4.38%	4,705,087	

Year **2018**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Shareholder - Sr Debt	Waterloo North Hydro Holding Company	Affiliated	Fixed	1-Jul-09	On Demand	\$ 17,266,271	6.00%	1,035,976	
2	Shareholder - Jr Debt	Waterloo North Hydro Holding Company	Affiliated	Fixed	1-May-00	On Demand	\$ 16,246,940	5.665%	920,389	
3	Banker's Acceptance - Mortgage	CIBC	Third-Party	Fixed	16-Apr-12	25	\$ 20,009,472	3.950%	790,374	
4	Banker's Acceptance - Smart Meter	CIBC	Third-Party	Fixed	1-Apr-13	8	\$ 4,127,514	2.980%	123,000	
5	Banker's Acceptance - Term Loan 2013	CIBC	Third-Party	Fixed	4-Jul-13	20	\$ 11,296,042	4.434%	500,867	
6	Banker's Acceptance - Term Loan 2014	CIBC	Third-Party	Fixed	4-Jun-14	20	\$ 11,982,371	4.035%	483,489	
7	Banker's Acceptance - Term Loan 2015	CIBC	Third-Party	Fixed	18-May-15	20	\$ 8,445,528	3.43%	289,682	
8	Banker's Acceptance - Term Loan 2016	CIBC	Third-Party	Fixed	15-Jul-16	20	\$ 8,125,731	2.51%	203,550	
9	Banker's Acceptance - Term Loan 2017	CIBC	Third-Party	Fixed	1-Oct-17	20	\$ 9,652,582	3.565%	344,115	
10	Banker's Acceptance - Term Loan 2018	CIBC	Third-Party	Fixed	4-Sep-18	20	\$ 3,943,009	3.85%	151,964	Average principal
Total							\$ 111,095,458	4.36%	4,843,404	

1

Year **2019**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Shareholder - Sr Debt	Waterloo North Hydro Holding Company	Affiliated	Fixed	1-Jul-09	On Demand	\$ 17,266,271	6.00%	1,035,976	
2	Shareholder - Jr Debt	Waterloo North Hydro Holding Company	Affiliated	Fixed	1-May-00	On Demand	\$ 16,246,940	5.67%	920,389	
3	Banker's Acceptance - Mortgage	CIBC	Third-Party	Fixed	16-Apr-12	25	\$ 18,974,666	3.95%	749,499	
4	Banker's Acceptance - Smart Meter	CIBC	Third-Party	Fixed	1-Apr-13	8	\$ 2,583,333	2.98%	76,983	
5	Banker's Acceptance - Term Loan 2013	CIBC	Third-Party	Fixed	4-Jul-13	20	\$ 10,562,500	4.43%	468,341	
6	Banker's Acceptance - Term Loan 2014	CIBC	Third-Party	Fixed	4-Jun-14	20	\$ 11,250,000	4.04%	453,938	
7	Banker's Acceptance - Term Loan 2015	CIBC	Third-Party	Fixed	18-May-15	20	\$ 7,958,333	3.43%	272,971	
8	Banker's Acceptance - Term Loan 2016	CIBC	Third-Party	Fixed	15-Jul-16	20	\$ 7,687,500	2.505%	192,572	
9	Banker's Acceptance - Term Loan 2017	CIBC	Third-Party	Fixed	1-Oct-17	20	\$ 9,166,667	3.57%	326,792	
10	Banker's Acceptance - Term Loan 2018	CIBC	Third-Party	Fixed	4-Sep-18	20	\$ 7,700,000	3.85%	296,758	
11	Banker's Acceptance - Term Loan 2019	CIBC	Third-Party	Fixed	1-Nov-19	20	\$ 1,000,000	3.271%	32,710	Average principal
Total							\$ 110,396,210	4.37%	4,826,929	

Year **2020**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Shareholder - Sr Debt	Waterloo North Hydro Holding Company	Affiliated	Fixed	1-Jul-09	On Demand	\$ 17,266,271	6.00%	1,035,976	
2	Shareholder - Jr Debt	Waterloo North Hydro Holding Company	Affiliated	Fixed	1-May-00	On Demand	\$ 16,246,940	5.665%	920,389	
3	Banker's Acceptance - Mortgage	CIBC	Third-Party	Fixed	16-Apr-12	25	\$ 17,910,666	3.95%	707,471	
4	Banker's Acceptance - Smart Meter	CIBC	Third-Party	Fixed	1-Apr-13	8	\$ 1,033,333	2.98%	30,793	
5	Banker's Acceptance - Term Loan 2013	CIBC	Third-Party	Fixed	4-Jul-13	20	\$ 9,812,500	4.43%	435,086	
6	Banker's Acceptance - Term Loan 2014	CIBC	Third-Party	Fixed	4-Jun-14	20	\$ 10,500,000	4.04%	423,675	
7	Banker's Acceptance - Term Loan 2015	CIBC	Third-Party	Fixed	18-May-15	20	\$ 7,458,333	3.43%	255,821	
8	Banker's Acceptance - Term Loan 2016	CIBC	Third-Party	Fixed	15-Jul-16	20	\$ 7,237,500	2.51%	181,299	
9	Banker's Acceptance - Term Loan 2017	CIBC	Third-Party	Fixed	1-Oct-17	20	\$ 8,666,667	3.565%	308,967	
10	Banker's Acceptance - Term Loan 2018	CIBC	Third-Party	Fixed	4-Sep-18	20	\$ 7,300,000	3.854%	281,342	
11	Banker's Acceptance - Term Loan 2019	CIBC	Third-Party	Fixed	1-Nov-19	20	\$ 8,467,500	3.27%	276,972	
12	Banker's Acceptance - Term Loan 2020	CIBC	Third-Party	Fixed	1-Jun-20	20	\$ 3,962,500	2.61%	103,342	Average principal
Total							\$ 115,862,210	4.28%	4,961,134	

Year **2021**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Shareholder - Sr Debt	Waterloo North Hydro Holding Company	Affiliated	Fixed	1-Jul-09	On Demand	\$ 17,266,271	3.21%	554,247	
2	Shareholder - Jr Debt	Waterloo North Hydro Holding Company	Affiliated	Fixed	1-May-00	On Demand	\$ 16,246,940	3.21%	521,527	
3	Banker's Acceptance - Mortgage	CIBC	Third-Party	Fixed	16-Apr-12	25	\$ 16,846,666	3.95%	665,443	
4	Banker's Acceptance - Smart Meter	CIBC	Third-Party	Fixed	1-Apr-13	8	\$ 10,764	2.98%	321	
5	Banker's Acceptance - Term Loan 2013	CIBC	Third-Party	Fixed	4-Jul-13	20	\$ 9,062,500	4.434%	401,831	
6	Banker's Acceptance - Term Loan 2014	CIBC	Third-Party	Fixed	4-Jun-14	20	\$ 9,750,000	4.035%	393,413	
7	Banker's Acceptance - Term Loan 2015	CIBC	Third-Party	Fixed	18-May-15	20	\$ 6,958,333	3.430%	238,671	
8	Banker's Acceptance - Term Loan 2016	CIBC	Third-Party	Fixed	15-Jul-16	20	\$ 6,787,500	2.505%	170,027	
9	Banker's Acceptance - Term Loan 2017	CIBC	Third-Party	Fixed	1-Oct-17	20	\$ 8,166,667	3.565%	291,142	
10	Banker's Acceptance - Term Loan 2018	CIBC	Third-Party	Fixed	4-Sep-18	20	\$ 6,900,000	3.854%	265,926	
11	Banker's Acceptance - Term Loan 2019	CIBC	Third-Party	Fixed	1-Nov-19	20	\$ 8,895,000	3.27%	290,955	
12	Banker's Acceptance - Term Loan 2020	CIBC	Third-Party	Fixed	1-Jun-20	20	\$ 15,221,875	2.61%	396,987	Average principal
Total							\$ 122,112,516	3.43%	4,190,489	

1 **Notional Debt**

2 WNH's deemed and actual long-term debt are different. For the 2021 Test year, the actual
3 amount of long-term debt is \$122,112,516 (Table 5-3) and the deemed long-term debt is
4 \$137,023,821 (Table 5-2). Therefore, WNH has positive notional debt of \$14,911,305.
5 WNH is requesting that the notional debt attract the weighted average cost of actual long-
6 term debt rather than the current deemed long-term debt rate issued by the Board.

7

8 **Profit or Loss on Redemption of Debt**

9 There is no profit or loss on redemption of debt.

10

11 **2.5.3 NOT-FOR-PROFIT CORPORATIONS**

12

13 A Reserve Requirement is not applicable because WNH is a for-profit corporation.



Waterloo North Hydro

ATTACHMENT 5-1

REQUIRED OEB APPENDICES

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: 2021

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
Debt					
1	Long-term Debt	56.00%	\$137,023,821	3.43%	\$4,702,195
2	Short-term Debt	4.00% (1)	\$9,787,416	2.75%	\$269,154
3	Total Debt	60.0%	\$146,811,236	3.39%	\$4,971,349
Equity					
4	Common Equity	40.00%	\$97,874,158	8.52%	\$8,338,878
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$97,874,158	8.52%	\$8,338,878
7	Total	100.0%	\$244,685,394	5.44%	\$13,310,227

Notes

(1)

4.0% unless an applicant has proposed or been approved for a different amount.

Last OEB-approved year: 2016

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
Debt					
1	Long-term Debt	56.00%	\$116,848,602	4.07%	\$4,760,058
2	Short-term Debt	4.00% (1)	\$8,346,329	1.65%	\$137,714
3	Total Debt	60.0%	\$125,194,930	3.91%	\$4,897,773
Equity					
4	Common Equity	40.00%	\$83,463,287	9.19%	\$7,670,276
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$83,463,287	9.19%	\$7,670,276
7	Total	100.0%	\$208,658,217	6.02%	\$12,568,049

Notes

(1)

4.0% unless an applicant has proposed or been approved for a different amount.

File Number: EB-2020-0059
 Exhibit: 5
 Tab:
 Schedule: Table 5-3
 Page: 8
 Date: June 30, 2020

**Appendix 2-OB
 Debt Instruments**

This table must be completed for all required historical years, the bridge year and the test year.

Year

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	Shareholder - Sr Debt	Waterloo North Hydr	Affiliated	Fixed	1-Jul-09	On Dema	\$ 17,266,271	0.06000	\$ 1,035,976	
2	Shareholder - Jr Debt	Waterloo North Hydr	Affiliated	Fixed	1-May-00	On Dema	\$ 16,246,940	0.05665	\$ 920,389	
3	Banker's Acceptance - Mortgage	CIBC	Third-Party	Fixed	16-Apr-12	25	\$ 22,149,269	0.03950	\$ 874,896	
4	Banker's Acceptance - Smart Meter	CIBC	Third-Party	Fixed	1-Apr-13	8	\$ 7,227,659	0.02980	\$ 215,384	
5	Banker's Acceptance - Term Loan 2013	CIBC	Third-Party	Fixed	4-Jul-13	20	\$ 12,802,444	0.04434	\$ 567,660	
6	Banker's Acceptance - Term Loan 2014	CIBC	Third-Party	Fixed	4-Jun-14	20	\$ 13,490,350	0.04035	\$ 544,336	
7	Banker's Acceptance - Term Loan 2015	CIBC	Third-Party	Fixed	18-May-15	20	\$ 9,451,337	0.03430	\$ 324,181	
8	Banker's Acceptance - Term Loan 2016	CIBC	Third-Party	Fixed	15-Jul-16	20	\$ 4,402,769	0.02505	\$ 110,289	Average principal
9									\$ -	
10									\$ -	
11									\$ -	
12									\$ -	
Total							\$ 103,037,039	4.46%	\$ 4,593,112	

Year

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	Shareholder - Sr Debt	Waterloo North Hydr	Affiliated	Fixed	1-Jul-09	On Dema	\$ 17,266,271	0.06000	\$ 1,035,976	
2	Shareholder - Jr Debt	Waterloo North Hydr	Affiliated	Fixed	1-May-00	On Dema	\$ 16,246,940	0.05665	\$ 920,389	
3	Banker's Acceptance - Mortgage	CIBC	Third-Party	Fixed	16-Apr-12	25	\$ 21,082,190	0.03950	\$ 832,746	
4	Banker's Acceptance - Smart Meter	CIBC	Third-Party	Fixed	1-Apr-13	8	\$ 5,677,935	0.02980	\$ 169,202	
5	Banker's Acceptance - Term Loan 2013	CIBC	Third-Party	Fixed	4-Jul-13	20	\$ 12,050,809	0.04434	\$ 534,333	
6	Banker's Acceptance - Term Loan 2014	CIBC	Third-Party	Fixed	4-Jun-14	20	\$ 12,738,283	0.04035	\$ 513,990	
7	Banker's Acceptance - Term Loan 2015	CIBC	Third-Party	Fixed	18-May-15	20	\$ 8,949,873	0.03430	\$ 306,981	
8	Banker's Acceptance - Term Loan 2016	CIBC	Third-Party	Fixed	15-Jul-16	20	\$ 8,579,253	0.02505	\$ 214,910	
9	Banker's Acceptance - Term Loan 2017	CIBC	Third-Party	Fixed	1-Oct-17	20	\$ 4,952,582	0.03565	\$ 176,560	Average principal
10									\$ -	
11									\$ -	
12									\$ -	
Total							\$ 107,544,134	4.38%	\$ 4,705,087	

Year

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	Shareholder - Sr Debt	Waterloo North Hydr	Affiliated	Fixed	1-Jul-09	On Dema	\$ 17,266,271	0.06000	\$ 1,035,976	
2	Shareholder - Jr Debt	Waterloo North Hydr	Affiliated	Fixed	1-May-00	On Dema	\$ 16,246,940	0.05665	\$ 920,389	
3	Banker's Acceptance - Mortgage	CIBC	Third-Party	Fixed	16-Apr-12	25	\$ 20,009,472	0.03950	\$ 790,374	
4	Banker's Acceptance - Smart Meter	CIBC	Third-Party	Fixed	1-Apr-13	8	\$ 4,127,514	0.02980	\$ 123,000	
5	Banker's Acceptance - Term Loan 2013	CIBC	Third-Party	Fixed	4-Jul-13	20	\$ 11,296,042	0.04434	\$ 500,867	
6	Banker's Acceptance - Term Loan 2014	CIBC	Third-Party	Fixed	4-Jun-14	20	\$ 11,982,371	0.04035	\$ 483,489	
7	Banker's Acceptance - Term Loan 2015	CIBC	Third-Party	Fixed	18-May-15	20	\$ 8,445,528	0.03430	\$ 289,682	
8	Banker's Acceptance - Term Loan 2016	CIBC	Third-Party	Fixed	15-Jul-16	20	\$ 8,125,731	0.02505	\$ 203,550	
9	Banker's Acceptance - Term Loan 2017	CIBC	Third-Party	Fixed	1-Oct-17	20	\$ 9,652,582	0.03565	\$ 344,115	
10	Banker's Acceptance - Term Loan 2018	CIBC	Third-Party	Fixed	4-Sep-18	20	\$ 3,943,009	0.03854	\$ 151,964	Average principal
11									\$ -	
12									\$ -	
Total							\$ 111,095,458	4.36%	\$ 4,843,404	

Year 2019

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	Shareholder - Sr Debt	Waterloo North Hydr	Affiliated	Fixed	1-Jul-09	On Dema	\$ 17,266,271	0.06000	\$ 1,035,976	
2	Shareholder - Jr Debt	Waterloo North Hydr	Affiliated	Fixed	1-May-00	On Dema	\$ 16,246,940	0.05665	\$ 920,389	
3	Banker's Acceptance - Mortgage	CIBC	Third-Party	Fixed	16-Apr-12	25	\$ 18,974,666	0.03950	\$ 749,499	
4	Banker's Acceptance - Smart Meter	CIBC	Third-Party	Fixed	1-Apr-13	8	\$ 2,583,333	0.02980	\$ 76,983	
5	Banker's Acceptance - Term Loan 2013	CIBC	Third-Party	Fixed	4-Jul-13	20	\$ 10,562,500	0.04434	\$ 468,341	
6	Banker's Acceptance - Term Loan 2014	CIBC	Third-Party	Fixed	4-Jun-14	20	\$ 11,250,000	0.04035	\$ 453,938	
7	Banker's Acceptance - Term Loan 2015	CIBC	Third-Party	Fixed	18-May-15	20	\$ 7,958,333	0.03430	\$ 272,971	
8	Banker's Acceptance - Term Loan 2016	CIBC	Third-Party	Fixed	15-Jul-16	20	\$ 7,687,500	0.02505	\$ 192,572	
9	Banker's Acceptance - Term Loan 2017	CIBC	Third-Party	Fixed	1-Oct-17	20	\$ 9,166,667	0.03565	\$ 326,792	
10	Banker's Acceptance - Term Loan 2018	CIBC	Third-Party	Fixed	4-Sep-18	20	\$ 7,700,000	0.03854	\$ 296,758	
11	Banker's Acceptance - Term Loan 2019	CIBC	Third-Party	Fixed	1-Nov-19	20	\$ 1,000,000	0.03271	\$ 32,710	Average principal
12									\$ -	
Total							\$ 110,396,210	4.37%	\$ 4,826,929	

Year 2020

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	Shareholder - Sr Debt	Waterloo North Hydr	Affiliated	Fixed	1-Jul-09	On Dema	\$ 17,266,271	0.06000	\$ 1,035,976	
2	Shareholder - Jr Debt	Waterloo North Hydr	Affiliated	Fixed	1-May-00	On Dema	\$ 16,246,940	0.05665	\$ 920,389	
3	Banker's Acceptance - Mortgage	CIBC	Third-Party	Fixed	16-Apr-12	25	\$ 17,910,666	0.03950	\$ 707,471	
4	Banker's Acceptance - Smart Meter	CIBC	Third-Party	Fixed	1-Apr-13	8	\$ 1,033,333	0.02980	\$ 30,793	
5	Banker's Acceptance - Term Loan 2013	CIBC	Third-Party	Fixed	4-Jul-13	20	\$ 9,812,500	0.04434	\$ 435,086	
6	Banker's Acceptance - Term Loan 2014	CIBC	Third-Party	Fixed	4-Jun-14	20	\$ 10,500,000	0.04035	\$ 423,675	
7	Banker's Acceptance - Term Loan 2015	CIBC	Third-Party	Fixed	18-May-15	20	\$ 7,458,333	0.03430	\$ 255,821	
8	Banker's Acceptance - Term Loan 2016	CIBC	Third-Party	Fixed	15-Jul-16	20	\$ 7,237,500	0.02505	\$ 181,299	
9	Banker's Acceptance - Term Loan 2017	CIBC	Third-Party	Fixed	1-Oct-17	20	\$ 8,666,667	0.03565	\$ 308,967	
10	Banker's Acceptance - Term Loan 2018	CIBC	Third-Party	Fixed	4-Sep-18	20	\$ 7,300,000	0.03854	\$ 281,342	
11	Banker's Acceptance - Term Loan 2019	CIBC	Third-Party	Fixed	1-Nov-19	20	\$ 8,467,500	0.03271	\$ 276,972	
12	Banker's Acceptance - Term Loan 2020	CIBC	Third-Party	Fixed	1-Jun-20	20	\$ 3,962,500	0.02608	\$ 103,342	Average principal
Total							\$ 115,862,210	4.28%	\$ 4,961,134	

Year 2021

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	Shareholder - Sr Debt	Waterloo North Hydr	Affiliated	Fixed	1-Jul-09	On Dema	\$ 17,266,271	0.03210	\$ 554,247	Deemed rate
2	Shareholder - Jr Debt	Waterloo North Hydr	Affiliated	Fixed	1-May-00	On Dema	\$ 16,246,940	0.03210	\$ 521,527	Deemed rate
3	Banker's Acceptance - Mortgage	CIBC	Third-Party	Fixed	16-Apr-12	25	\$ 16,846,666	0.03950	\$ 665,443	
4	Banker's Acceptance - Smart Meter	CIBC	Third-Party	Fixed	1-Apr-13	8	\$ 10,764	0.02980	\$ 321	
5	Banker's Acceptance - Term Loan 2013	CIBC	Third-Party	Fixed	4-Jul-13	20	\$ 9,062,500	0.04434	\$ 401,831	
6	Banker's Acceptance - Term Loan 2014	CIBC	Third-Party	Fixed	4-Jun-14	20	\$ 9,750,000	0.04035	\$ 393,413	
7	Banker's Acceptance - Term Loan 2015	CIBC	Third-Party	Fixed	18-May-15	20	\$ 6,958,333	0.03430	\$ 238,671	
8	Banker's Acceptance - Term Loan 2016	CIBC	Third-Party	Fixed	15-Jul-16	20	\$ 6,787,500	0.02505	\$ 170,027	
9	Banker's Acceptance - Term Loan 2017	CIBC	Third-Party	Fixed	1-Oct-17	20	\$ 8,166,667	0.03565	\$ 291,142	
10	Banker's Acceptance - Term Loan 2018	CIBC	Third-Party	Fixed	4-Sep-18	20	\$ 6,900,000	0.03854	\$ 265,926	
11	Banker's Acceptance - Term Loan 2019	CIBC	Third-Party	Fixed	1-Nov-19	20	\$ 8,895,000	0.03271	\$ 290,955	
12	Banker's Acceptance - Term Loan 2020	CIBC	Third-Party	Fixed	1-Jun-20	20	\$ 15,221,875	0.02608	\$ 396,987	Average principal
Total							\$ 122,112,516	3.43%	\$ 4,190,489	

Notes

- 1 If financing is in place only part of the year, separately calculate the pro-rated interest in the year and input in the cell.
- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or with any subsequent update issued by the OEB.
- 3 Add more lines above row 12 if necessary.



Waterloo North Hydro

ATTACHMENT 5-2

WATERLOO NORTH HYDRO INC. PROMISSORY NOTES

WATERLOO NORTH HYDRO INC. – SENIOR PROMISSORY NOTE

This Promissory Note replaces the Promissory Note between Waterloo North Hydro Inc. and Waterloo North Hydro Holding Corporation, dated May 1, 2000.

FOR VALUE RECEIVED, Waterloo North Hydro Inc. (the “Corporation”) hereby promises to pay to or to the order of Waterloo North Hydro Holding Corporation (“HoldCo”) the principal sum of \$17,266,271.00 with interest at the rate specified herein, 270 days following demand by HoldCo.

The outstanding Principal shall bear interest at the Established Rate, such interest to be calculated and paid quarterly not in advance on the last day of March, June, September and December in each year.

Interest on the Established Rate shall accrue from July 1, 2009 until the Principal is paid in full, with interest on overdue interest at the Established Rate. The Established Rate is 6.0% per annum.

This Promissory Note may, at the option of HoldCo, be converted, as to some or all of the principal sum outstanding, into common shares of the Corporation at a conversion price per common share, subject to adjustment, equal to the stated capital per common share of the common shares of the Corporation issued as at May 1, 2000 (the “Conversion Price”). The foregoing conversion right may be exercised by HoldCo on 90 days’ prior written notice to the Corporation at any time before or after demand, but before payment.

If and whenever at any time prior to demand by HoldCo the Corporation shall:

- (a) subdivide, redivide or change its then outstanding common shares into a greater number of shares;
- (b) reduce, combine or consolidate its then outstanding common shares into a lesser number of shares; or
- (c) issue common shares to the holders of all or substantially all of its then outstanding common shares by way of a stock dividend or other form of distribution (other than a stock dividend which the holder of the common shares has elected to receive in lieu of a cash dividend paid in the ordinary course),

(any of such events being called a "Share Reorganization"), the Conversion Price then in effect shall be adjusted effective immediately on the effective date or record date for the happening of the Share Reorganization, as the case may be, at which the holders of common shares are determined for the purpose of the Share Reorganization by multiplying the Conversion Price in effect immediately prior to such effective date or record date by a fraction, the numerator of which is the number of Common Shares outstanding on such effective date or record date before giving effect to such Share Reorganization and the denominator of which is the number of Common Shares outstanding immediately after giving effect to such Share Reorganization.

If and whenever at any time prior to demand by HoldCo there is a capital reorganization (other than a Share Reorganization) or a consolidation, merger or amalgamation of the Corporation with or into any other body corporate including by way of a sale whereby all or substantially all of the Corporation's undertaking and assets would become the property of any other body corporate, HoldCo, to the extent that it has not exercised its right of conversion prior to the

effective date of such capital reorganization, consolidation, merger, amalgamation, or sale shall be entitled to receive and shall accept, upon the exercise of such right at any time on such date or thereafter, in lieu of the number of common shares to which it was theretofore entitled upon conversion, the aggregate number of shares or other securities or property of the Corporation or of the body corporate resulting from the capital reorganization consolidation, merger, or amalgamation or to which such sale may be made that HoldCo would have been entitled to receive as a result of such capital reorganization, consolidation, merger, amalgamation or sale on the effective date thereof, if it had been the registered holder of the number of common shares to which it was theretofore entitled upon conversion.

If the Corporation, after the date of this Agreement, shall take any action affecting the common shares, other than an action to which the foregoing provisions are specifically applicable, which in the opinion of the directors of the Corporation would materially affect the conversion rights attached to this Promissory Note, the number of common shares which may be acquired upon exercise of the right of conversion under this Promissory Note shall be adjusted in such manner and at such time, by action of the directors, in their discretion, acting reasonably, as they may determine to be equitable in the circumstances.

In any case where a fraction of a common share would otherwise be issuable on conversion of this Promissory Note in whole or in part, the Corporation shall adjust such fractional interest by the payment by cheque of an amount equal to the amount of such fractional interest.

The Corporation covenants and agrees that, so long as this Promissory Note is outstanding and entitled to the right of conversion herein provided, it shall at all times reserve and hold out of its authorized and unissued Common Shares a sufficient number of unissued Common Shares to enable the outstanding principal amount of this Promissory Note to be converted upon the basis and upon the terms and conditions herein provided.


At the option of HoldCo on 270 days' prior written notice to the Corporation, the terms of this Promissory Note may be revised, changed or restated by HoldCo in consultation with the Corporation.

This Promissory Note and all rights of HoldCo hereunder to demand payment, amend, revise, change, restate, convert, exchange, transfer or enforce this Promissory Note are subject to the Shareholders' Agreement dated as of May 1, 2000 among The Corporation of the City of Waterloo, The Corporation of the Township of Wellesley, The Corporation of the Township of Woolwich (collectively, the "Municipalities") and HoldCo.

This Promissory Note is not assignable by HoldCo without the consent of the Corporation.

DATED as of the 1st day of July, 2009

WATERLOO NORTH HYDRO INC.

per: 

Rene W. Gaten
President & CEO

per: 

Albert P. Singh
VP Finance & CFO

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WATERLOO NORTH HYDRO INC. - AGGREGATE JUNIOR PROMISSORY NOTE

FOR VALUE RECEIVED, Waterloo North Hydro Inc. (the "Corporation") hereby promises to pay to or to the order of Waterloo North Hydro Holding Corporation ("HoldCo") the principal sum of \$16,246,940 with interest at the rate specified herein, 270 days following demand by HoldCo.

Interest on the principal sum shall accrue from first day of the month which immediately follows the month in which the Ontario Energy Board approves the distribution rates for the Corporation in response to the initial rate application filed by the Corporation and shall be payable at a rate per annum equal to a rate which is one and one-eighth percent (1 1/8%) per annum above the interest rate on debt (the "Debt Rate") which the Ontario Energy Board or its successor may permit the Corporation to pay for rate making purposes in the establishment of distribution rates, and the interest rate as aforesaid shall change from time to time with changes in the Debt Rate approved by the Ontario Energy Board.

Interest at the aforesaid rate shall be calculated and be payable semi-annually, with the first of such payments commencing on the 30th day after the end of the first fiscal year of the Corporation and the second payment on the 180th day of the second fiscal year of the Corporation and thereafter on the last day of March, June, September and December in each year.

The Corporation may, in its sole discretion, choose to pay any amount of interest accrued and unpaid in respect of this Promissory Note by issuing to HoldCo as fully paid and non-assessable Class A Special Shares with an issue price of \$10 of accrued and unpaid interest for each Class A Special Share.

This Promissory Note may, at the option of HoldCo, be converted, as to some or all of the principal sum outstanding, common shares of the Corporation at a conversion price per common share, subject to adjustment, equal to the stated capital per common share of the common shares of the Corporation issued as at May 1, 2000 (the "Conversion Price"). The foregoing conversion right may be exercised by HoldCo at any time on 90 days' prior written notice to the Corporation at any time before or after demand, but before payment.

If and whenever at any time prior to demand by HoldCo the Corporation shall:

- (a) subdivide, redivide or change its then outstanding common shares into a greater number of shares;
- (b) reduce, combine or consolidate its then outstanding common shares into a lesser number of shares; or
- (c) issue common shares to the holders of all or substantially all of its then outstanding common shares by way of a stock dividend or other form of distribution (other than a stock dividend which the holder of the common shares has elected to receive in lieu of a cash dividend paid in the ordinary course),

(any of such events being called a "Share Reorganization"), the Conversion Price then in effect shall be adjusted effective immediately on the effective date or record date for the happening of the Share Reorganization, as the case may be, at which the holders of common shares are determined for the purpose of the Share Reorganization by multiplying the Conversion Price in effect immediately prior to such effective date or record date by a fraction, the numerator of which is the number of Common Shares outstanding on such effective date or record date before giving effect to such Share Reorganization and the denominator of which is the number of Common Shares outstanding immediately after giving effect to such Share Reorganization.

If and whenever at any time prior to demand by HoldCo there is a capital reorganization (other than a Share Reorganization) or a consolidation, merger or amalgamation of the Corporation with or into any other body corporate including by way of a sale whereby all or substantially all of the Corporation's undertaking and assets would become the property of any other body corporate, HoldCo, to the extent that it has not exercised its right of conversion prior to the effective date of such capital reorganization, consolidation, merger, amalgamation or sale shall be entitled to receive and shall accept, upon the exercise of such right at any time on such date or thereafter, in lieu of the number of common shares to which it was theretofore entitled upon conversion, the aggregate number of shares or other securities or property of the Corporation or of the body corporate resulting from the capital reorganization consolidation, merger, or amalgamation or to which such sale may be made that HoldCo would have been entitled to receive as a result of such capital reorganization, consolidation, merger, amalgamation or sale on the effective date thereof, if it had been the registered holder of the number of common shares to which it was theretofore entitled upon conversion.


If the Corporation, after the date of this Agreement, shall take any action affecting the common shares, other than an action to which the foregoing provisions are specifically applicable, which in the opinion of the directors of the Corporation would materially affect the conversion rights attached to this Promissory Note, the number of common shares which may be acquired upon exercise of the right of conversion under this Promissory Note shall be adjusted in such manner and at such time, by action of the directors, in their discretion, acting reasonably, as they may determine to be equitable in the circumstances.

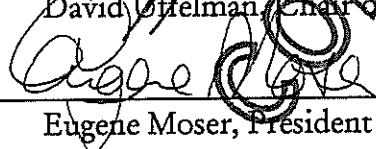
In any case where a fraction of a common share would otherwise be issuable on conversion of this Promissory Note in whole or in part, the Corporation shall adjust such fractional interest by the payment by cheque of an amount equal to the amount of such fractional interest.

This Promissory Note replaces a series of junior promissory notes in the aggregate amount of \$16,598.499.00 dated May 1, 2000 issued by the Corporation in favour of the Municipalities and assigned by the Municipalities to HoldCo.

DATED as of the 1st day of May, 2000.

WATERLOO NORTH HYDRO INC.

per:  _____
David Liffelman, Chair of the Board

per:  _____
Eugene Moser, President

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