Exhibit 5 – Cost of Capital
2027 Cost of Service

InnPower Corporation
EB-2026-0052

Contents

5-1-1 COST OF CAPITAL AND CAPITAL STRUCTURE

1. INTRODUCTION

The purpose of this evidence is to provide an overview of InnPower Corporation's ("InnPower") capital structure, its debt financing, and the calculation of its return on equity for the 2027 Test Year.

Detailed schedules on capital structure and debt issuances can be found in this Exhibit, Chapter 2 Appendix 2-OA and Chapter 2 Appendix 2-OB.

2. CAPITAL STRUCTURE

2.1 Overview of Capital Structure

InnPower seeks to recover a weighted average cost of capital ("WACC") of 6.04% through rates in the 2027 Test Year. The utility's capital structure for ratemaking purposes and the ensuing evidence has been prepared in accordance with the Ontario Energy Board's ("OEB") EB-2024-0063 Decision and Order (the "2025 Cost of Capital Report"), dated March 27, 2025.

In calculating the cost of capital, InnPower has used the OEB's deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity. InnPower has relied on the most recent published allowed return on equity ("ROE") and short-term debt rates per the OEB's prescribed Cost of Capital Parameters published for 2026 Cost of Service applications, while the long-term debt rate relied upon is based on InnPower's weighted average cost of long-term debt. InnPower will update its short-term debt and ROE rates based on the 2027 Cost of Capital Parameters published by the OEB prior to the rate order being finalized in this proceeding.

For ROE, short-term and long-term debt, InnPower has used the following rates:

- ROE: 9.11%

- Short-Term Debt: 2.72%

- Long-Term Debt: 4.09%

InnPower's capital structure and cost of capital for 2027 has been calculated as 6.04% as shown in the table below:

Table 5-1: 2027 Capital Structure and Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	($)	(%)	($)
	Debt				
1	Long-term Debt (Deemed)	56.00%	$74,318,499	4.09%	$3,040,363
2	Short-term Debt	4.00%	$5,308,464	2.72%	$144,390
3	**Total Debt**	60.0%	$79,626,964	4.00%	$3,184,753
	Equity				
4	Common Equity	40.00%	$53,084,642	9.11%	$4,836,011
5	Preferred Shares		$ -		$ -
6	**Total Equity**	40.0%	$53,084,642	9.11%	$4,836,011
7	**Total**	100.0%	$132,711,606	6.04%	$8,020,764

InnPower's capital structure and cost of capital approved for 2024 in EB-2023-0033 is shown in the table below for comparison:

Table 5-2: 2024 OEB-Approved Capital Structure and Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	($)	(%)	($)
	Debt				
1	Long-term Debt	56.00%	$41,957,644	3.65%	$1,531,127
2	Short-term Debt	4.00%	$2,996,975	6.23%	$186,712
3	**Total Debt**	60.0%	$44,954,618	3.82%	$1,717,838
	Equity				
4	Common Equity	40.00%	$29,969,746	9.21%	$2,760,214
5	Preferred Shares		$ -		$ -
6	**Total Equity**	40.0%	$29,969,746	9.21%	$2,760,214
7	**Total**	100.0%	$74,924,364	5.98%	$4,478,052

2.2 InnPower Actual versus Deemed Capital Structure

InnPower's forecast capital structure differs from its deemed capital structure in the 2027 test year as follows:

Table 5-3: InnPower vs OEB Capital Structure

Description	InnPower Regulated Capital Ratio[1]	OEB Capital Ratio	Variance
Long-Term Debt	68.65%	56.00%	12.65%
Short-Term Debt	0.00%	4.00%	-4.00%
Total Debt	**68.65%**	**60.00%**	**8.65%**
Shareholder's Equity	31.35%	40.00%	-8.65%
Total	**100.00%**	**100.00%**	

[1] Based on InnPower's actual and forecast long-term debt for the 2027 test year, wherein the principal of debt instruments with start-date within the test year have been pro-rated to the proportion of the year in which they are active. Equity is established as the difference between 100% and InnPower's regulated long-term debt

InnPower's total debt ratio is 8.65% higher than the OEB deemed capital ratio. The variance is due to the cost and revenue pressures facing InnPower within the context of its unique high-growth environment, as described in Exhibits 1, 2 and 4. As part of its long-term plan, InnPower continues to prudently monitor and optimize its leverage in the near term to create borrowing room for its major capital expenditures in the future. This Cost of Service application to the OEB is critical to InnPower's ability to manage its capital structure moving forward, as it will provide InnPower the cashflow required to ensure debt-to-equity ratios do not deteriorate to unsustainable levels.

3. Cost of Debt

3.1 Financing Strategy

InnPower's Financing Strategy plans for future needs now and executes the appropriate financing mechanism when the need materializes. InnPower relies on its planning processes, including its long-term financial plan and Distribution System Plan ("DSP"), to inform the financing requirements for capital projects and working capital needs. At this time, InnPower uses Bank Loans (Toronto Dominion Bank) to meet its financing needs.

3.2 Cost of Long-Term Debt

InnPower's weighted average cost of long-term debt is 4.09% for the 2027 Test Year. The debt is comprised of 8 separate instruments from Toronto Dominion Bank, as shown in Table 5-XX.

Table 5-4: Weighted Average Long-Term Debt Rate

Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal ($)	Rate (%)	Interest ($)
TD Canada Trust	Third-Party	Fixed Rate	2022-10-07	30	$2,085,283	5.27%	$114,480
TD Canada Trust	Third-Party	Fixed Rate	2016-02-12	30	$2,135,418	3.63%	$75,923
TD Canada Trust	Third-Party	Fixed Rate	2017-01-31	30	$2,331,919	3.60%	$85,586
TD Canada Trust	Third-Party	Fixed Rate	2018-03-26	30	$1,349,943	4.09%	$56,132
TD Canada Trust	Third-Party	Fixed Rate	2019-08-26	30	$1,946,232	3.28%	$64,610
TD Canada Trust	Third-Party	Fixed Rate	2026-01-01	25	$52,160,108	4.45%	$2,321,125
TD Canada Trust	Third-Party	Fixed Rate	2026-06-01	30	$19,824,641	4.00%	$792,986
TD Canada Trust	Third-Party	Fixed Rate	2027-06-01	30	$9,275,897	4.00%	$216,438
					$91,109,442	**4.09%**	**$3,727,279**

As shown above, InnPower's debt financing approach relies upon long-term, fixed rate loans with a single third-party lender. InnPower does not have debt arrangements with any affiliate companies. InnPower's existing and new loans are required to fund the capital projects and programs described in detail in Exhibit 2.

Of note, the new loan planned for the Test Year with a start date of June 1, 2027 is $15.9 million. For the purpose of calculating the appropriate weighted average long-term debt rate for 2027, this principal amount has been pro-rated to $9.3 million, by multiplying the planned principal by 7/12 to reflect the loans applicability to 7 of the 12 months in 2027. InnPower has assumed an interest rate of 4.00% for the new 2027 loan, consistent 2026 financing and below the OEB's current long-term debt rate of 4.73%.

The weighted average long-term debt rate proposed for rate-setting purposes is reflective of InnPower's actual cost of long-term borrowing, and is below the OEB's deemed long-term debt rate.

3.3 Short-term Debt

Consistent with the OEB's 2025 Cost of Capital Report and the OEB's Chapter 2 Filing Requirements, InnPower has established the short-term debt rate of 2.72% on the basis of the

OEB's most recently published Cost of Capital Parameters. InnPower will update the cost of short-term debt prior to the final rate order in this proceeding.

3.4 Notional Debt

Notional debt is the portion of deemed debt that results from differences between InnPower's actual debt and deemed debt of 60% of rate base (56% long-term debt and 4% short debt). As described above, InnPower's current debt levels exceed the OEB's combined deemed debt structure and, as a result, InnPower does not have notional debt.

4. EQUITY INSTRUMENTS

4.1 Common Shares

InnPower is 100% owned by its shareholder, the Town of Innisfil. The shareholder owns 1,000 common shares that were purchased in November 2000. Since the initial purchase, there has been no change in the number of shares issued or sold.

Consistent with the OEB's 2025 Cost of Capital Report and the OEB's Chapter 2 Filing Requirements, InnPower has established the ROE rate of 9.11% on the basis of the OEB's most recently published Cost of Capital Parameters. InnPower will update the ROE rate prior to the final rate order in this proceeding.

4.2 Preference Shares

InnPower currently has no preferred shares in its equity structure and has no plans to issue any preference shares in 2027 and beyond.

4.3 Historical Return on Equity

The table below depicts InnPower's Actual ROE for 2024 and 2025, and forecast ROE for the 2026 Bridge Year, relative to OEB-approved ROE.

Table 5-5: Weighted Average Long-Term Debt Rate

	Actual	Actual	Forecast	
	2024	2025	2026	Average
Approved ROE	9.21%	9.21%	9.21%	9.21%
Achieved ROE	6.77%	5%	0.94%	4.19%
Variance	-2.44%	-4.34%	-8.27%	-5.02%

5. ADDITIONAL ITEMS

5.1 Profit or Loss on Redemption of Debt or Preferred Shares

InnPower does not forecast that it will redeem any debt and has not issued any preference shares, hence InnPower does not record either a profit or a loss on redemption of debt and/or preference shares.

5.2 Not-for-Profit Corporations

InnPower Corporation is not a cooperative and as such, all requirements related to a not-for-profit organization do not apply.