OPG'S COST OF SHORT-TERM DEBT

1.0 PURPOSE

This evidence details OPG's annual short-term borrowing and associated costs for OPG's regulated operations for the bridge years and IR term that are reflected in the proposed capitalization of OPG's rate base. It also provides actual short-term debt costs for 2020-2024.

2.0 DESCRIPTION OF SHORT-TERM DEBT

As in prior OPG applications, the short-term debt component of OPG's capital structure reflects its forecast amount of corporate short-term borrowings, and the cost of short-term debt reflects OPG's forecast of the corporate short-term borrowing cost. The summary of capitalization for the IR term is provided in Ex. C1-1-1, Tables 1-12 for OPG's regulated operations.

OPG's corporate short-term debt is comprised of a CAD and a USD commercial paper program, backstopped by credit facilities. OPG currently has a bank-syndicated committed credit facility with a CAD$1B credit limit and a USD$750M credit limit. OPG also continues to have access to the Ontario Electricity Financial Corporation ("OEFC") credit facility, which currently has an undrawn capacity of $750M and, since December 2024, maintains a $1.25B credit facility with the Ontario Financing Authority ("OFA"). In addition to being used as a backstop to the commercial paper programs, the above credit facilities provide liquidity support in the event that OPG is unable to issue either short-term or long-term wholesale unsecured funding (such as commercial paper or long-term bonds) if there were to be a systematic market disruption.

Further, as part of the credit rating agencies' assessments, OPG is required to have sources of liquidity that meet projected uses of liquidity over a 12-18 month horizon, where such uses of liquidity include capital expenditures and debt maturities. With the company's increasing project expenditures, the above credit facilities are therefore also necessary to ensure OPG can meet credit agencies' liquidity expectations in support of current credit ratings.

The methodology to determine the regulated portion of forecast corporate short-term debt was accepted by the OEB in previous payment amounts proceedings. OPG has made modifications to the application of the previously used methodology to determine the forecast cost of short-term debt, as discussed in Section 4.0 below.

3.0 SHORT-TERM DEBT COST

OPG's borrowing rate under its commercial paper programs is market-based and comprises three components determined at the time of issuances: i) a benchmark "risk-free" rate, ii) a corporate spread, which is analogous to the credit spread on long-term debt, and iii) a 10-basis point dealer fee. As in prior OPG payment amounts proceedings, the cost of forecast short-term debt over the 2026-2031 period is based on a forecast of a benchmark "risk-free" rate and an observed OPG corporate spread.

OPG has made the following updates to the application of the above methodology to determine the cost of its short-term debt in this Application, compared to previous proceedings:

- Historically, IHS Markit's Global Insight Economics ("Global Insight") was used as a third-party market source. In this application, OPG has adopted a revised data source consistent with a similar change made for forecasting the long-term debt rates (see Ex. C1-1-2).
- As a replacement source of forecast information covering the IR term, OPG is utilizing an equally weighted blend of the 3-month forward Overnight Index Swap ("OIS") rates from the Bloomberg ticker YCSW0147 and the Bloomberg Bond Yield Median Forecast (Ticker: BYFC) for the 3-month T-Bill rate.[1] Bloomberg forecasts currently do not extend beyond 2028 since many economists are not publishing forecasts beyond two years, given the current uncertainty in the global economy. To create a more continuous forecast over the seven-year period, for the years where the Bloomberg Bond Yield Median Forecast was not available, OPG inferred such forecast by applying the average difference between the Bloomberg Bond Yield Median Forecast and the Bloomberg forward OIS rate for 2026 and 2027, to the Bloomberg forward OIS rate.
- Historically, the corporate spread used in the forecast was observed at a point in time during the preparation of the respective payment amounts application. In this Application, OPG has used an average corporate spread of OPG's 3-month term commercial paper

[1] Survey as of November 21, 2025.

over the OIS rate observed since the OIS became the benchmark for commercial paper rates in mid-2024. This approach improves the forecasting methodology by better capturing a range of market conditions that have materialized in the previous months and could potentially materialize in the future, rather than relying on point-in-time information. The resulting corporate spread is 17 basis points over the OIS rate.

The bank credit facility fees are forecast to cost an average of $8.7M annually between 2027-2031. The increase in fees compared to the historical years is primarily due to the addition of the $1.25B credit facility with the OFA in December 2024, as well as anticipated future facility needs to meet the liquidity requirements set by the credit rating agencies. As in prior payment amounts applications, these costs are included with OPG's short-term debt costs.

Exhibit C1-1-3, Table 2 summarizes OPG's forecasted company-wide cost of short-term debt.

4.0 ALLOCATION TO REGULATED OPERATIONS

For the IR term, OPG has used the same allocation methodology accepted by the OEB in prior payment amount proceedings to allocate company-wide short-term debt to the regulated operations. In summary, the ratio of the construction work in progress and non-cash working capital amounts (fuel inventory and materials/supplies) for OPG's regulated operations to the total construction work in progress and non-cash working capital amounts reported in OPG's audited consolidated financial statements is used as the basis for allocating company-wide short-term borrowing. This allocation ratio reflects OPG's use of short-term borrowing to finance its working capital requirements and to assist with managing the cash-flow variability associated with capital projects.

For all company-wide short-term borrowing up to December 31, 2024 the allocation ratio is determined based on actual year-end values for the corresponding years. Consistent with the approach applied in prior payment amounts proceedings and for the allocation of the long-term debt (Ex. C1-1-2, Section 3.2), OPG has used information from its most recent available audited financial statements (2024) to determine the allocation factor for 2025-2031. The allocation ratios are calculated in Ex. C1-1-3, Table 1.

Table 1
Capitalization and Cost of Capital
Allocation of Existing Short-term Debt - OPG ($M)

Line No.	Asset	Note	Amount 2020	2021	2022	2023	2024
			(a)	(b)	(c)	(d)	(e)
	Company-Wide:						
1	**Construction Work-In-Progress (CWIP)**	1	2,339.3	3,567.9	4,619.2	3,946.0	4,373.3
2	**CWIP Using Short-term Project Financing**		0.0	0.0	0.0	0.0	0.0
3	**Fuel**		235.6	247.3	251.9	295.4	297.0
4	**Materials/Supplies**		495.9	516.3	502.8	487.7	499.7
5	**CWIP + Non Cash Working Capital**		3,070.8	4,331.6	5,373.9	4,729.1	5,170.0
	Regulated Operations:						
6	**Construction Work-In-Progress (CWIP)**	2	2,116.2	3,095.1	4,170.0	3,349.8	3,555.6
7	**Fuel**	3	190.3	201.4	192.0	242.9	233.1
8	**Materials/Supplies**	4	492.7	513.6	499.3	484.3	495.6
9	**CWIP + Non Cash Working Capital**		2,799.2	3,810.1	4,861.3	4,077.0	4,284.3
10	**Total Regulated/Company-Wide CWIP + Non Cash Working Capital** (line 9/ line 5)		91.2%	88.0%	90.5%	86.2%	82.9%

Notes:

1 From Ex. C1-1-2 Table 1, line 2.

2 From Ex. C1-1-2 Table 1, line 8

3 From Ex. B3-5-1 Table 1, col. (b).

4 Sum of Ex. B2-5-1, Table 2, col. (b) for Regulated Hydroelectric, and Ex. B3-5-1 Table 1, col. (b) for OPG Nuclear, reflecting the closing balance in actual rate base.

Numbers may not add due to rounding.

Table 2
Capitalization and Cost of Capital
Summary of OPG's Actual and Forecast Cost of Short-term Debt ($M)

Line No.	Description	Note	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	**Commercial Paper Amount**	1	207.5	9.0	0.0	13.8	150.2	252.5	500.0	500.0	500.0	500.0	500.0	500.0
2	**Interest Rate**		0.70%	0.21%	0.00%	5.20%	4.79%	2.90%	2.47%	2.79%	2.93%	3.07%	3.22%	3.39%
3	**Commercial Paper Cost**		1.5	0.0	0.0	0.7	7.2	7.3	12.4	14.0	14.7	15.4	16.1	17.0
4	**Facility Cost**		3.7	5.2	4.0	4.1	4.1	7.1	7.1	11.4	8.9	8.9	7.1	7.1
5	**Total Short-term Debt Cost** (line 3 + line 4)		5.2	5.2	4.0	4.8	11.3	14.4	19.5	25.3	23.5	24.2	23.2	24.1
	Regulated Portion of Short-Term Debt													
6	**Allocation Factor**	2	91.2%	88.0%	90.5%	86.2%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%
7	**Short Term Debt Amount** (line 1 x line 6)		189.2	7.9	0.0	11.9	124.5	209.2	414.3	414.3	414.3	414.3	414.3	414.3
8	**Short-term Debt Cost** (line 5 x line 6)		4.7	4.6	3.6	4.2	9.4	12.0	16.1	21.0	19.5	20.1	19.2	19.9

Notes:
1 Actual daily weighted average balance shown for 2020 to 2024. Working Capital funding with commercial paper is assumed to be outstanding for the first 20 days of each month in the forecast period.
2 Allocation factor determined at Ex. C1-1-3 Table 1 line 10. The 2025-2031 allocation is based on 2024 actual allocation.