

Our Sustainability
Journey

Vision & Strategic Intent

We will be Canada's leading electricity distribution and integrated energy solutions provider, creating a future where people, businesses and communities will benefit from energy's full potential.

Mission Statement

We provide customers with smart and simple energy choices, while creating sustainable value for our shareholders, customers, communities and employees.

Our Values



Safety

Promote the importance of health, safety and wellness



Respect

Ensure a successful and rewarding work environment by valuing others and their contributions, while acting with integrity



Customer Focus

Become the customer's ally by creating an exceptional customer service experience



Excellence

Continuously pursue superior performance of our social, environmental and financial commitments



Innovation

Advance the business through the continuous improvement of people, processes and technology

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Introduction

This is our first Sustainability Report. It is organized, as many sustainability reports are, with three main sections that highlight our Environmental, Social and Economic accomplishments in 2017.

This report is about the first steps in our sustainability journey, which began when we became a new company in February 2017. Our goal, in time, as our operations and systems merge, is to develop a more detailed report using a standardized reporting format.

In the meantime, we have established a baseline for our greenhouse gas emissions. The results, as well as a reasonable assurance statement from PricewaterhouseCoopers LLP, are included in the Environment section.

This report highlights many of the decisions we made in year one to become a sustainable company – a company that puts the health and safety of our employees and the public first. A company committed to meaningful partnerships with customers and the communities in which we operate. And also, a company that lives up to the promises made prior to the consolidation of the founding utilities, including delivering economic value to our municipal shareholders and technological innovation. Here is a partial list of our sustainability partners last year:



Canadian
Electricity
Association

Association
canadienne
de l'électricité



Message from Board Chair and President & CEO

Alectra Inc. (Alectra) is a brand-new company with a bold, new vision. As we grow, sustainability will be an integral part of who we are, what we do and how we do it.

We define sustainability as a business approach that creates long-term stakeholder value by implementing a business strategy that considers every dimension of how it operates in the ethical, social, environmental, cultural and economic spheres. Sustainable companies also formulate strategies that foster longevity through transparency and proper employee development.

Being a new company has certain advantages: It provides us with a unique opportunity to build sustainability into our core business practices right from the start, rather than reverse engineering it into our operations later on. As the process of harmonizing the operations of Alectra's four legacy utilities continues to unfold, we will seize every opportunity we can to make sustainability part of how we do business.

In 2017, we made a good start at demonstrating our commitment to this goal when we launched a series of advanced energy technology pilots that use battery storage and renewable energy to give consumers more energy and lifestyle choices; when we signed the Leadership Accord on Gender Diversity for the Electricity Industry that will position us to have an even more diverse and inclusive workforce delivering greater innovation in the energy sector; and also when we supported local communities through corporate donations and in-kind contributions valued at over \$900,000.

The first year in our journey was also marked by a new framework called AlectraCARES that is aligned with the Canadian Electricity Association's (CEA) well-established sustainability platform. With clear direction from the Corporate Governance and Nominating Committee of our Board of Directors, we intend to work towards Sustainable Electricity Company™ designation from the CEA, including an environmental management system that conforms with ISO 14001.

Sustainability is important to the residents and business people in the communities we serve. Our customers are looking to us to be an ally in helping them achieve this goal. They care about climate change. They care about their energy consumption. And they care about social and economic issues such as energy affordability, diversity, inclusion and fairness. They are the driving forces behind our sustainability program. As a customer-focused company offering services in a rapidly changing energy sector, our first year in business clearly demonstrated that we're ready to become true partners with our communities, on a shared sustainability journey, now and for years to come.



Norm Loberg
Chair, Board of Directors



Brian Bentz
President & Chief Executive Officer

About Alectra Inc.

Alectra Inc. (Alectra) is a newly-formed electricity distribution and integrated energy solutions company. Operating from our head office in Mississauga, Ontario, we provide solutions and services to nearly one million customers in Ontario's Greater Golden Horseshoe area.

Alectra Utilities Corporation, our distribution subsidiary, delivers approximately 22 percent of Ontario's electricity across 6,642 circuit kilometres of overhead lines and 13,210 circuit kilometres of underground lines. We are, today, the second largest municipally-owned electric utility by customer base in North America, second only to the Los Angeles Department of Water and Power.

Alectra's distribution service territory spans 15 communities including: Alliston, Aurora, Barrie, Beeton, Bradford, Brampton, Hamilton, Markham, Mississauga, Penetanguishene, Richmond Hill, St. Catharines, Thornton, Tottenham and Vaughan.



Key Performance Indicators

\$6.1MM

Net operating synergy savings

99.6%

Billing accuracy

58.8 minutes

SAIDI

2017 Results



Corporate Governance

Alectra Inc. is an Ontario-based investment holding company that owns 100 percent of the common shares of each of: [Alectra Utilities Corporation \(“AUC”\)](#); [Alectra Energy Solutions Inc. \(“AES”\)](#); and Horizon Solar Corporation (“Horizon Solar”). Through its investment in AES, the Corporation also indirectly wholly owns: Alectra Energy Services Inc.; Alectra Power Services Inc.; and Util-Assist. Alectra Inc. was created by: i) the amalgamation of the former entities PowerStream Holdings Inc. (“PowerStream Holdings”), Enersource Holdings Inc. (“Enersource Holdings”), and Horizon Holdings Inc. (“Horizon Holdings”); and ii) the acquisition of Hydro One Brampton Networks Inc., which was subsequently amalgamated with AUC.



Alectra is indirectly owned by six municipal shareholders – the cities of Vaughan, Hamilton, Markham, Barrie and St. Catharines, and Enersource Corporation, which is owned by the City of Mississauga (90%) and BPC Energy Corporation (10%).

Alectra Inc.’s [Board of Directors](#) consists of 13 directors, with a majority of independent directors. There are four committees of the Board:

- Audit, Finance and Risk Management
- Corporate Governance and Nominating Committee
- Integration Committee
- Human Resources and Compensation Committee

Sustainability issues are included as part of the Corporate Governance and Nominating Committee’s mandate.



Alectra Executive Committee (left to right)

John Basilio, Chief Financial Officer, Alectra Inc.

Max Cananzi, President, Alectra Utilities Corporation

Brian Bentz, President and Chief Executive Officer, Alectra Inc.

Dennis Nolan, General Counsel and Corporate Secretary, Alectra Inc.

Paul Tremblay, Strategic Advisor, Alectra Inc.

Alectra Board of Directors

The mandate of the Board is to govern Alectra Inc., by setting its strategic direction and risk tolerances, selecting and overseeing the effectiveness of the CEO, and monitoring the successful performance, culture and ethical integrity of the Corporation.

The Board is accountable to the Shareholders to establish a system of effective corporate governance and to achieve the corporation's mission/vision/purpose.



Norm Loberg
Chair



Gerald
Beasley



Paul
Benson



Maurizio
Bevilacqua



Robert
Cary



Bonnie
Crombie



Giuseppina
D'Agostino



Fred
Eisenberger



Jeff
Lehman



Don
Lowry



Teresa
Moore



Frank
Scarpitti



Annesley
Wallace

Managing our Vision

Alectra is managed by an experienced and forward-looking [executive committee](#). Our vision is to be Canada's leading electricity distribution and integrated energy solutions provider, creating a future where people, businesses, and communities benefit from energy's full potential.

How will we get there? By providing customers with smart and simple energy choices, while at the same time creating sustainable value for our shareholders, customers, communities, and employees.

Quick Facts

Although we're a relatively new company, through our legacy utilities we have over 100 years of history.

Here's a snapshot of our operations in 2017:

987,000*
customers

1,500*
full-time employees

62%
of employees represented by
Power Workers' Union

\$4.5 billion
in total assets

**A (Stable Trend –
DBRS) and A (Stable
Outlook - S&P)**
credit ratings

1,800*
square-kilometre
service territory

113,622
distribution transformers

6,642
kilometres of
conductor lines

13,210
kilometres of
underground cable

167,973
poles and pole structures

19,779
circuit kilometres

12
transformer stations

159
municipal substations

15,230,279
kilowatt-hours delivered

58.8
System Average Interruption
Duration Index (SAIDI) in
minutes

1.26
System Average Interruption
Frequency Index (SAIFI)

\$238MM
capital program

**numbers are approximate*



Sustainability

Sustainability is integral to our Alectra strategic plan. The elements of people, planet and profits are key aspects of our integration, optimization and resiliency strategies, which are central to how we will grow.

Our Sustainability Statement lays the foundation for our strategy going forward. This includes the following:

- Doing business in a sustainable manner is essential to our success.
- We are committed to delivering value to our shareholders while providing customers with safe, reliable and efficient electricity service and innovative energy solutions.
- Our sustainability commitment is set out in AlectraCARES, in which we affirm that we will protect the health, safety, environment and well-being of our customers, employees, contractors and the communities in which we operate.

We intend to base our framework on the model used by the [Canadian Electricity Association's \(CEA\) Sustainable Electricity Program](#). Prior to the consolidation, staff members were directly involved in CEA sustainability committee work, and Horizon Utilities (one of Alectra's former utilities) was the first CEA member to achieve the [Sustainable Electricity Company™ designation](#).

Our goal is to introduce sustainability into our operations in a staged manner, using experienced employees who are subject matter experts in the CEA approach. For 2017, our starting point was to continue implementing elements of initiatives that were already well underway at our legacy utilities. These initiatives, and others, are highlighted throughout this report.

We also spent the year establishing baselines, identifying gaps, and developing processes for collecting sustainability-related data across the new company.

“Doing business in a sustainable manner is essential to our success”



Alectra employees participate in the City of Vaughan's 20 Minute Makeover and picked up litter in the community near the office over their lunch break.

AlectraCARES: Our Sustainability Framework

Our sustainability platform -- AlectraCARES -- reflects the five pillars (see below) and the foundational principles from the CEA's Sustainable Electricity Program. AlectraCARES also includes the metrics that must be reported as part of the CEA's program.

Communities

Engage our stakeholders and actively participate in the social, economic and environmental development of the communities in which we operate.

Alternative energy solutions

Develop innovative energy solutions to produce, deliver and use electricity in an efficient manner while promoting energy conservation programs.

Resource preservation

Manage facilities and operations through a risk-based approach that mitigates greenhouse gas emissions, minimizes both waste of resources and impacts on the environment.

Economic value

Provide economic benefits to shareholders and the communities we serve including enhanced reliability and service, and work with suppliers to maximize economic and environmental value.

Safe and healthy employees

Foster a 'safety first' workplace where fair recruitment, training and talent retention processes are in place that ensure ongoing employee engagement, well-being and diversity.

Stakeholder Relations

We have a strategic outreach and engagement process in place that allows us to meet with key stakeholders, explain our goals, answer questions, address issues, and over time, build strong relationships. Here is a list of industry and community organizations with which we engaged in 2017:

- Canadian Electricity Association
- Ontario Energy Association
- Electricity Distributors Association
- Ontario Energy Network
- Independent Electricity System Operator
- Electrical Safety Authority
- Aurora Chamber of Commerce
- Brampton Board of Trade
- Greater Barrie Chamber of Commerce
- Greater Niagara Chamber of Commerce
- Hamilton Chamber of Commerce
- Markham Board of Trade
- Mississauga Board of Trade
- Richmond Hill Board of Trade
- Stoney Creek Chamber of Commerce
- Ontario Regional Ground Alliance
- Infrastructure Health and Safety Association

In our first year as Alectra, our goal was to establish accessible and helpful sources of information for our shareholders and key stakeholders. A key focus was reaching out to all councillors in our shareholder municipalities and making ourselves available for face-to-face meetings. We held 10 meetings with elected officials, meetings with senior staff at shareholder municipalities and organized/participated in 15 industry events, providing attendees with information about Alectra including: our conservation initiatives, capital investments, system upgrades, construction projects, rate filings, new policy initiatives, updates on billing information, contact information for assistance, and updates on a proposed merger with [Guelph Hydro](#).



In addition to in-person meetings with representatives from our shareholders and key stakeholders, we also developed a quarterly newsletter called *Ally* that delivers news about company-wide initiatives, provides company resources (such as contact information, updates on power outages, billing), as well as governmental and regulatory updates.



Environment



Sustainability and the Environment

Sustainability is an integral part of Alectra's strategic plan. It guides many of the decisions we make about how to operate as a business, how we interact with our customers and also how we engage with, and support, our local communities.

In 2017, we established our Sustainability Commitment and developed the sustainability platform called AlectraCARES that will allow us to communicate our sustainability performance.

We also took our first steps as a new company towards managing our greenhouse gas (GHG) emissions by setting a baseline using 2016 information from our four legacy utilities and having that information assured by a third-party. This baseline provides us with the confidence of knowing that our environmental performance going forward is based on verified numbers.

Greenhouse Gas Emissions

	2016 Baseline (tCO ₂ e)	2017 (tCO ₂ e)
Scope 1 Fleet fuel and natural gas	7417.86*	↓ 7163.03
SF6	1,075.50	↓ 956.00
Scope 2 Electricity	661.44*	↓ 611.50
Total	9,154.80	↓ 8,730.54

*Data received reasonable assurance from [PricewaterhouseCoopers LLP](#).

In 2017, our Scope 1 and Scope 2 GHG emissions decreased by 424.26 tonnes of carbon dioxide equivalents (CO₂e), or **4.6 percent**.

To calculate this result, we established a baseline for GHG emissions for 2016 and compared it to our company-wide GHG emissions for 2017, based on the following criteria:

- GHG emissions were calculated in accordance with the principles and requirements of ISO 14064-1, and the Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard.
- The calculations took into account nine facilities, comprised of three corporate offices in Mississauga, Vaughan and Hamilton and six service centres in Markham, Brampton, Mississauga, Barrie, St. Catharines and Hamilton. Excluded are substations and transformer stations.
- Sources for fleet fuel: Information provided from supplier invoices and consumption reports including the volumes of diesel and gasoline purchased for the period covering January 1 to December 31, 2016.
- Sources for natural gas and electricity: Information provided from supplier invoices including the direct emissions controlled by Alectra from natural gas and electricity in buildings and other facilities consumed for the period covering January 1 to December 31, 2016.
- Natural gas and electricity emissions were calculated by multiplying these fossil fuel volumes by the Canadian emission factors taken from the National Inventory Report 1990-2015: Greenhouse Gas Sources and Sinks in Canada.

- Fleet emissions were calculated by multiplying these fossil fuel volumes by the Canadian emission factors taken from the National Inventory Report 1990-2010: Greenhouse Gas Sources and Sinks in Canada. The emission factors applied to the fleet are for light-duty gasoline vehicles and light-duty diesel vehicles.
- Total GHG emissions, in tonnes of CO₂e, were calculated by multiplying the mass of each gas (CO₂, CH₄ and N₂O) by its global warming potential (GWP) and adding up the totals. GWPs used are from the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report, 2014 (GWP of CO₂ = 1, GWP of CH₄ = 28 and GWP of N₂O = 265).

SF6 was not assured due to gaps in verifiable documentation available from reporting facilities. A consumption estimate was provided, and the associated GHG emission calculation used the GWP of SF6 = 23,900 from the IPCC Second Assessment Report, 1996. Having identified the gaps, we are working to develop a process that will allow us to more accurately report on SF6 in 2018 and beyond.

Scope 2 emissions do not include line losses.

We attribute our 2017 GHG reduction to efficiencies achieved in facilities where the ISO 50001 energy management system was already in place. Our goal is to implement this standard in all of our facilities in the coming years.

In 2017, our office in Hamilton connected to a [district energy system](#), resulting in a reduction in the amount of natural gas used for heating. We expect our natural gas emissions to decrease further for the 2018 reporting year, once the facility has been connected for a full year.

The reduction in our electricity consumption is due to new LED streetlights installed in the parking lots at our corporate head office in Mississauga in October.

With these data points we have begun to lay a foundation for 2018, which includes setting a target for GHG reduction and developing an action plan to meet our goal.

CDM Highlights and Achievements

The [Ontario Energy Board \(OEB\)](#) requires all licensed distribution companies in Ontario to offer their customers conservation and demand management (CDM) programs to help them consume energy as efficiently as possible. Here are the preliminary results from our 2017 CDM activities (final verified results will be available from the [Independent Electricity System Operator](#)).

We helped our customers save over 190 gigawatt-hours (GWh) of electricity, enough to power 21,000 typical homes for a year, and provided over \$51 million to support their energy saving projects.

Alectra Projects Complete in 2017	Net Persisting Energy Savings (GWh)	Incentives (\$MM)
Non-Residential	118.6	24.5
Residential	71.4	26.8
Total	190.0	51.2



Independent reasonable assurance report in relation to Alectra's 2017 sustainability report

To the Board of Directors and management of Alectra Inc. ("Alectra")

We have been engaged by Alectra to perform an independent reasonable assurance engagement in respect of the selected key performance indicators detailed below ("the selected information") contained in Alectra's 2017 sustainability report ("the Report").

Selected information

Our reasonable assurance engagement was performed on the following selected performance indicators:

<i>Performance indicator</i>	<i>Report page(s)</i>
Scope 1 greenhouse gas emissions – Fleet fuel and natural gas, 2016	14
Scope 2 greenhouse gas emissions – Electricity, 2016	14

Reporting criteria

Alectra has described the relevant criteria used to report the selected information in the "Greenhouse gas emissions" section of the Report. The selected information has been assessed against the definitions and approaches referenced in the above section.

Responsibilities of Alectra management

Alectra is responsible for the preparation and fair presentation of the selected information, incorporated in the Report, in accordance with the relevant criteria. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the selected information that is free from material misstatements, whether due to fraud or error; developing and applying the criteria.

Our responsibility

Our responsibility is to carry out an independent reasonable assurance engagement and to express an opinion on the selected information based on the procedures we have performed and the evidences we have obtained. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 Revised, *Assurance engagements other than audits or reviews of historical financial information*, and ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*.

Our independence and quality control

In conducting our assurance engagement, we have met the independence requirements of the *Code of Ethics for Professional Accountants*. We applied International Standard on Quality Control 1 (ISQC 1), *Quality control for firms that perform audits and reviews of financial statements and other assurance and related services engagements*.

Our procedures

A reasonable assurance engagement includes examining, on a test basis, evidence supporting the amounts and disclosures within the selected information. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement in the selected information due to omissions, misrepresentation and errors. Given the circumstances of the engagement, our procedures included but were not limited to:

- obtaining an understanding of the management systems, processes, and controls used to generate, aggregate and report the data;
- testing of relevant documents and records on a sample basis;
- testing and re-calculating quantitative information related to the selected information on a sample basis; and
- reviewing the consistency of the selected information with related disclosures in the Report.

Inherent limitations

Non-financial performance information, such as that included in the selected information within the Report, is subject to more inherent limitations than financial information, given the characteristics of the information and the methods used for determining and calculating such information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgments. Furthermore, the nature and methods used to determine such information, as well as the evaluation criteria and the precision thereof, may change over time. It is important to read our report in the context of evaluation criteria.

Restriction on use

Our responsibility in performing our reasonable assurance activities is to the management of Alectra only and in accordance with the terms of engagement as agreed with them. We do not, therefore, accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance that any such third party may place on the Report is entirely at its own risk.

Reasonable assurance conclusion

In our opinion, the selected information included in Alectra's 2017 sustainability report presents fairly, in all material respects, in accordance with the relevant criteria.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Professional Accountants

May 8, 2018
Toronto, Ontario

Some of our other 2017 CDM accomplishments include:

- Approving 5,700 [Save on Energy Retrofit](#) applications
- Launching a [15-second ad campaign](#) in **Cineplex cinemas**, achieving 381,000 impressions
- Expanding the [Business Refrigeration Incentives Program](#) to other parts of our service territory
- Holding 53 **community events** and sponsoring seven community teams
- Generating awareness for a campaign that promoted **Deal Days Residential** – an instant rebate program on the purchase of energy-efficient products at participating retailers. Involved 60+ stores, sent emails to 245,000 households and achieved two million impressions in 19 community newspapers.
- Launched [AlectraConservation.com](#).



Save on Energy Deal Days involved more than 60 stores that participated in an instant rebate program for purchasing energy efficient products.

Gearing up Now for Big Changes Ahead

Ontario's energy industry is experiencing [unprecedented change](#). Change is partly being driven by customers' demand for choice: They want more sustainable options from their energy suppliers, and this, in turn, is leading to a more decentralized energy system. Low-cost renewable distributed energy resources and storage, combined with digital intelligence and communication are also helping to reshape the energy landscape.

Customers not only expect that when they flip the wall switch, the lights will come on; but many also want access to technologies that can generate electricity, fuel their electric vehicles, and help manage their home or business' energy management systems.

Alectra is positioning itself to play a leadership role in developing, testing and raising awareness of a broad array of alternative energy technologies. Our vision is to be Canada's leading electricity distribution and integrated energy solutions provider, creating the opportunity for people, businesses and communities to benefit from energy's full potential. To do this, we are already well on our way toward providing customers with smart and simple energy choices.

Here are some of the advanced energy solutions and sustainability projects we initiated in the 2017 reporting year:

POWER.HOUSE

Alectra began testing the [POWER.HOUSE 'virtual power plant'](#) concept in York Region and Simcoe County to see if customers would benefit from bill reduction, increased resiliency to outages and the ability to generate their own renewable power.



POWER.HOUSE uses an aggregate fleet of residential solar and battery storage systems located at customers' homes. The systems are autonomously controlled through intelligent software to simulate a single, larger power generating facility. The technology, which features a combination of rooftop solar panels and a lithium-ion battery installed behind the meter at customers' homes, has three outcomes:

- Helps to protect against power outages
- Off-sets peak-hour electricity rates to provide significant reductions on bills
- Reduces impact during peak system demand, while delivering clean power directly to participating homes.

Alectra completed a feasibility study and, beginning in 2018, will work to scale up the project, with a goal of installing up to 30,000 new units in southern York Region by 2031. Under the right conditions, the POWER.HOUSE project could result in deferred energy infrastructure investments of at least two years, while offering customers lower electricity bills, as well as a credit on their bills when they generate their own energy and send the surplus electricity back to the grid.

Offering Customers Flexibility on Pricing

In late 2017, Alectra (and four other Ontario utilities) received approval from the OEB to test new pricing models designed to give residential customers more choice in selecting a pricing plan that would better suit their lifestyles. The OEB is the provincial regulator with authority and responsibility for setting electricity prices.

The new Advantage Power Pricing (APP) offers customers three rate plan options. The Dynamic Plan includes a low price of 4.9 cents/kWh of electricity for off-peak periods and a variable price during the on-peak period (weekdays, 3 p.m.- 9 p.m.), while equipping them with the tools required to better manage their energy use.

The Enhanced Plan offers 12 off-peak hours a day in the same schedule as the existing time-of-use model, but with a greater differential between on - and off-peak rates. The Overnight Plan offers a super off-peak rate of 2 cents/kWh in addition to six off-peak hours.

Since the start of the trial period in September, over 6,500 customers were registered in the Enhanced Plan, 2,000 in the Dynamic Plan and 200 in the Overnight Plan. Alectra will factor the data collected during the trial (which ends in March 2019) into future customer service, regulatory and energy services strategies.

Enabling Change in the EV Sector

Alectra and the City of Markham unveiled [Alectra Drive for the Workplace](#), a two-year pilot program at the Markham Civic Centre that will assess the impact on Ontario's electricity grid of daytime electric vehicle (EV) charging at workplaces.

This first-of-its-kind initiative involves 16 Level 2 EV charging stations (ten outdoor and six indoor) for program participants only, plus one Level 2 charging station for general public use.

By making EV charging stations more accessible for host businesses, the program will help reduce battery range anxiety for participating drivers and support the province's goal of increasing EV sales to five percent of all new passenger vehicles sold by 2020.

alectradrive»
workplace

E-waste

In 2017, we recycled 2,850 kilograms of electronic waste (E-waste) such as computers and televisions that employees brought in from their homes. There are “cages” for these materials at most Alectra operations centres and temporary cages at our corporate offices in Vaughan and Mississauga. E-waste is sent from our locations to Global Electric Electronic Processing (GEEP) in Barrie, which sorts through the waste, extracting material that is recyclable.

Textile Recycling

Alectra employees donated over 1,800 kilograms of used clothing to the Kidney Foundation of Canada, as part of a new textile recycling program. After being sorted, the clothing is either recycled as textiles (so it doesn't end up in landfills), or resold to Value Village, a thrift store chain with locations throughout Canada and the United States.



Alectra employee uses E-waste cage.

NetZero Energy Emissions Communities

Alectra's Advanced Planning team developed the proof of concept, and applied for provincial and federal funding, for a NetZero Energy Emissions Communities pilot in the City of Markham.

The initiative supports the objectives articulated in Ontario's Climate Change Action Plan (CCAP) and



Alectra employees pitch in to help recycle used clothing as part of a textile recycling program in support of the Kidney Foundation of Canada.

the Pan-Canadian Framework on Clean Growth and Climate Change. It will offer recommendations that will ensure optimal integration of land use, electrical energy, thermal energy and transportation planning in eventual NetZero Energy Emissions Communities.

Starting with two residential customers in the City of Markham, Alectra and partners Enbridge Gas Distribution Ltd., Ryerson University and the City of Markham, are studying how advanced technologies including solar panels, battery storage, electric vehicles, micro-combined heat and power and air source heat pumps work together in existing houses to reduce GHG emissions. The partners will also study these same integrated technologies in a new home build.

The project's ultimate goals are: to understand the barriers that might affect widespread consumer adoption of these technologies, including the economic gap; and to collect data that can inform the urban planning and development processes in growing urban communities.

Sustainability Leadership

Representatives from the Alectra team were invited to speak at several important industry conferences about our work in the area of advanced energy solutions including energy storage, residential, commercial and community microgrids, as well as electric vehicles.

As members of the Natural Sciences and Engineering Research Council (NSERC) Energy Storage Technology Network, which brings together researchers from 15 Canadian universities working on 24 projects, we shared our thought leadership at these industry events:

- Distributech
- Sarnia-Lambton Energy Symposium 2017
- Energy Storage North America 2017
- Energy Innovations Forum 2017
- Bloomberg New Energy Finance Summit
- Austria-Smart Energy Systems Week
- Ontario Energy Association
- Electricity Distributors Association
- Canadian Electricity Association
- Generation Energy Forum and Minister's NRCAN Roundtable
- QUEST Conference
- Technology Innovation and Policy Forum, WISE
- 2017 Canadian Utilities and Critical Infrastructure Conference



Alectra received the Novinium Environmental Stewardship Award -- the only Ontario-based utility and one of ten in North America to be recognized for rejuvenating existing electrical cable in place. Recycling cable in this way eliminates waste and mitigates the release of CO₂ that would otherwise be released into the environment.



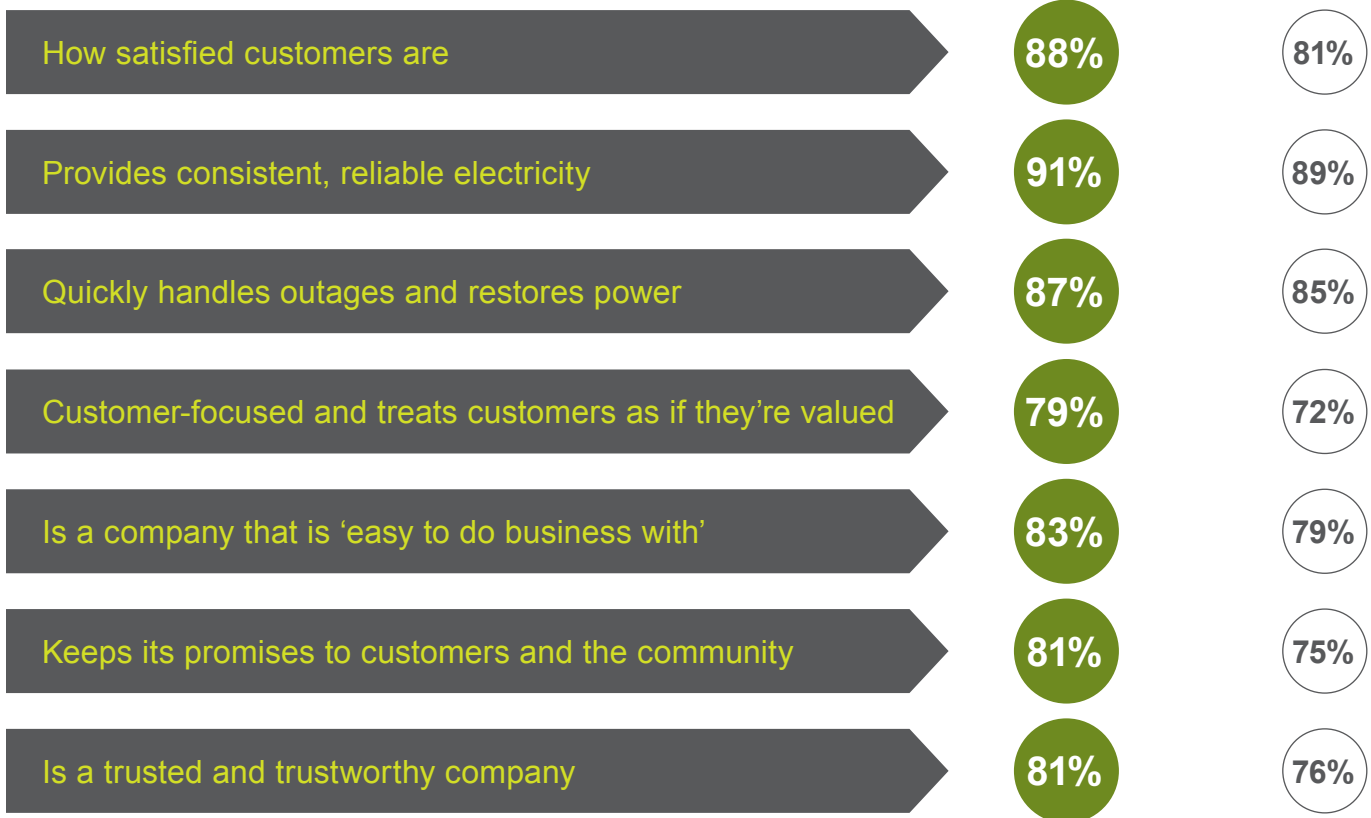
Social



Sustainability and Social Responsibility

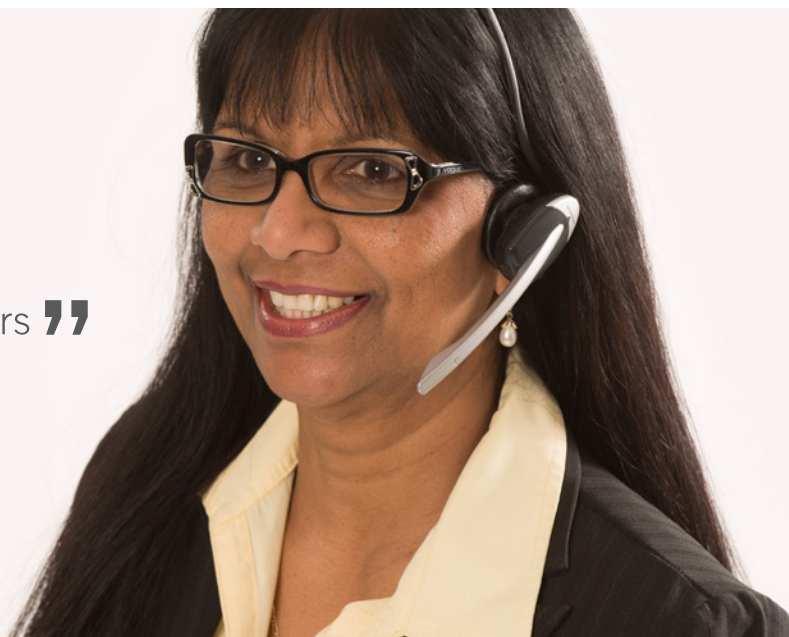
Alectra has a unique and highly diverse customer base. As a customer-focused utility, our goal is to make customer service a daily priority by answering customers' questions promptly, dealing with their issues courteously and helping them to understand their electricity choices.

Customer Care Metrics



**Research conducted in October 2017 by Simul Corporation*

“88% satisfied customers”



Energy Affordability

Energy affordability is an important issue for many of our customers. Here are some of the ways in which we worked as an ally to help our customers manage their electricity costs:

- Introduced a new **Alectra Utilities Credit Policy** that waives security deposits for all residential customers. All security deposits were returned to customers in February and March.
- Implemented, within the prescribed timeline, Ontario's Fair Hydro Plan (which reduced a typical residential customer bill by 25 percent) for all Alectra Utilities customers. We delivered a comprehensive training program for our staff to ensure they could address customers' questions about the Fair Hydro Plan and also delivered a bill insert with frequently asked questions.
- Exceeded the regulatory requirement to advise customers in writing when their **Ontario Electricity Support Program (OESP)** contract was up for renewal. To help ensure a seamless transition to a new contract, we sent out email reminders to OESP customers and a bill insert to all customers reminding them about the program, its criteria, and the contract terminations.
- Ensured that our customers were aware of the **Low-income Energy Assistance Program (LEAP)** funding opportunities, connecting them to local community agents who helped them with the qualification process and with information about other social services. We also worked with our social agency partners to proactively communicate and connect customers to the program.
- Ensured our customers understood that flexible payment terms and the **Arrears Management Program** are available to help them avoid service disconnections and make their account current via a monthly arrears payment plan. We also worked with customers to make flexible, negotiated payment arrangements for arrears.



We received the CS Week 2017 Expanding Excellence Award for best implementation of a Customer Information System.

Customer Information System Integration

Alectra's Customer Information System (CIS) integration project is a trail-blazer – the first project of such magnitude in North America.

Our new CIS is an industry-leading Oracle-based hub system that puts customers and the customer experience at the centre of our most important business operations. When activated, it will allow us to issue over 12 million invoices annually, support the online customer self-service portal, drive the online outage management system and link to over 40 external interfaces, including banks and the provincial repository for smart meter data that is managed by Ontario's Independent Electricity System Operator. It is also scalable, to allow for even more functionality down the road, such as secure customer access to individual account analytics.

In 2017, multiple teams working in parallel completed the foundational work required to harmonize the CIS systems of our legacy utilities – two of which were already on the Oracle platform. Our central priorities were planning and technology building, to prepare for a multi-phase implementation that will be completed in 2018.

Thinking like a Customer

Providing up-to-the-minute information to help our customers make informed energy choices is a central part of the work done every day by our Customer Care team. In 2017, we organized ten customer workshops to explain how the expanded Industrial Conservation Initiative (ICI) can help large commercial customers manage their Global Adjustment (GA) costs by reducing their electricity demand during peak periods. As a result of our outreach, over 300 eligible business customers participated in this demand response program.

We also expanded the number of communication channels available to tell customers about power outages. Alectra provides customers with 24/7 access to report and receive timely and accurate information related to outages in their areas using telephone and social media channels. These services are available to all Alectra customers, in addition to web-based real-time outage maps.

Customer Communications

By mid-year we launched a multi-channel customer information campaign to tell our customers about the consolidation and to introduce them to the Alectra brand.

Post-campaign research showed the online campaign achieved over 33 million impressions and that by the end of the campaign, online users searched for the Alectra name more than for the name of their former utility. Follow-up research later in the year showed that 48 percent of our customers prefer receiving information from us through bill inserts.

Staying in touch with our customers on a regular basis, listening to their issues and responding to them promptly and courteously, will be the hallmarks of our business going forward. They were an integral part of the relationship-building we did in our first year in business.



Introducing your
new electricity provider,
Alectra Utilities

At Alectra Utilities (formerly Enersource Hydro Mississauga), we firmly believe everyone needs an ally in this new world of choice. Whether you are a Mississauga customer, community member, or employee, our promise is to help you benefit from the best of the new energy with an emphasis on value, service and simplicity.

Learn more at alectrautilities.com

Discover the possibilities



Safe and Healthy Employees

Safety is one of our core values. Ensuring our employees return home from work safely every day is part of our commitment to them, their families and our community.

As soon as the consolidation was announced, one of the first orders of business was to begin harmonizing the health & safety and environmental programs across all of Alectra's legacy companies, in compliance with federal and provincial regulations. As part of this process, Alectra developed a new Health & Safety Policy, as well as a new Environmental Policy.

The new safety standard for Alectra is the ISO 45001 standard. Going forward, this is the measure against which Alectra's safety performance will be measured. ISO 45001 takes the excellent rating that each of the legacy utilities had previously and raises it to the next level of excellence. Our goal is to be ISO 45001 certified by 2020.






Safety is a number one priority at Alectra and our employees undergo rigorous training such as learning rescue techniques to remove injured workers from a pole when necessary.

Harmonization of Health Safety Wellness & Environment Database

Alectra implemented software for a cloud-based database called INTELEX to store information related to employee health and safety training, as well as for all incidents. INTELEX monitors trends and is used to follow up on accidents and incidents, report issues to management, and for scheduling follow-up training that our employees need to complete to remain in compliance with their licences and certificates. The single platform (three of the four legacy utilities used it prior to the consolidation) is scalable, and importantly, allows us to reduce the number of paper reports produced and lessen our environmental footprint.

Employee Health & Safety

To ensure employee health and safety remain top-of-mind for all employees, we initiated the following programs:

<p>Back 2 Basics program</p> 	<p>This program (established by Horizon Utilities, one of our former utilities) was rolled out to Alectra in 2017. An ongoing program of continuous improvement, Back 2 Basics is an opportunity for employees to refresh their knowledge of best practices as well as the basic rules of electrical safety.</p>
<p>Wellness programs</p> 	<p>Nine full-day clinics offering basic health screening assessments (blood pressure, cholesterol, glucose, etc.) were offered to all Alectra employees as a way of helping them manage their health proactively. We also held nine wellness workshops on stress management and distributed monthly wellness newsletters.</p>
<p>Healthy living calendar</p> 	<p>All employees received a calendar for daily personal or business use, filled with healthy living tips, guidance and tools.</p>

Employee Engagement and Satisfaction

Despite the many changes they are experiencing because of the consolidation, employees say that for the most part they are proud to work for Alectra. Here are some of the results from a 2017 employee survey:

92%

Strong emphasis on health and safety

89%

Proud to work for Alectra

75%

Better than other companies for quality of leadership, respectful workplace and commitment to community

80%

Have trust and confidence in their supervisor

80%

Is being led effectively by the Executive Committee

Diversity

Diversity, and other employee-related health and safety issues, fall within the mandate of the Board's Human Resources and Compensation Committee, with senior management responsible for developing and operationalizing our gender diversity strategy.

In February, Alectra signed the [Leadership Accord on Gender Diversity for the Electricity Industry](#) – an initiative spearheaded by Electricity Human Resources Canada (EHRC). The Accord represents a public commitment by employers, educators, unions and governments to promote the values of diversity and inclusion within their organizations, particularly in the skills trades and non-traditional positions.

In 2017, we completed an assessment of our recruitment, retention and governance practices, as identified in the Accord, and attained the 'Achievement' or intermediate-level status. Our goal is to achieve 'Excellence' status within two years.

Work on a new diversity strategy is underway. Our goal is for Alectra's corporate culture to demonstrate greater awareness of women's issues and to develop hiring and orientation practices and processes that support greater diversity.



We believe in equipping the next generation of female thinkers and doers by supporting leadership, expertise, advocacy and innovation initiatives in Science, Technology, Engineering and Math (STEM) education for girls.

Community

Despite the relentless pace of change in the energy sector, and the internal changes that resulted from the consolidation of our business processes last year, we maintained our focus on the importance of giving back to the customers and communities we serve. Building relationships and being partners with our communities is a critical goal in our sustainability journey.



United Way: All for one, one for all

Alectra's 2017 contribution to United Way was over \$385,000. Our employees donated over \$85,000 to United Way through payroll deduction and fundraisers. An additional \$300,000 raised through a charity golf tournament went to Peel United Way, Toronto York Region United Way, Halton Hamilton United Way, St. Catharines and District United Way and Simcoe-Muskoka United Way.



Coming to the table in support of Mississauga Food Bank

For over ten years, Enersource (one of Alectra's founding utilities) supported neighbours in need through donations to the Mississauga Food Bank. In 2017, that tradition continued with a gift of \$90,000 from Alectra. Employees also helped pack 'Santa Boxes' with fresh food for local families in need just in time for the holiday season.



A place called home

With a little elbow grease and lots of enthusiasm, 20 Alectra employees helped build three new Habitat for Humanity homes for local families in Hamilton and one in Welland.



On the move for cancer research

A team of 41 Alectra employees cycled for two days in the annual Enbridge® Ride to Conquer Cancer®, travelling more than 220 kilometres between Toronto and Niagara Falls. Together, the Alectra team contributed over \$126,000 to the \$20.5 million total that 5,000 riders raised in support of Princess Margaret Cancer Centre. Their donation is in support of personalized cancer medicine research – an integrated approach to cancer care that focuses on the unique nature of each patient.



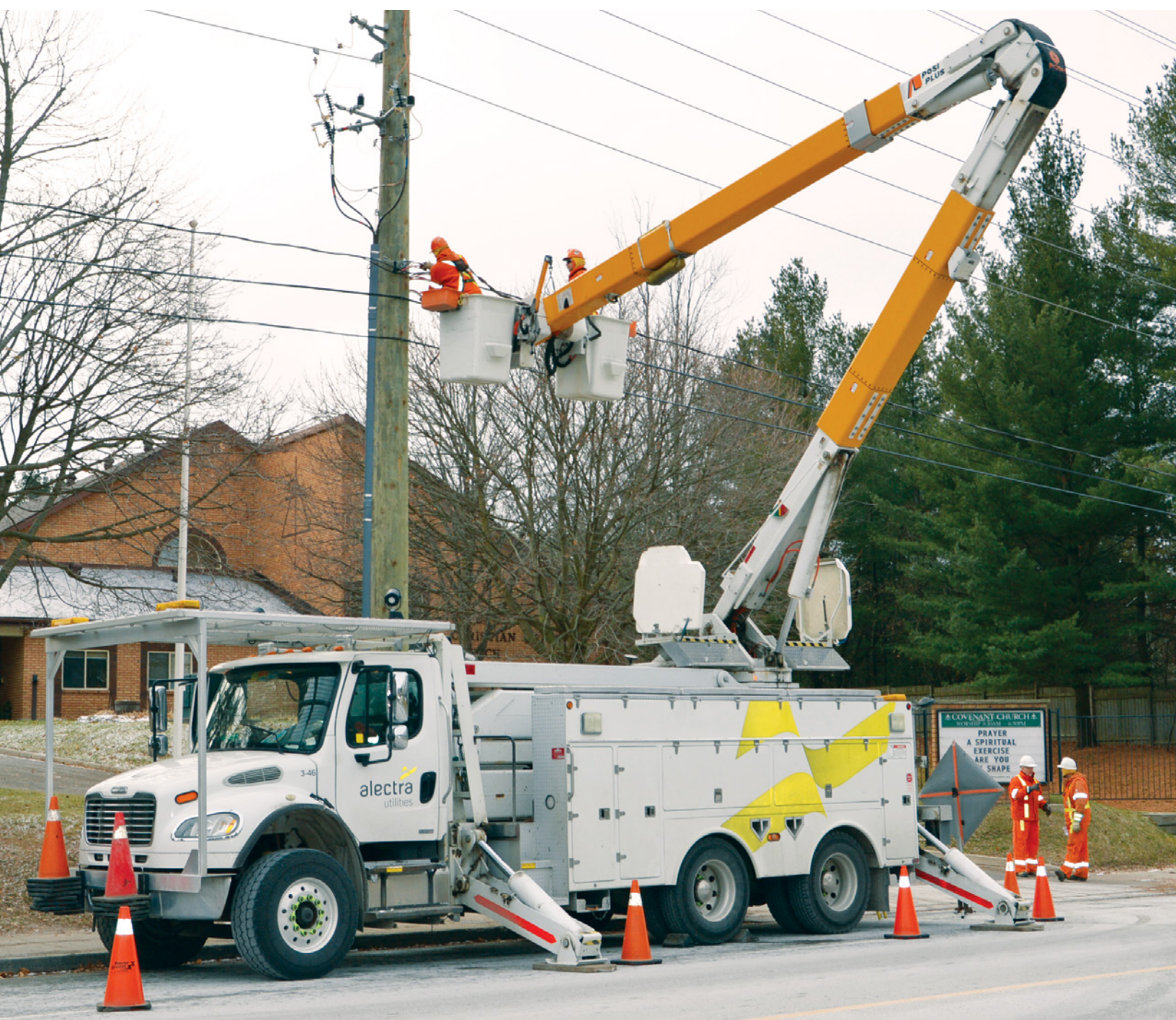
Going the distance for North American disaster relief

Alectra crews travelled to the United States on two occasions to assist with local recovery efforts following severe weather in New York and Georgia, and to assist on-site crews with pre-preparedness plans on Long Island in advance of Hurricane Jose.

Alectra Utilities is a member of the North American Mutual Assistance Group (NAMAG), which encompasses all of the United States northeast, as well as Canadian utilities in Ontario, Quebec, New Brunswick and Nova Scotia. NAMAG is one of seven regional electricity mutual assistance groups that operate in North America.



Economic



Sustainability and Economic Responsibility

In its ruling on the consolidation of the legacy utilities that ultimately joined together to become Alectra, the OEB stated that "...customers will likely benefit in the long term from the enduring benefits of scale enhancements of service delivery arising from this transaction." We have taken these words to heart, and moving forward, will continue to make the long-term investments required to become true allies with our customers and our communities.

Capital Investments

In 2017, we made capital investments totaling \$238 million to enhance and expand the reliability of our distribution system, as well as to support operations.

Sustainable Cities

Through our subsidiary Alectra Power Services, we installed approximately 11,000 new light emitting diode (LED) streetlights in St. Catharines to replace 14,000 high-pressure sodium streetlights, as part of a multi-year contract. We also removed approximately 6,500 decorative style high-pressure sodium lights in the Town of Oakville, replacing them with LED luminaires. The project resulted in an approximately 50 percent reduction in streetlight energy usage, and related electricity costs, for these communities.

To help reduce fuel-related GHG emissions, we also installed two Level 3 electric vehicle (EV) chargers for the Greater Toronto Airports Authority (GTAA) at Pearson Airport. The chargers are open to the public and are located at the GTAA administrative building and at the cell phone arrivals pick-up lot.



A new transformer station in Vaughan provides more capacity and greater reliability to an area of the municipality experiencing tremendous growth



Through our non-regulated subsidiary, Alectra Power Services Inc., we were awarded several significant contracts in 2017, including streetlight upgrades in St. Catharines and Oakville.

Economic Value

In 2017, we continued our amalgamation discussions with Guelph Hydro – a licensed electricity distributor with approximately 55,000 customers across its 93 square-kilometre service territory, serving the City of Guelph and the Village of Rockwood. We will submit our application to the OEB in early 2018. It will highlight the following key benefits for customers:

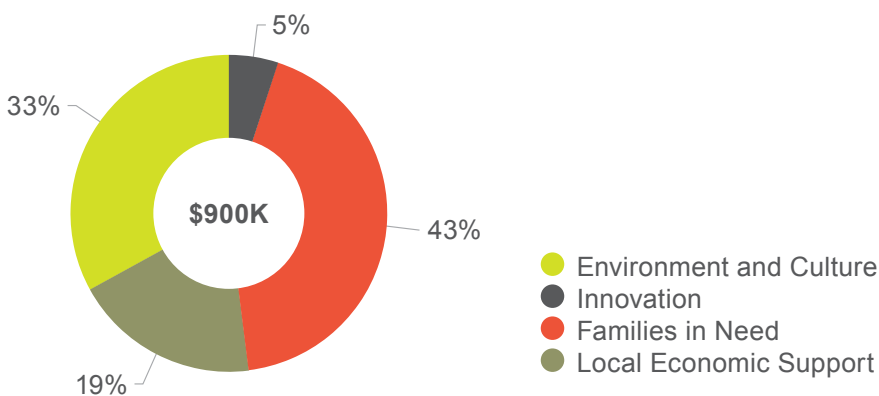
- Additional sustained synergies from the Alectra-Guelph Hydro transaction; including lower distribution rates versus the status quo.
- Promotion of electricity conservation and demand management.
- Implementation of a smart grid and encourage innovation in Ontario.
- Promote the use and generation of electricity from renewable sources. Reinforce the distribution systems throughout our service territory to accommodate the connection of renewable energy.

Our mission and commitments will not change as a result of this proposed consolidation. We will continue to:

- Enhance service delivery to customers
- Enhance internal operational cost efficiencies and asset utilization
- Increase shareholder value through growth and productivity improvements
- Develop and maintain highly skilled and motivated employees.

Charitable Contributions

Our AlectraCARES sustainability framework commits us to being active participants in the social, economic and environmental development of the communities in which we operate. In 2017, we made charitable contributions of over \$900,000 to 100 projects in Alectra communities.



Economic Summary

With 987,000 customers, a strong credit rating and a return on equity in 2017 of 8.9 percent, Alectra is well positioned for future growth.

Summarized Financial Information 2017

Description of Business

Alectra Inc. is an Ontario-based investment holding company that owns 100% of the common shares of each of: Alectra Utilities Corporation (“AUC”); Alectra Energy Solutions Inc. (“AES”); and Horizon Solar Corporation (“Horizon Solar”). Through its investment in AES, the Corporation also indirectly wholly owns: Alectra Energy Services Inc.; Alectra Power Services Inc.; and Util-Assist. Alectra Inc. was created by: i) the amalgamation of the former entities PowerStream Holdings Inc. (“PowerStream Holdings”), Enersource Holdings Inc. (“Enersource Holdings”), and Horizon Holdings Inc. (“Horizon Holdings”); and ii) the acquisition of Hydro One Brampton Networks Inc., which was subsequently amalgamated with AUC.

AUC is principally a regulated electricity distribution company under a license issued by the Ontario Energy Board (“OEB”) and also operates a commercial rooftop solar generation business. AES and its subsidiaries provide customers with energy solutions through the use of innovative technologies, including wholesale metering and sub-metering, street lighting services, consulting, and outage management.

The financial information, unless otherwise stated, has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in effect at December 31, 2017 for the 11 months ended December 31, 2017. All dollar amounts in the tables are in millions of Canadian dollars, which are presented in whole numbers.

Selected Consolidated Financial Information¹

(C\$MM)	2017
OPERATIONS	
Revenue	
Electricity sales	2,591
Electricity distribution	458
Other	
Regulated	37
Non-regulated	39
	3,125
Expenses	
Cost of power	2,567
Operating expenses	271
Depreciation and amortization	124
Loss on derecognition of property, plant and equipment	6
	2,968
Income before financial expenses and taxes	157
Net finance costs	53
Taxes	30
Net income	74

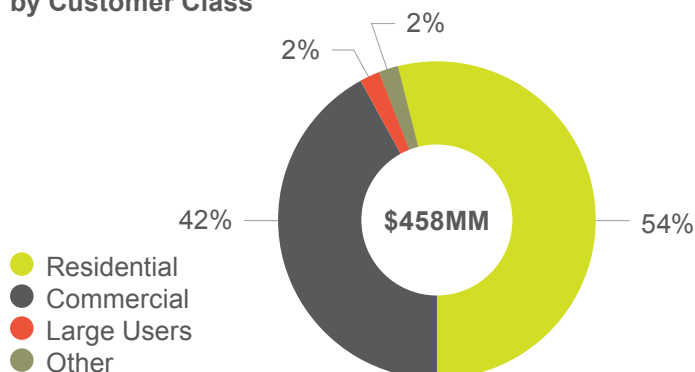
¹The consolidated financial information is derived from the audited consolidated financial statements of Alectra Inc.

Selected Consolidated Financial Information (cont'd)

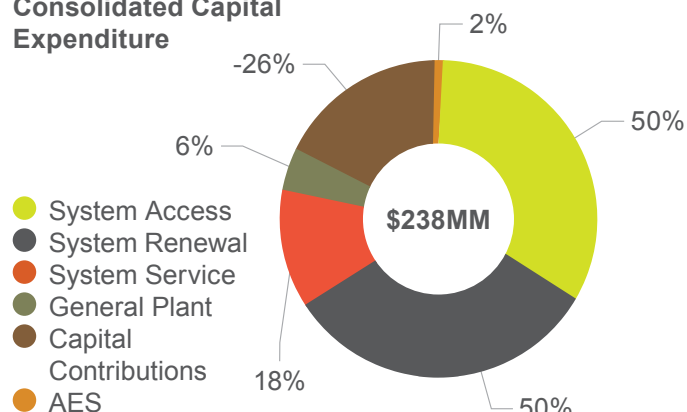
(C\$MM)	2017
BALANCE SHEET SUMMARY	
Total assets	4,481
Loans and borrowings (includes short term debt)	1,869
Total shareholder's equity	1,648
Property, plant and equipment and intangible assets	3,051
CASH FLOW SUMMARY	
Cash at beginning of period	155
Net cash from operating activities	483
Net cash from financing activities	349
Net cash used in investing activities	(865)
Cash at end of period	122
OTHER FINANCIAL STATISTICS	
Net income (before net movements in regulatory balances) ²	83
Adjusted funds from operations	277
Adjusted EBITDA (before net movements in regulatory balances) ²	294

²These balances are calculated based on Modified IFRS as determined by the OEB which includes certain other regulatory balances not recognized for financial statement purposes under IFRS.

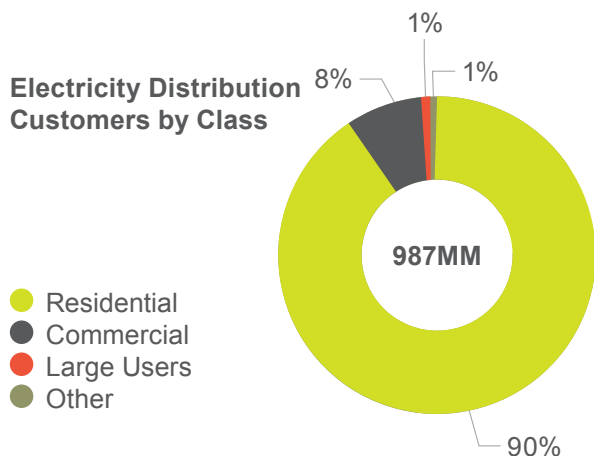
Electricity Distribution Revenue by Customer Class



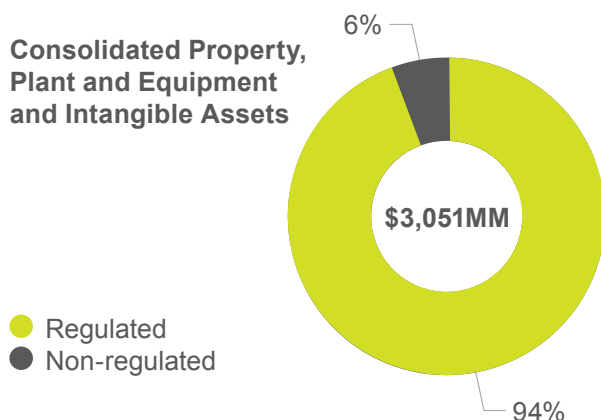
Consolidated Capital Expenditure



Electricity Distribution Customers by Class



Consolidated Property, Plant and Equipment and Intangible Assets



Regulated Electricity Distribution Statistics

Customers	Over 987,000 residential and commercial customers located in the Ontario Greater Golden Horseshoe area.
Assets	6,642 km of overhead conductor lines and approximately 159 distribution stations.
2017 Approved Rate Base ³	\$2,618MM
Approved ROE (2017) ³	8.90%

System access expenditures comprise projects required to meet customer service obligations in accordance with the Distribution System Code of the OEB and corporate Conditions of Service. Projects in this category include: connecting new customers; building new subdivisions; and relocating system plant for roadway reconstruction work.

System renewal expenditures comprise long-term plans to replace assets that are at the end, or nearing the end, of their useful lives. Replacement strategies are prioritized based on both age and condition of assets, as well as the impact on system reliability.

System service expenditures comprise projects required to support the expansion, operation and reliability of the distribution system.

General plant expenditures comprise modifications, replacements or additions to assets that are not part of the distribution system, including: land and buildings; tools and equipment; rolling stock; and electronics devices and software used to support day-to-day business and operations activities.

Capital contributions comprise contributions received in relation to services or property received from electricity customers to construct or acquire property, plant and equipment for the purpose of connecting a customer to a network.

AES capital expenditures are principally attributable to the purchase of sub-metering assets.

Credit Rating

	DBRS		Standard & Poor's	
	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	A	Stable	A	Stable
Senior unsecured debentures	A	Stable	A	Stable

On January 11, 2018, DBRS Limited confirmed the credit rating on the Corporation as "A" with a stable trend.

On January 24, 2018, S&P Global confirmed the credit rating on the Corporation as "A" with a stable outlook.

³The 2017 Approved Rate Base and Approved ROE values are based on the most recent rate decisions of the OEB on the applications of AUC.



2017 Annual Sustainability Report

Alectra's family of energy companies distributes electricity to nearly one million customers in Ontario's Greater Golden Horseshoe Area and provides innovative energy solutions to these and thousands more across Ontario.

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