

# ALECTRA INC. ANNUAL GENERAL MEETING

June 14, 2019



# ACRONYMS

- AUC – Alectra Utilities Corporation;
- AES – Alectra Energy Solutions;
- BPC – BPC Energy Corporation (Borealis);
- CapEx – Capital Expenditures;
- CDM – Conservation Demand Management;
- CP - Commercial Paper;
- DER – Distribution Energy Resources;
- EDR – Electricity Distribution Rate;
- ESM – Earnings Sharing Mechanism;
- FIT – Feed-in Tariff;
- FTE – Full Time Equivalent;
- GHESI – Guelph Hydro Electric System Inc.;
- GS – General Service (Customers);
- ICM – Incremental Capital Module;
- IESO – Independent Electricity System Operator;
- IR – Incentive Rate Setting (distribution rates setting mechanism);
- LDC – Local Distribution Company;
- LU – Large Use (Customers);
- MAAD – Mergers, Acquisitions, Amalgamations and Divestitures;
- MIFRS – Modified International Financial Reporting Standards;
- MUSH – Municipal Government, University, School, Hospital;
- OEB – Ontario Energy Board;
- OM&A – Operating, Maintenance and Administrative Expenses;
- RFSP – Ring-Fenced Solar Projects (previously PowerStream solar generation business);
- USL – Unmetered Scattered Load



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Although forward-looking statements contained herein are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, prospective investors should not place undue reliance on forward-looking statements. The forward-looking statements contained herein speak only as of the date of this Investor Presentation. Except as required by applicable securities laws, Alectra does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

All references in this presentation are as of June 14, 2019 unless otherwise stated.



# ALECTRA INC. ANNUAL GENERAL MEETING AGENDA

1. Welcome from Alectra Chair, Norm Loberg
2. Shareholder Resolutions – Dennis Nolan, Executive Vice-President, General Counsel and Corporate Secretary
  - Minutes of the June 15, 2018 Annual General Meeting
  - Confirmation of the Appointment of Directors
  - Appointment of the Auditors
3. Opening Remarks – President & CEO, Brian Bentz
4. Overview of 2018 Financial Statements - John Basilio, Executive Vice-President and Chief Financial Officer
5. Operational and Synergy Report – Max Cananzi, President, Alectra Utilities Corp.
6. Environmental Scan and Strategy 2.0 - President & CEO, Brian Bentz



# SHAREHOLDER RESOLUTIONS – DENNIS NOLAN



# SHAREHOLDER RESOLUTIONS

1. Minutes of the June 15, 2018 Annual General Meeting (*Information*)
2. Confirmation of the Appointment of Directors (*Information*)
3. Appointment of the Auditors (*Approval*)
4. Receipt of Annual Financial Statements Year Ended December 31, 2018 (*Information*)



# ALECTRA ANNUAL GENERAL MEETING RESOLUTIONS

## Minutes of the 2018 Annual General Meeting (“AGM”)

The Minutes of the June 15, 2018 AGM were provided to the Shareholders for information.

## Confirmation of the Appointment of Directors

Since the Directors of Alectra are appointed pursuant to the provisions of the Unanimous Shareholder Agreement (“USA”), they are not appointed at the AGM. There is simply a confirmation of the existing slate of Directors. This does not require a vote by the Shareholders or principals.

## Confirmation of Directors

**RESOLVED THAT** the following persons are confirmed as the directors of the Corporation, to hold office until the close of the next annual meeting of the shareholders or until their successors are elected or any of their resignations are received by the Corporation, subject to the provisions of the Corporation’s Unanimous Shareholders Agreement (the “USA”):



# ALECTRA ANNUAL GENERAL MEETING RESOLUTIONS

Jane Armstrong  
Gerald Beasley  
Maurizio Bevilacqua  
Bonnie Crombie  
Giuseppina D'Agostino  
Sean Donnelly  
Fred Eisenberger  
Matthew Harris  
Jeff Lehman  
Norm Loberg  
Donald Lowry  
Teresa Moore  
Frank Scarpitti  
Annesley Wallace



# ALECTRA ANNUAL GENERAL MEETING RESOLUTIONS

## Appointment of the Auditors:

- Section 2.21(1)(j) of the USA provides that Shareholders holding at least 66.66% of the issued and outstanding voting shares shall appoint the Auditors of Corporation. The reappointment of KPMG LLP as Auditors of the Corporation was approved by Alectra's Board of Directors at its meeting on May 24, 2019 and Shareholders holding 66.66% of the Voting Shares, have confirmed their approval of such reappointment to the Secretary of the Corporation. Therefore, the Resolution set out below was approved and KPMG LLP is appointed as Auditors of the Corporation to hold office until the next AGM, and further that their remuneration be fixed by the Directors of the Corporation.

### **Appointment of Auditors**

#### **RESOLVED AS A SPECIAL RESOLUTION THAT:**

In accordance with Subsection 2.21(1)(j) of the USA:

1. KPMG LLP are appointed auditors of the Corporation, to hold office until the close of the next annual meeting of the shareholders or until their successors are appointed, subject to the provisions of the Act; and
2. The remuneration of the auditors shall be fixed by the directors of the Corporation.



# ALECTRA ANNUAL GENERAL MEETING RESOLUTIONS

## Alectra Inc. Annual Financial Statements Year Ended December 31, 2018

Alectra's 2018 Financial Statements have been provided to each of the Shareholders as required pursuant to Section 2.25 of the USA by letter dated March 7, 2019.

Mr. John Basilio will review the financial results for 2018.

### **Financial Statements**

Receipt of the Financial Statements of the Corporation for the financial year ended December 31, 2018 as approved by the Directors is acknowledged.



# OPENING REMARKS – BRIAN BENTZ



# OPENING REMARKS

- Alectra merger rationale remains sound
- 75% of Business Case synergies achieved
- 2017 & 2018 strong financial performance
- Evolving business environment is creating risks and opportunities
- Current financial outlook beyond 2019 healthy but below original merger expectations
- Strategic Plan update is underway
- Growth and re-balancing investment will be key to addressing short-term risks and longer-term opportunities
- Bottom line: Alectra needs to re-position to continue to deliver long-term value to our shareholders

# STRATEGY AT A GLANCE (2017-2021) STRATEGY 1.0

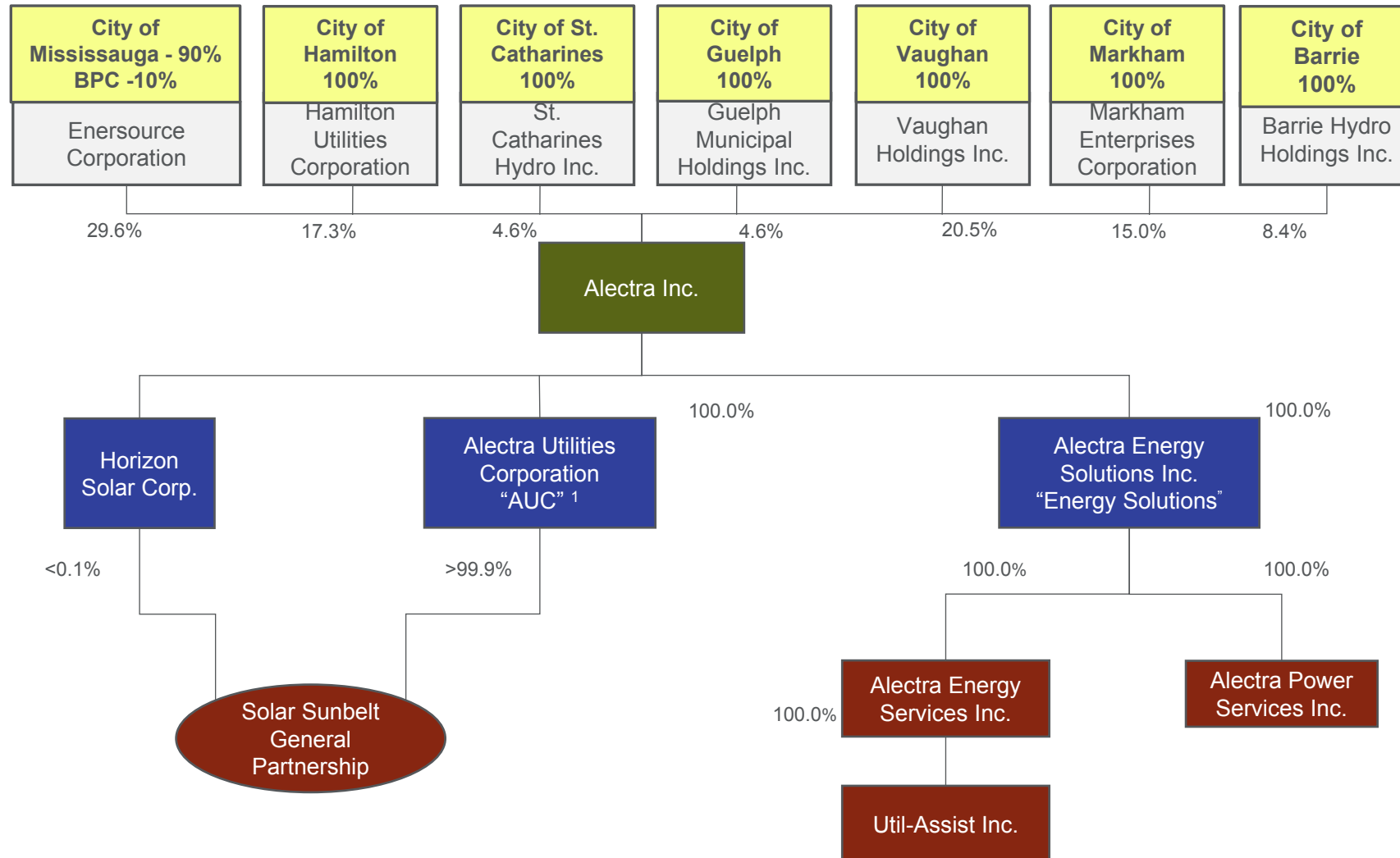
Vision: To be a leading electricity distribution and integrated energy solutions provider

Themes	MANAGING THE TRANSITION	OPTIMIZING OPERATIONS AND ENHANCING CUSTOMER EXPERIENCE	GROWING THE BUSINESS	BUILDING CORPORATE RESILIENCE
Goals	Deliver the outcomes planned in the merger business case	Optimize the operation of assets and related processes and enhance customer experience	Grow the core business through mergers and acquisitions and regional and community planning initiatives Grow the non-regulated business	Invest in our people and processes to meet the needs of our customers and stakeholders



# OVERVIEW OF FINANCIAL STATEMENTS - JOHN BASILIO

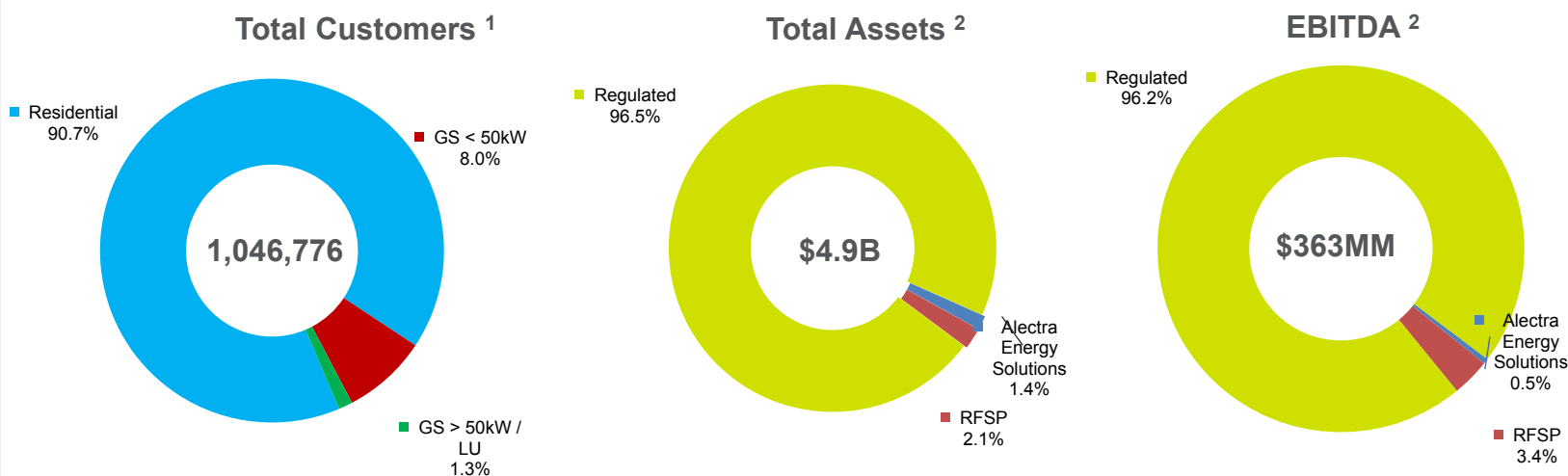
# PRINCIPAL CORPORATE STRUCTURE (AS OF JANUARY 1, 2019)



# CONSOLIDATED HIGHLIGHTS - ALECTRA

- AUC is the largest municipally-owned Local Distribution Company ("LDC") in Canada providing service to over 1,000,000 residential, commercial, industrial and institutional customers around the Greater Golden Horseshoe Area
  - *Regulated business* comprises approximately 97% of Total assets and approximately 96% of consolidated EBITDA
  - *Non-regulated business* consists principally of solar generation assets under long term FIT contracts with the IESO and sub-metering business

## 2018 Highlights



1 - Number of customers is as of Dec.31, 2018 for Alectra and GHESI combined; the number excludes USL and Street lighting customers/connections, as well as FIT, MicroFIT and embedded distributors

2 - Total Assets and EBITDA are based on 2018 IFRS Audited Financial Statements of Alectra and GHESI, pro-forma the amalgamation

# ALECTRA UTILITIES CORPORATION



**17**  
communities served



**14,000** kilometres  
of underground cables



**7,000** kilometres  
of overhead lines



**14** transformer stations



**157** municipal substations



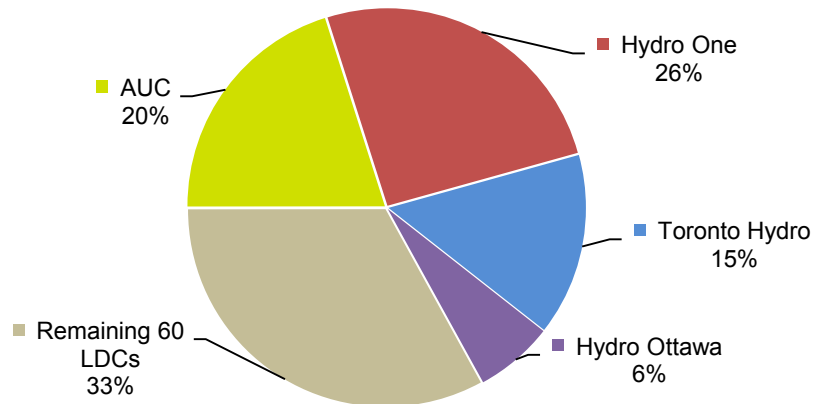
**120,000**  
distribution transformers



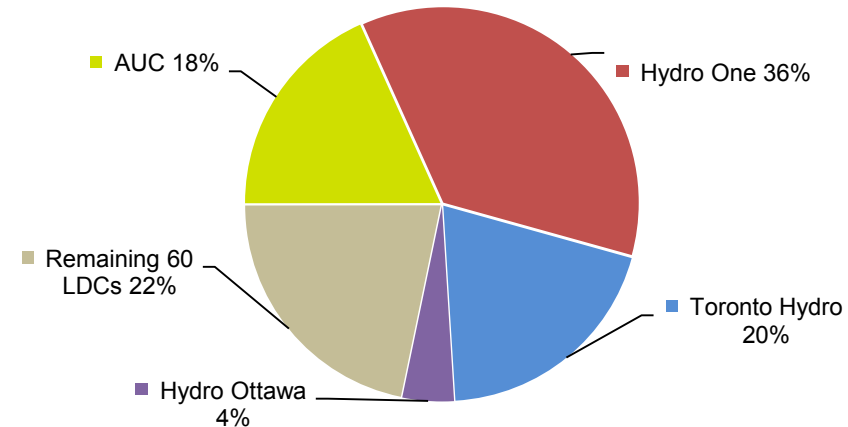
*Note: The statistics above include GHESI data, estimated as of Jan. 1 2019*

# 2017 PEER COMPARISON: ONTARIO ELECTRICITY SECTOR

## Customer Share <sup>1,2</sup> (Total Ontario: 5.2MM)



## Asset Share <sup>1,2</sup> (Total Ontario: \$25.9B)



## Comparison of 2017 Operating Statistics<sup>2</sup>

	LDC Average	AUC	GHEI	AUC + GHEI
Number of Customers <sup>3</sup>	79,374	982,022	55,239	1,037,261
Total GWh Delivered	1,945	24,402	1,602	26,004
Distribution Losses <sup>4</sup> (% of GWh Delivered)	3.87%	3.34%	3.54%	3.35%
OM&A per Customer	\$313	\$238	\$275	\$240
Distribution revenue per Customer	\$639	\$480	\$527	\$482

1 - Alectra data includes GHEI

2 - Source - OEB, Yearbook of Electricity Distributors 2017

3 - Number of customers excludes Sentinel and USL customers

4 - Distribution Losses refer to the loss of energy due to electrical resistance in the transmission process, a common metric to assess system efficiency

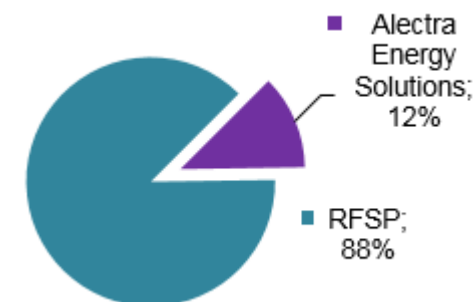
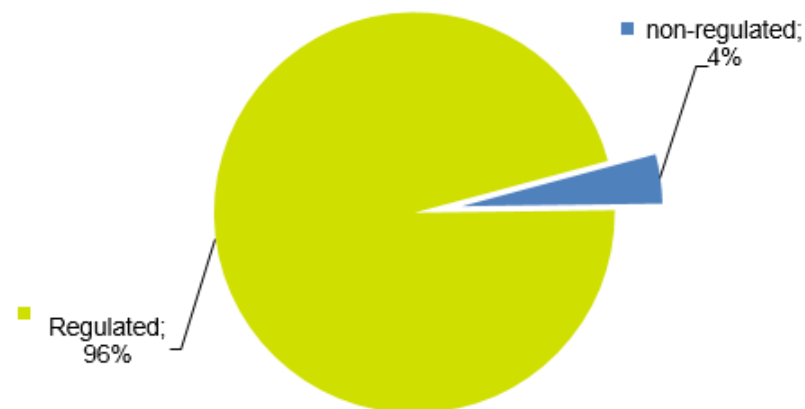
# ALECTRA ENERGY SOLUTIONS

Alectra's competitive business consists of competitive solar generation, sub-metering, power services, Util-Assist and other energy services operated by Alectra Energy Solutions

Alectra is also focusing on the development of variety of microgrid solutions, including the use of Distributed Energy Resources ("DER") and energy storage, to meet the needs of the customers in the changing energy landscape



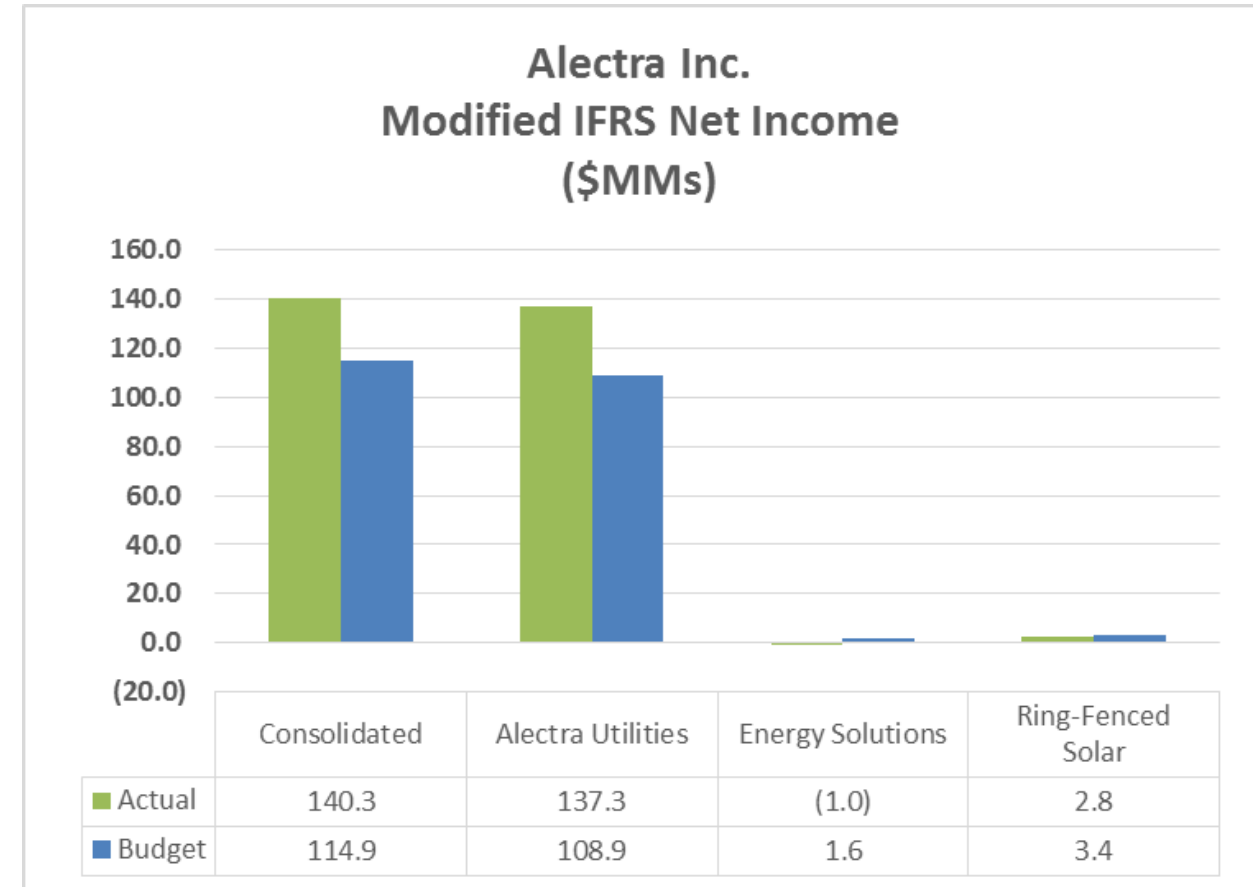
2018 EBITDA<sup>1</sup>



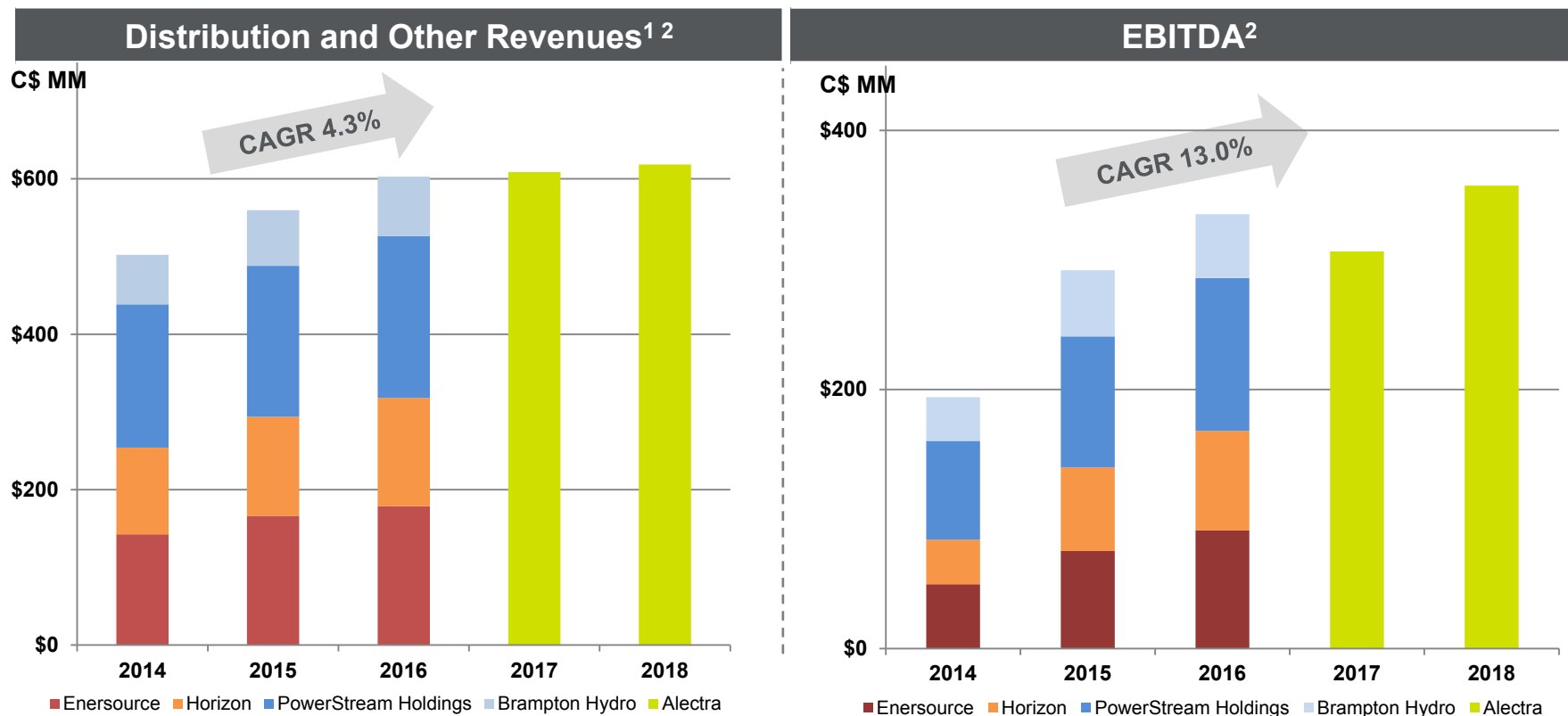
<sup>1</sup> - Alectra EBITDA is based on Alectra 2018 Audited IFRS Financial Statements and excludes GHESI

# 2018 CONSOLIDATED PERFORMANCE

- ✓ 2018 net income of \$140.3MM (MIFRS) overachieved budget
  - Strong revenue and cost control
  - Some shift of transition costs into 2019
- ✓ Achieved adjusted distribution plant budget of \$278MM
- ✓ Over-achieved merger synergy targets
- ✓ Modest write-offs from Gov't cancellation of FIT4.0 and Sub-metering contracts



# FINANCIAL GROWTH TRENDS



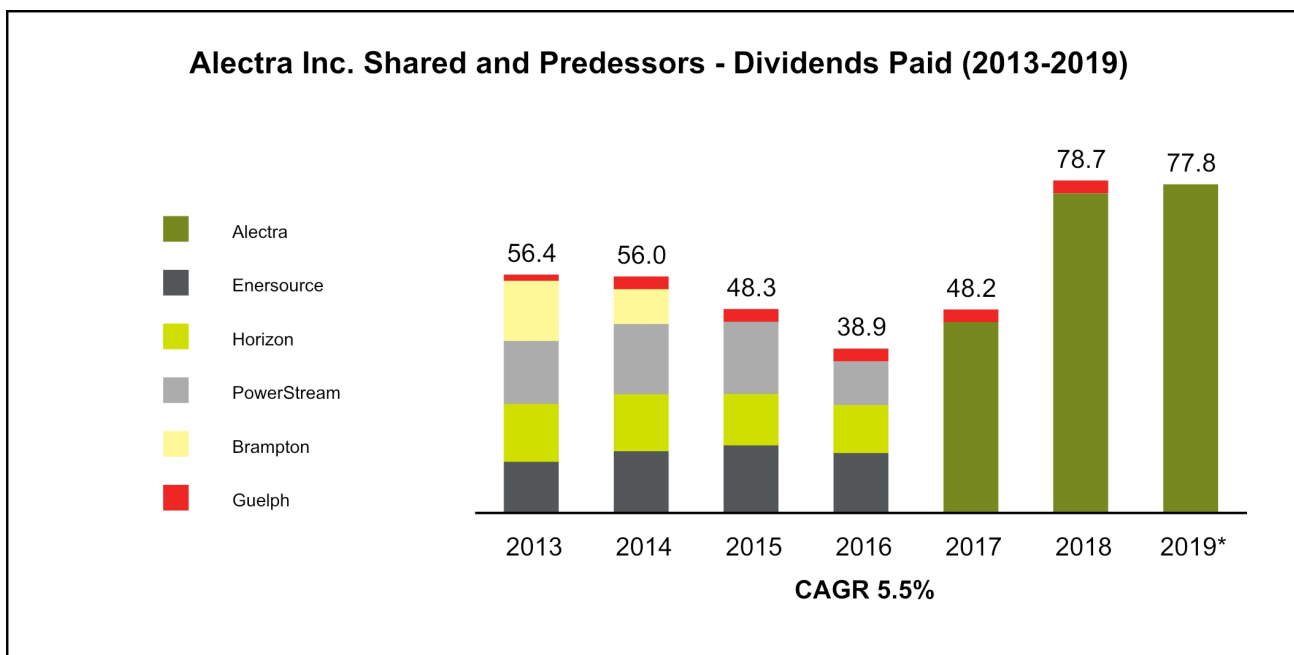
<sup>1</sup> Excludes energy sales revenue and the cost of energy as energy sales equal energy purchases

<sup>2</sup> Notes:

- For illustrative purposes - Historical Distribution and Other Revenues and EBITDA were derived by combining the annual Distribution and Other Revenues and EBITDA of each of the predecessor distributors.
- 2017 figures are based on Alectra Audited (IFRS) 11 month Financial Statements and pro-rated for a 12 month period.
- 2018 figures are based on Alectra 2018 (IFRS) Audited Financial Statements
- Financial profile excludes GHESI

# DIVIDENDS

- The Board shall at all times exercise its discretion pertaining to the payment of dividends and having regard to the principles set out in the respective dividend policies:
  - The dividend on voting common shares is to be computed on Shared Net Income <sup>1</sup> in a manner consistent with that used by the OEB for purposes of its distribution rate-making policies. Such basis is commonly referred to as MIFRS;
  - Expected to pay dividends up to 60% of MIFRS Net Income
- Separate dividend policy exists for the RFSP business, whereby dividends accrue solely to the former PowerStream Holdings shareholders on Class S shares of Alectra Inc., and to Alectra Inc. on Class S shares of AUC



<sup>1</sup> Shared Net Income of Alectra refers to the Net income of Alectra Inc., excluding RFSP

<sup>2</sup> Aggregation of dividends paid by predecessor distributors for purpose of illustration; including GHESI data

<sup>3</sup> Excludes special dividends paid on amalgamation

# DELIVERING ON DIVIDENDS IN YEARS 1-3

(\$MMs)	2017	2018	2019F	Total
<b>PERFORMANCE vs. MERGER BUSINESS CASE</b>				
Achieved/ Forecast*	45.2	75.7	74.2	195.1
Merger Business Case	52.1	66.8	77.6	196.5
Difference**	(6.9)	8.9	(3.4)	(1.4)
<b>PERFORMANCE vs. NO MERGER</b>				
Achieved/ Forecast*	45.2	75.7	74.2	195.1
No Merger (Status Quo)	44.3	50.7	53.2	148.2
Difference**	0.9	25.0	21.0	46.9
<p>* Accruing to initial Alectra Inc. Voting Common Shareholders (i.e., excluding GMHI) for comparative purposes to Alectra Merger Business Case</p> <p>** Alectra Merger Business Case assumed 12 month year for 2017. Alectra was formed January 31, 2017 with Brampton acquisition on February 28, 2017</p>				

# OUTCOMES OF RATE APPLICATION & OEB POLICY CHANGES

Merger and related business case based on OEB MAADs Framework & Incremental Capital Funding

Shareholders relied on:

- The availability of a rebasing deferral period of ten years; and
- Incremental capital funding during the deferral period

Alectra filed its first rate application for rates and incremental capital funding for Brampton, Enersource and PowerStream

The OEB imposed unexpected decisions relative to policies, with significant revenue impacts:

Impact of Decisions & Policy Changes	2018	2019	2020	2021	2022	Total	2023
Total ICM Impact	\$ (2.1)	\$ (3.4)	\$ (7.3)	\$ (9.8)	\$ (11.3)	\$ (33.9)	N/A
Accounting Policy Impact	(0.8)	(2.3)	(4.5)	(4.2)	(3.8)	(15.6)	N/A
Total Rate Decision Impacts	(2.9)	(5.7)	(11.8)	(14.0)	(15.1)	(49.5)	N/A
Customer Service Rules Impact	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)	(16.0)	(3.2)
Total Policy Impacts	\$ (6.1)	\$ (8.9)	\$ (15.0)	\$ (17.2)	\$ (18.3)	\$ (65.5)	N/A

# FINANCIAL OUTLOOK – 2019 TO 2021 DIVIDENDS

## Initial Alectra Inc. Shareholders

(\$MMs)	2019	2020	2021	Total
<b>FORECAST vs. MERGER BUSINESS CASE</b>				
Forecast*	74.2	76.1	71.4	221.7
Merger Business Case	77.6	89.0	92.6	259.2
Difference**	(3.4)	(12.9)	(21.2)	(37.5)
<b>FORECAST vs. NO MERGER</b>				
Forecast*	74.2	76.1	71.4	221.7
No Merger (Status Quo)	53.2	55.8	57.7	166.7
Difference**	21.0	20.3	13.7	55.0
* Accruing to initial Alectra Inc. Voting Common Shareholders (i.e., excluding GMHI) for comparative purposes to Alectra Merger Business Case				
** Alectra Merger Business Case assumed 12 month year for 2017. Alectra was formed January 31, 2017 with Brampton acquisition on February 28, 2017				

# FINANCIAL OUTLOOK – 2019 TO 2021 DIVIDENDS

## Guelph Municipal Holdings Inc.

(\$MMs)	2019	2020	2021	Total
<b>FORECAST vs. MERGER BUSINESS CASE</b>				
Forecast	3.6	3.7	3.5	10.8
Merger Business Case	3.6	3.9	4.0	11.5
Difference	-	(0.2)	(0.5)	(0.7)
<b>FORECAST vs. NO MERGER</b>				
Forecast	3.6	3.7	3.5	10.8
No Merger (Status Quo)*	3.0	3.0	3.0	9.0
Difference	0.6	0.7	0.5	1.8
* Guelph Hydro dividend policy provided for quarterly dividends in the amount of \$0.750MM, subject to restrictions provided in section 38(3) of the <i>Ontario Business Corporations Act</i>				



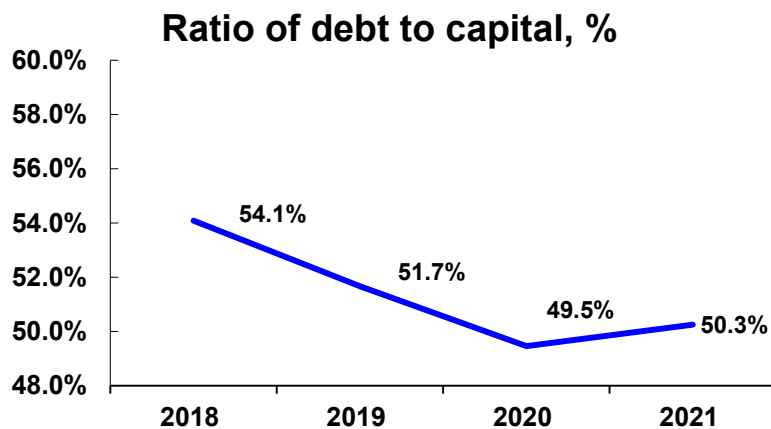
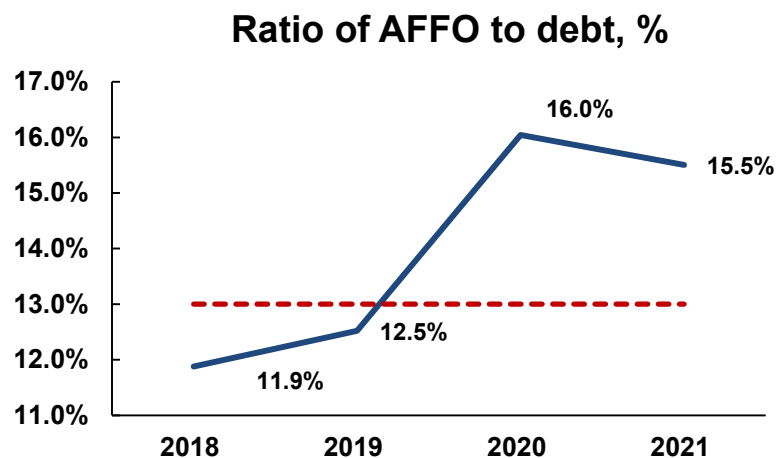
## PERFORMANCE (CLASS S SOLAR SHARES) 2017/2018 AND 3-YEAR FORECAST

The annual Solar Share Dividend is set as a target up to 80% of the “net free cash flow” generated exclusively by the former PowerStream Solar Business subject to meeting certain conditions such as debt servicing adequacy

	Actual		Forecast		
<b>\$MM</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Dividends at 80.00% Net Free Cash Flow	12.965	8.000	7.000	5.500	4.500
Special Dividend - Tax Loss Utilization	3.916	2.699	-	-	-
Total Solar Share Dividends, pre-tax	16.881	10.699	7.000	5.500	4.500

# KEY CREDIT METRICS

## Capital Structure



- Supportive of A/stable ratings
- Modest debt capacity for growth
- Achievement of medium- to long-term growth objectives will require new equity investment:
  - Capital calls on municipalities;
  - Third party investment;
  - New business structures



# FINANCIAL PERSPECTIVE – INVESTOR CONSIDERATIONS

- ☒ Largest municipally-owned LDC in Canada by Customers
- ☒ Low-risk electricity distribution business
- ☒ Efficient, low cost operations
- ☒ Favourable customer mix in a strong service territory
- ☒ Stable and consistent financial performance
- ☒ Strong reputation and experienced management team
- ☒ Supportive shareholders
- ☒ Leader in regulatory and government advocacy

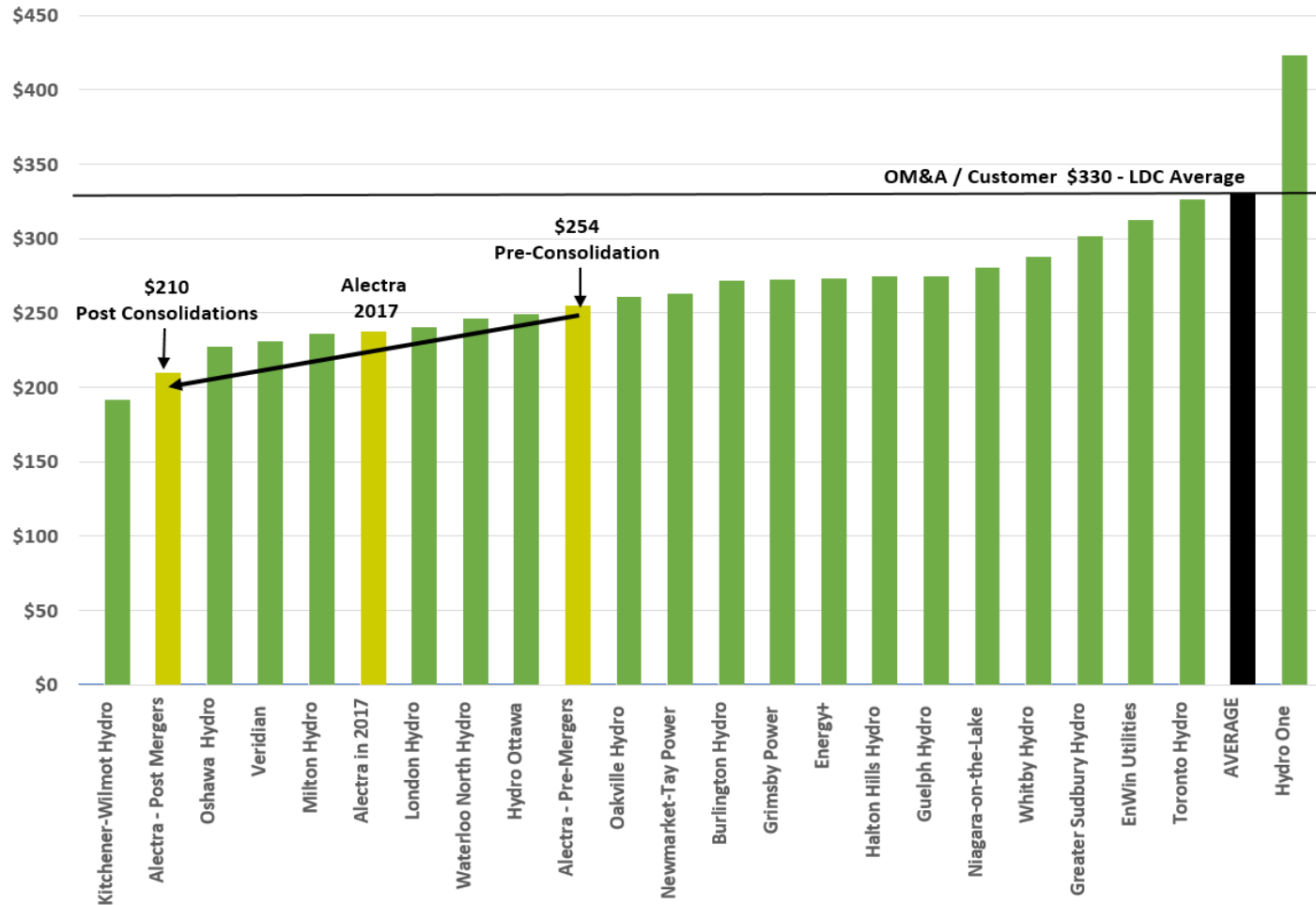


# **OPERATIONAL & SYNERGY UPDATE**

## **MAX CANANZI, PRESIDENT, ALECTRA UTILITIES CORP.**

# HOW ALECTRA COMPARES TO ONTARIO LDCs

\$OM&A per Customer [Reference: 2017 OEB Yearbook]



Alectra [pre-consolidation]:

- \$254 OM&A per customer in '16

Business Case forecast:

↓ Decrease of \$40 OM&A per customer due to original Alectra consolidation

↓ Decrease of \$4 OM&A per customer due to Guelph Hydro merger

Alectra is on track with its cost reductions

Alectra [post-consolidation & mergers]:

- \$210 OM&A per customer

# INTEGRATION PRIORITIES & SUCCESSES

Collective  
Bargaining ✓

Harmonize  
Customer  
Information Systems ✓

Harmonize Financial  
Systems

Community  
Involvement ✓

IT Foundational  
Systems

Capital Investment  
Plan ✓

Corporate Culture  
and Employee  
Engagement

Brand & Customer  
Communications ✓

Achieve Synergies

# EXCEPTIONAL 2018 CUSTOMER CARE METRICS



How satisfied customers are

91%

89%

Provides consistent, reliable electricity

92%

90%

Quickly handles outages and restores power

90%

86%

Customer-focused and treats customer as if they're valued

85%

79%

Is a company that is 'easy to do business with'

84%

82%

Keeps its promises to customers and the community

85%

80%

Is a trusted and trustworthy company

85%

81%



# **ENVIRONMENTAL SCAN & STRATEGY 2.0**

## **BRIAN BENTZ, PRESIDENT AND CEO, ALECTRA INC.**

# DRIVING THE PACE OF CHANGE

● Economic Changes

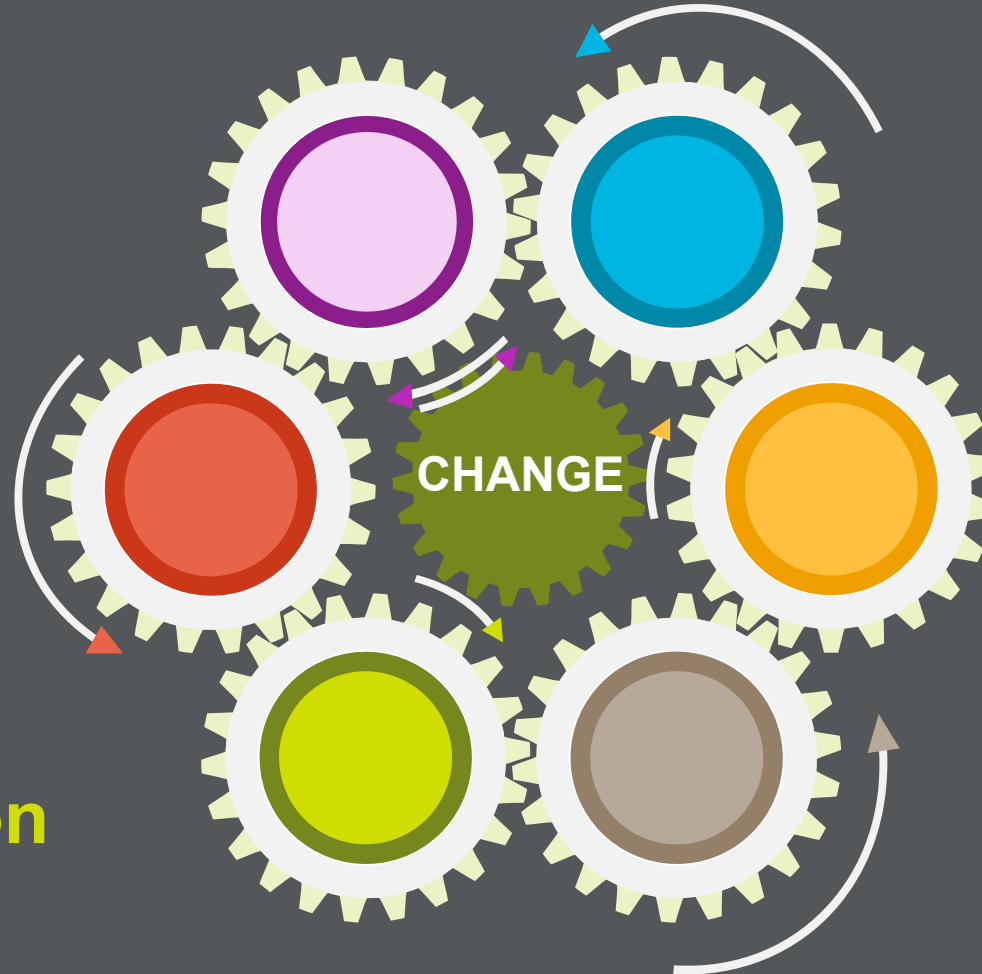
● Electric Vehicles

● LDC Consolidation

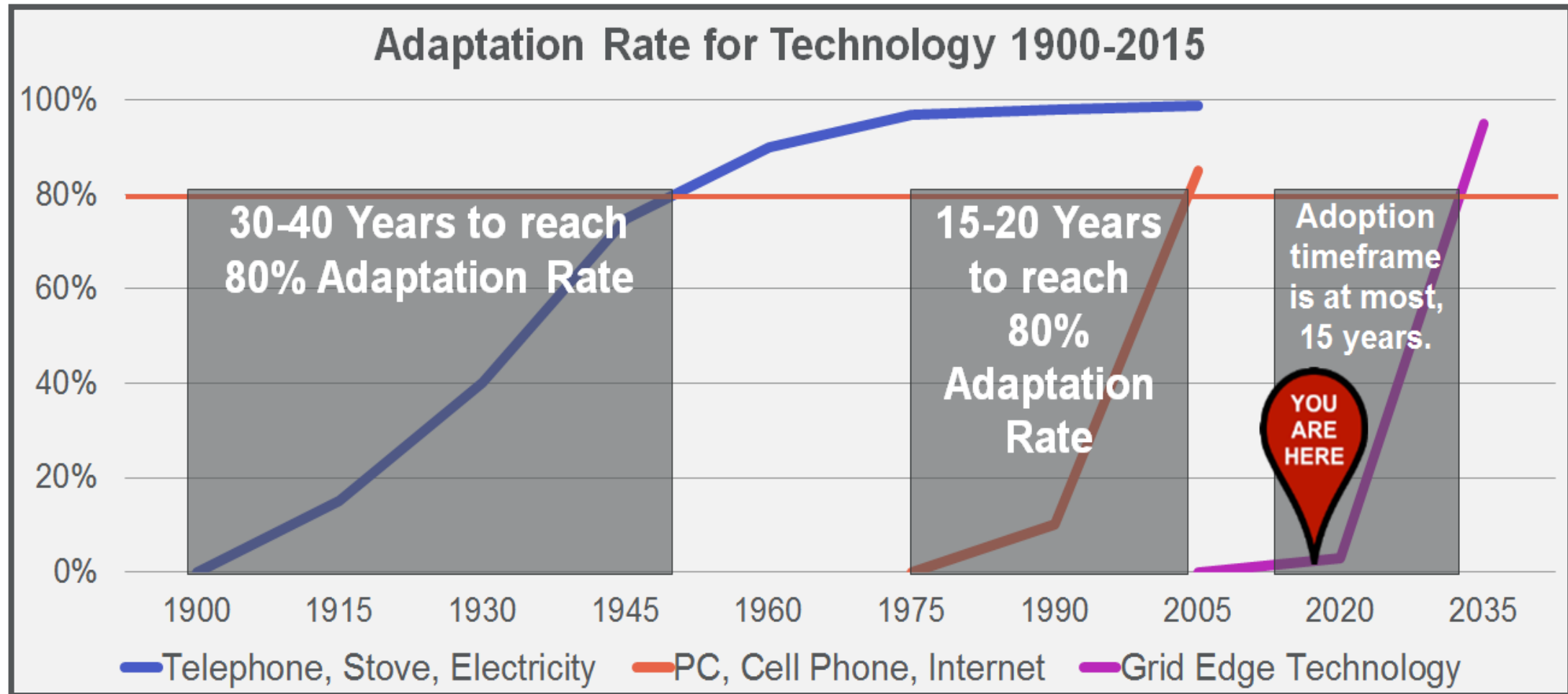
● Regulatory

● Customer Choice

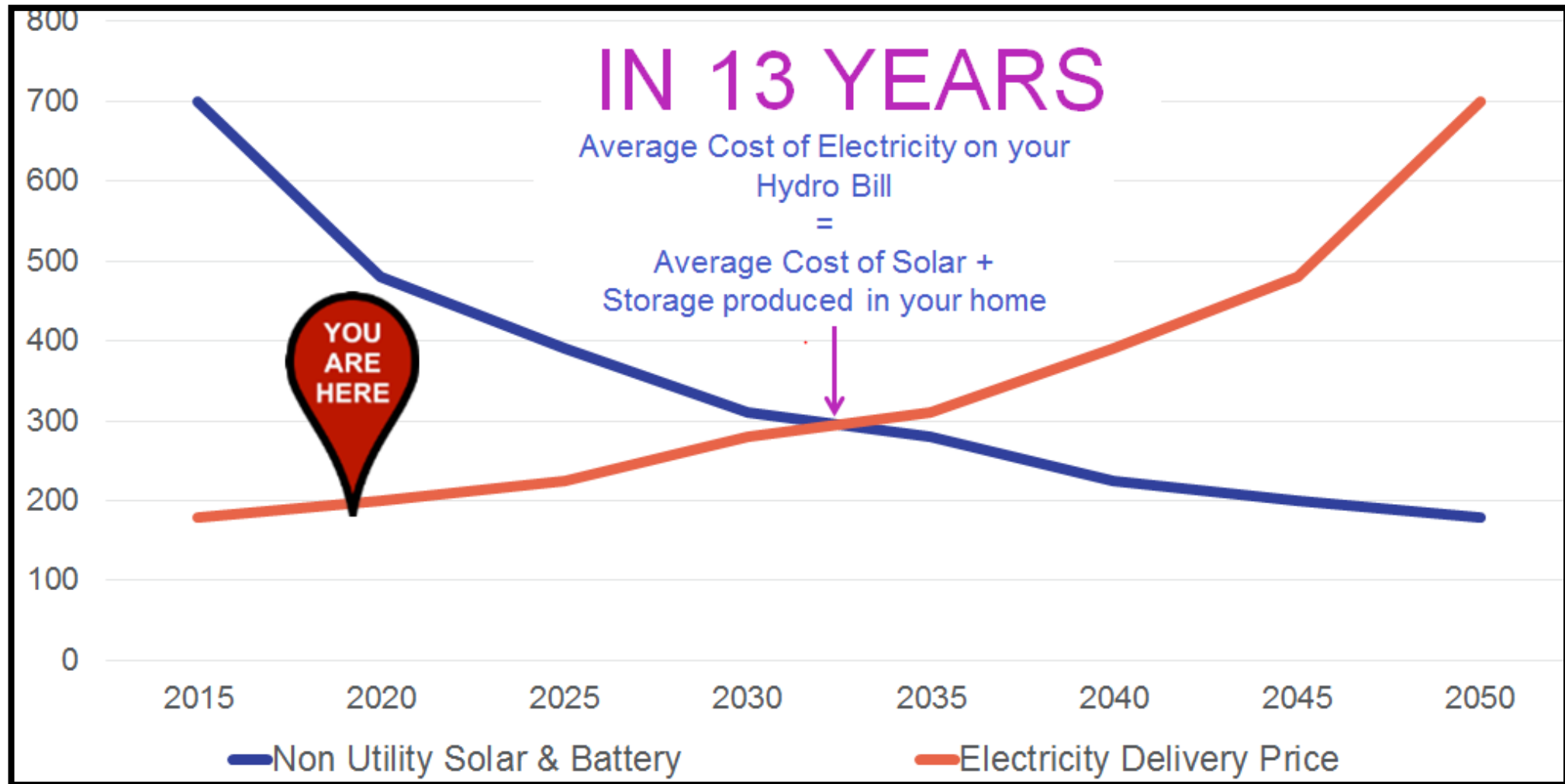
● Political



# PACE OF CHANGE



# TIPPING POINT - 2032



# POLITICAL ENVIRONMENT

## Quick Action from the Ford Government in Energy Sector:

- Replaced Hydro One CEO & Board
- Cancelled cap and trade program, Green Energy Act, and Climate Change Action Plan
- Regulatory activism including East West Tie intervention
- Introduced Bill 87, Fixing the Hydro Mess Act:
  - Significant changes to CDM Framework
  - Overhauls the Ontario Energy Board
  - Changes financing structure of Fair Hydro Plan



*Meanwhile, latest polling suggests “Ontario Premier Ford’s Honeymoon in Rearview Mirror as Liberals (32%), PCs (30%) and NDP (29%) Locked in a Three-Way Tie” – Ipsos, May 24<sup>th</sup>, 2019*



# ONTARIO'S REGULATORY ENVIRONMENT – A TIME FOR CHANGE

## OEB Modernization

- Board of Directors, led by a Chair, to be established; responsible for governance / strategy
- CEO, separate from the Chair of the Board of Directors; provides executive leadership
- Commissioners will assume an adjudicative role in hearings
- Focus is on simplifying and shortening the regulatory process & increasing certainty

**May 7<sup>th</sup>** - Resignation of Chair and CEO of the OEB, Rosemarie Leclair

**May 28<sup>th</sup>** - Alectra submitted rate application including five year capital plan and five year funding request

# AWARDS & RECOGNITION

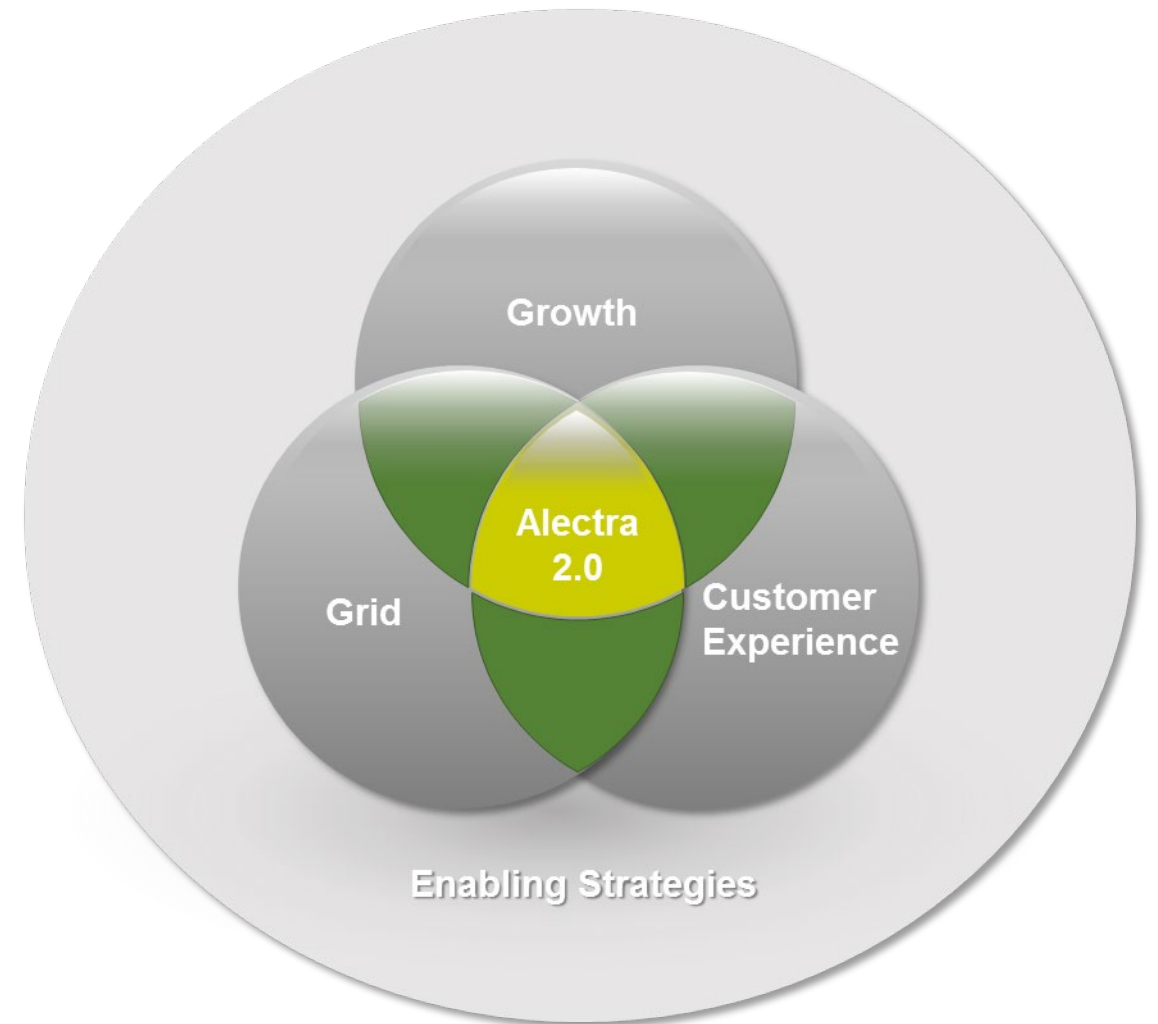
- Partners in Project Green Legacy Leader Award
- Received “Caring Company” designation from Imagine Canada
- Excellence in Diversity & Inclusion ranking from Electricity & Human Resources Canada
- Received Smart 50 from Smart Cities Connect Foundation for Advantage Power Pricing Program
- Recognized by Corporate Knights as one of Canada’s Best 50 Corporate Citizens



# STRATEGY AT A GLANCE

(2020-2024) aka Strategy 2.0

- Giving Optimization of Grid and Customer Experience a greater corporate focus
- Investing in our Customer facing solutions to decrease costs, increase satisfaction and increase long-term value
- Maintaining our focus on Growth of our Distribution and Competitive businesses to increase and diversify our income streams
- Investing in our competitive business to act as a hedge against revenue erosion

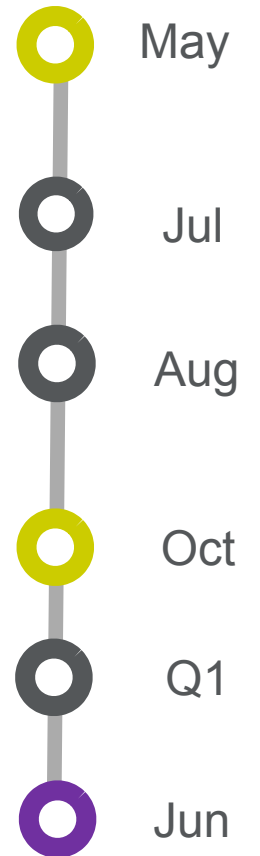


People, Planet and Performance

# STRATEGY 2.0 - MILESTONES

## Timeline

March	Strategy Development Roadmap – Approved by Board
<b>Milestone #1:</b> May 24	Present top-line strategy elements: Vision, Themes and Goals & obtain Board feedback and endorsement on direction
June/July	Update Board on Strategy Details, Conduct Board Survey & 1:1 discussions with Board members
<b>Milestone #2:</b> August	Present draft <i>Strategy 2.0 at-a-Glance</i> & obtain Board feedback
<b>Board Off-Site:</b> October 22/23	Present <i>Strategy 2.0 at-a-Glance</i> & obtain Board feedback and approval
Post Off-Site	Assemble narrative for Strategy 2.0 and present to Board in Q1, 2020
<b>2020 AGM:</b> June	Presentation of Strategy 2.0 to Shareholders





# RECAP

## IN SUMMARY...

✓ 75% of sustained merger synergies have been achieved as planned

✓ High levels of customer satisfaction and service reliability have been maintained as we move through the merger transition

✓ Community investment and shareholder engagement has been maintained or improved

✓ Workplace culture and employee engagement remain positive and new strategies are under development

✓ A rapid pace of change including technology, customer choice, political and regulatory environments has gripped our industry

✓ We are building an updated business strategy in consultation with our Board and Shareholders to reach our optimal financial performance as this business and political landscape changes

✓ We look forward to the next stage of growth for Alectra