



## City of Hamilton

# HAMILTON UTILITIES CORPORATION SHAREHOLDER REVISED

**Meeting #:** 18-002  
**Date:** June 6, 2018  
**Time:** 3:00 p.m.  
**Location:** Council Chambers, Hamilton City Hall  
71 Main Street West

Stephanie Paparella, Legislative Coordinator (905) 546-2424 ext. 3993

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	<b>Pages</b>
<b>1. APPROVAL OF AGENDA</b>	
(Added Items, if applicable, will be noted with *)	
<b>2. DECLARATIONS OF INTEREST</b>	
<b>3. APPROVAL OF MINUTES OF PREVIOUS MEETINGS</b>	
3.1 December 6, 2017	3
3.2 January 17, 2018	7
<b>4. PRESENTATIONS</b>	
4.1 Hamilton Utilities Corporation (including an update from Alectra	10
<b>5. SHAREHOLDER RESOLUTIONS</b>	
5.1 Consolidated Audited Financial Statements of the Hamilton Utilities Corporation and Alectra Inc. for the year ended December 31, 2017; Appointment of the Hamilton Utilities Corporation Board of Directors; Appointment of Alectra Board of Directors; and,  Appointment KPMG LLP as the Auditor of the Hamilton Utilities Corporation and Alectra.	60

NOTE: The Audited Financial Statement of the Hamilton Utilities Corporation is available online only.

5.2	Shareholder Direction and Unanimous Shareholder Declaration - Hamilton Utilities Corporation.	108
5.3	Dividend Policy - Hamilton Utilities Corporation	123
5.4	Amendment to the Alectra Unanimous Shareholder's Agreement.	127
*5.5	Local Representation on the Hamilton Utilities Corporation and Alectra Inc. Boards	131
<b>6.</b>	<b>OTHER BUSINESS</b>	
6.1	Alectra Shareholder and Stakeholder Communication Plans	132
<b>7.</b>	<b>PRIVATE &amp; CONFIDENTIAL</b>	
*7.1	Closed Session Minutes - January 17, 2018 (distributed under separate cover)	
	Pursuant to Section 142 of the Electricity Act, 1998	
<b>8.</b>	<b>ADJOURNMENT</b>	



**HAMILTON UTILITIES CORPORATION  
SPECIAL SHAREHOLDER MEETING  
MINUTES 17-002**

December 6, 2017, 3:45 p.m.

Council Chambers, Hamilton City Hall, 71 Main Street West

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**Present:** Mayor F. Eisenberger (Chair)  
Councillors T. Whitehead, D. Skelly, T. Jackson, C. Collins, S. Merulla,  
J. Farr, A. Johnson, D. Conley, M. Pearson, B. Johnson, A. VanderBeek,  
J. Partridge

**Absent  
with Regrets:** Councillor R. Pasuta – Other City Business  
Councillor L. Ferguson, M. Green – Personal

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**THE FOLLOWING ITEMS WERE REFERRED TO COUNCIL FOR CONSIDERATION:**

1. **Hamilton Utilities Corporation (HUC) Tax and Corporate Restructuring (LS17039) (City Wide) (Item 4.1)**

**(A. Johnson/Skelly)**

That Report LS17039, respecting the Hamilton Utilities Corporation (HUC) Tax and Corporate Restructuring, be received.

**CARRIED**

2. **Hamilton Utilities Corporation (HUC) – Special Dividend as a Result of the Alectra Merger (LS17038) (City Wide) (Item 5.1)**

**(B. Johnson/Pearson)**

That the City of Hamilton approve the Special Dividend of \$6,549,782.61 from Hamilton Utilities Corporation (HUC) in satisfaction of all closing adjustments from the merger of Horizon and other entities to form Alectra, and the proceeds from such Special Dividend be allocated through the 2018 City budget process.

**CARRIED**

### 3. Use of Project Corporations (Item 7.1)

#### (Pearson/Conley )

WHEREAS it may be beneficial from time-to-time for Hamilton Utilities Corporation (the "Corporation") to manage its financial risk through the use of project corporations that the City of Hamilton, as shareholder of the Corporation (the "Shareholder") indirectly and wholly owns ("Project Corporations");

AND WHEREAS by using PCs, the Corporation and its affiliates can segregate project assets from the remaining assets of the Corporation and its affiliates and, thus, obtain project financing on a non-recourse basis, using only the project assets as security;

AND WHEREAS it is anticipated that the Corporation and its affiliates will be reorganized, such that one corporation shall act as a holding company for the Shareholder's investment in Alectra Inc. ("HUC"), and another corporation shall act as a holding company for the Shareholder's other energy and telecom assets ("Energy2");

AND WHEREAS it is also anticipated that after the Corporation and its affiliates are reorganized, Unanimous Shareholder Declarations concerning, among other things, governance matters, will be passed for each of HUC and Energy2;

AND WHEREAS the Board of the Corporation is desirous to use Project Corporations as subsidiaries of Energy2 to obtain non-recourse project financing for upcoming projects;

NOW, THEREFORE, BE IT RESOLVED THAT:

The Corporation be permitted to incorporate and use Project Corporations to own and conduct projects, provided that the Board of the Corporation determines that so doing serves a legitimate business purpose and the Project Corporations are subsidiaries of Energy2;

The Corporation report to the Shareholder the incorporation of any Project Corporation, along with its intended purpose in a timely manner and, in any event, no later than the annual shareholder meeting immediately following such incorporation;

The Corporation provide a copy of any founding documents, including any unanimous shareholder declarations or resolution, to the Shareholder in a timely manner and in any event no later than ninety (90) business days after they have been fully executed or received; and,

The use of Project Corporations by Energy2 and its subsidiaries be incorporated into a Unanimous Shareholder Declaration for Energy2, together with ceilings for debt-equity ratios and other financial controls, with content approved by the General Manager of Finance and Corporate Services for the Shareholder and the form approved by the City Solicitor for the Shareholder.

**CARRIED**

**FOR THE INFORMATION OF THE SHAREHOLDER:****(a) CHANGES TO THE AGENDA (Item 1)**

The Committee Clerk advised of the following change to the agenda:

- (i) Added Item 6.1 – a presentation respecting a Shareholder Update respecting the Merger Proposal with Guelph Hydro

The balance of the agenda will be renumbered accordingly.

**(Pearson/Conley)**

That the agenda for the December 6, 2017 Hamilton Utilities Corporation Shareholder Special meeting be approved, as amended.

**CARRIED**

**(b) DECLARATIONS OF INTEREST (Item 2)**

There were no declarations of interest.

**(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 3)**

- (i) **June 8, 2017 (Item .1)**

**(Pearson/Skelly)**

That the Minutes of the June 8, 2017 Hamilton Utilities Corporation Shareholder Annual General Meeting be approved, as presented.

**CARRIED**

**(d) PRESENTATIONS (4)**

- (i) **Shareholder Update respecting the Merger Proposal with Guelph Hydro**

Max Cananzi, President of Alectra provided a PowerPoint presentation with respect to the merger proposal with Guelph Hydro.

**(Conley/Pearson)**

That the presentation respecting the merger proposal with Guelph Hydro, be received.

**CARRIED**

A copy of the presentation is available through the Office of the City Clerk.

**(e) ADJOURNMENT (Item 7)**

**(Pearson/B. Johnson)**

That, there being no further business, the Hamilton Utilities Corporation Shareholders meeting, be adjourned at 4:05 p.m.

**CARRIED**

Respectfully submitted,

Mayor Fred Eisenberger

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Stephanie Paparella  
Legislative Coordinator  
Office of the City Clerk



**HAMILTON UTILITIES CORPORATION  
SPECIAL SHAREHOLDER MEETING  
MINUTES 18-001**

January 17, 2018, 5:31 p.m.  
Council Chambers, Hamilton City Hall, 71 Main Street West

**Present:** Mayor F. Eisenberger (Chair), Deputy Mayor A. Johnson  
Councillors T. Whitehead, D. Skelly, T. Jackson, C. Collins, S. Merulla,  
J. Farr, D. Conley, M. Pearson, B. Johnson, L. Ferguson, A. VanderBeek,  
J. Partridge

**Absent with  
Regrets:** Councillors R. Pasuta, M. Green – Personal

**THE FOLLOWING ITEMS WERE REFERRED TO COUNCIL FOR CONSIDERATION:**

**1. Proposed Guelph Municipal Holdings Inc. and Guelph Hydro Electric Systems Inc. / Alectra and Alectra Utilities Corporation Merger (FCS18018/LS18003) (Item 11.4)**

**(Whitehead/Pearson)**

- (a) That the City of Hamilton approve the new Alectra Shareholders' Agreement presented by Alectra in connection with the merger of Guelph Municipal Holdings Inc. ("GMHI") and Guelph Hydro Electric Systems Inc. ("GHESI")/ Alectra Inc. ("Alectra") and Alectra Utilities Corporation ("AUC") (the "Transaction" in the form of the resolution attached as Appendix "A" to Report 18-001; and,
- (b) That Report FCS18018/LS18003, respecting the Proposed Guelph Municipal Holdings Inc. and Guelph Hydro Electric Systems Inc. / Alectra and Alectra Utilities Corporation Merger, remain confidential.

**CARRIED**

**FOR THE INFORMATION OF THE SHAREHOLDER:**

**(a) CHANGES TO THE AGENDA (Item 1)**

The Committee Clerk advised of the following changes to the agenda:

- 7.1 Consideration of Item 7.1 will need to be deferred until after completion of the Closed Session portion of the meeting, as the final resolution will be dependent on the outcome of those discussions.

Item 7.1 was subsequently removed from the agenda, as it was addressed through Item 11.4.

- 7.2 Proposed Guelph Municipal Holdings Inc. and Guelph Hydro Electric Systems Inc. / Alectra and Alectra Utilities Corporation Merger (FCS18018/LS18003) is a Confidential report and has been moved to Item 11.4 on today's agenda.

**(Pearson/Ferguson)**

That the agenda for the January 17, 2018 Special Hamilton Utilities Corporation Shareholder meeting be approved, as amended.

**CARRIED**

**(b) DECLARATIONS OF INTEREST (Item 2)**

There were no declarations of interest.

**(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 3)**

**(i) November 22, 2016 (Item 3.1)**

**(Jackson/Farr)**

That the Minutes of the November 22, 2016 Hamilton Utilities Corporation Shareholder be approved, as presented.

**CARRIED**

**(d) PRIVATE & CONFIDENTIAL (Item 11)**

**(Pearson/Conley)**

That the Hamilton Utilities Corporation Shareholder move into Closed Session to discuss Items 11.1, 11.2, 11.3 and 11.4.

**CARRIED**



- (i) **Hamilton Utilities Corporation Board of Directors Presentation respecting the Proposed Merger of Guelph Municipal Holdings Inc. and Guelph Hydro Electrical Systems Inc. with Alectra and Alectra Utilities Corporation (Item 11.1)**

**(Ferguson/VanderBeek)**

That the presentation provided in Closed Session, respecting the Hamilton Utilities Corporation Board of Directors Presentation respecting the Proposed Merger of Guelph Municipal Holdings Inc. and Guelph Hydro Electrical Systems Inc. with Alectra and Alectra Utilities Corporation, be received.

**CARRIED**

- (ii) **Presentation by WeirFoulds LLP respecting the Proposed Merger of Guelph Municipal Holdings Inc. and Guelph Hydro Electrical Systems Inc. with Alectra and Alectra Utilities Corporation (Item 11.2)**

**(Jackson/Collins)**

That the presentation provided in Closed Session, by WeirFoulds LLP respecting the Proposed Merger of Guelph Municipal Holdings Inc. and Guelph Hydro Electrical Systems Inc. with Alectra and Alectra Utilities Corporation, be received.

**CARRIED**

- (iii) **Presentation by Karen Taylor, Independent Financial Advisor, respecting the Proposed Merger of Guelph Municipal Holdings Inc. and Guelph Hydro Electrical Systems Inc. with Alectra and Alectra Utilities Corporation (Item 11.3)**

**(A. Johnson/B. Johnson)**

That the presentation provided in Closed Session, by Karen Taylor, Independent Financial Advisor, respecting the Proposed Merger of Guelph Municipal Holdings Inc. and Guelph Hydro Electrical Systems Inc. with Alectra and Alectra Utilities Corporation, be received.

**CARRIED**

- (e) **ADJOURNMENT (Item 7)**

**(Ferguson/Pearson)**

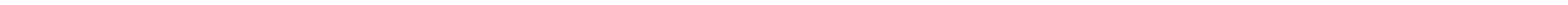
That, there being no further business, the Hamilton Utilities Corporation Shareholders meeting, be adjourned at 6:32 p.m.

**CARRIED**

Respectfully submitted,

Mayor Fred Eisenberger

# Hamilton Utilities Corporation 2018 Annual General Meeting



# Opening Remarks

- Introduction of Board Members, Management and Guests in attendance
- Alectra will provide an update on its first year financial results and report on the progress of merger integration & synergies
- Chair will provide an overview of the HUC Resolutions
- HUC will review the 2017 activities and provide an outlook on the current year
- Opening Remarks by HUC'S Chair



# Hamilton Utilities Corporation Annual General Meeting

June 6, 2018



## Disclaimer

The information in these materials is provided for information purposes only and is based on information currently available to Alectra Inc. and its affiliates (collectively “Alectra”). Alectra does not warranty the accuracy, reliability, completeness or timeliness of the information and undertakes no obligation to revise or update these materials. Alectra (including its directors, officers, employees, agents, and subcontractors) hereby waives any and all liability for damages of whatever kind and nature which may occur or be suffered as a result of the use of these materials or reliance on the information therein.

This presentation contains, and oral answers to questions may contain, forward-looking information within the meaning of applicable Canadian securities laws (“forward-looking statements”). All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of the words such as “plans”, “expects”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements reflect the current expectations of Alectra’s management regarding future events and operating performance, but involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Alectra Inc. to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual events could differ materially from those projected herein and depend on a number of factors.

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 6, 2018 unless otherwise stated.

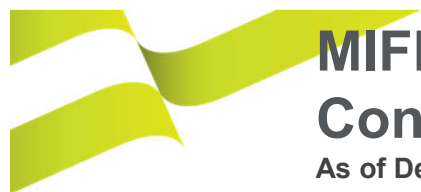


## Financial Performance



## Financial Performance – Alectra Inc.

- Modified IFRS net income was \$82.7MM on a consolidated basis for the eleven months ended December 31, 2017, or \$7.5MM higher than the budgeted net income of \$75.2MM, principally attributable to the financial results of the regulated distribution operations.
- The principal drivers of the variance within the results of the regulated distribution operations were:
  - i. favourable distribution revenue (\$3.8MM);
  - ii. favourable depreciation and amortization (\$3.9MM); partially offset by;
  - iii. Unfavourable variance in operating expenses (\$4.6MM) due to:
    - a. an unfavourable arbitration decision judgment against the Corporation (\$13.MM);
    - b. a charge to income associated with work in progress for the renewable generation projects described in (a) (\$3.3MM);
    - c. provision in relation to a meter error at a transformer station (\$2.4MM), partially offset by:
    - d. lower severance expenditures of (\$14.5MM), due to the deferral of some separation package offers and acceptances to 2018;
- Unfavourable other income from operations (\$5.4MM).



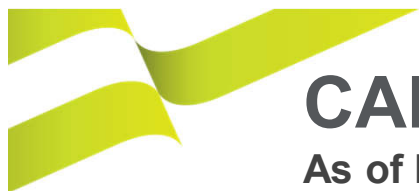
## MIFRS Financial Dashboard - Alectra Inc. Consolidated

As of December 2017 (000's)

Income Statement	Actual	Budget	Variance Fav / (unfav)
<b>Revenue:</b>			
Distribution revenue	473,664	469,901	3,763
Electricity sales	2,566,563	2,819,651	(253,088)
Cost of power	(2,566,563)	(2,819,651)	253,088
Other revenue	72,296	77,674	(5,378)
<b>Total net revenue</b>	<b>545,960</b>	<b>547,575</b>	<b>(1,615)</b>
<b>Expenses:</b>			
Operating expenses	271,996	273,697	1,701
Depreciation and amortization	119,829	123,940	4,111
<b>Total expenses</b>	<b>391,825</b>	<b>397,637</b>	<b>5,812</b>
<b>Income from operating activities</b>	<b>154,135</b>	<b>149,938</b>	<b>4,197</b>
Loss on derecognition of property, plant and equipment	(4,894)	(4,939)	45
Share of net income from joint venture	559	275	284
Interest income	2,342	2,241	101
Interest expense	(55,732)	(57,515)	1,783
<b>Income before income taxes</b>	<b>96,410</b>	<b>90,000</b>	<b>6,410</b>
Income tax expense	(13,686)	(14,776)	1,090
<b>Net income</b>	<b>82,724</b>	<b>75,224</b>	<b>7,500</b>

7





## CAPEX - Consolidated Alectra Inc.

As of December 2017 (000's)

	Actual	Budget	Variance Fav/(unfav)
<b>CAPEX</b>			
Alectra Utilities (net)	235,512	266,535	31,023
Alectra Energy Solutions	1,537	2,723	1,186
Alectra Solar Partnership	395	—	(395)
Alectra RFSP	98	—	(98)
<b>Total</b>	<b>237,542</b>	<b>269,258</b>	<b>31,716</b>

- Distribution capital spend was within 0.7% of budget;
- Alectra Utilities favourable variance primarily relates to lower expenditures within General Plant of \$29.5MM;
- Horizon Rate Zone capital spend for the 11 months was \$44.6MM compared to budget of \$43.1MM;
- Horizon Rate Zone capital additions (i.e. in-service) for 12 months were \$48.6MM, \$3MM greater than budget



## Dividends – Alectra Inc.

MMs	Actual	Forecast					6-Year	
	2017	2018	2019	2020	2021	2022	Total	
<b>Alectra Net Income (MIFRS)</b>								
Alectra Business Plan	84.0	111.5	129.9	141.5	145.8	150.9	763.6	
Merger Business Case	87.0	111.4	129.3	148.3	154.4	152.2	782.6	
Difference	(3.0)	0.1	0.6	(6.8)	(8.6)	(1.3)	(19.0)	
<b>Alectra Dividends</b>								
Alectra Business Plan	60%	45.2	72.1	77.9	84.9	87.5	90.5	458.1
Merger Business Plan		52.2	66.8	77.6	89.0	92.6	91.3	469.5
Difference		(7.0)	5.3	0.3	(4.1)	(5.1)	(0.8)	(11.4)
<b>HUC/City Dividends</b>								
Alectra Business Plan	18.15%	8.2	13.1	14.1	15.4	15.9	16.4	83.1
Merger Business Plan	18.15%	9.5	12.1	14.1	16.2	16.8	16.6	85.3
Difference		(1.3)	1.0	0.0	(0.7)	(0.9)	(0.1)	(2.1)
<b>Closing Adjustment</b>								
Final Payment		6.5						
Merger Business Plan		2.6						
Difference		3.9						

1. Projections are substantially consistent with Merger Business Case
2. Unfavourable difference is the result of delay in closing, a stub period in 2017, and costs associated with regulatory changes (e.g. monthly billings, a reduction in the regulated Return on Equity)
3. Actual results may vary materially from forecast



## Merger Integration and Synergies



Table: 2017 (Year 1) Results as at December 31, 2017

<i>Results in Millions</i>	<b>ACTUAL</b>	<b>FINANCIAL PLAN</b>	<b>VARIANCE</b>
<b>OPERATING</b>			
SYNERGY	\$24.2	\$15.9	\$8.4
TRANSITION COST	-\$18.2	-\$34.4	\$16.3
NET OPERATING	\$6.1	-\$18.6	\$24.7
<b>CAPITAL</b>			
SYNERGY	\$17.9	\$23.0	-\$5.1
TRANSITION COST	-\$22.8	-\$43.1	\$20.3
NET CAPITAL	-\$4.9	-\$20.2	\$15.3
<b>TOTAL NET SYNERGIES</b>	<b>\$1.2</b>	<b>-\$38.7</b>	<b>\$39.9</b>



## Synergies

- Year 1 net headcount achieved was 169 compared to business case of 66.
- 39 projects were completed in year 1.
- Many achievements in merger integration in the areas of people & safety, internal and external communications, systems process and technology, customers, operations and finance.
- Captured lessons learned from projects and initiatives.
- Year 1 results confirm we have the right merger integration strategy and governance in place to continue to be successful.
- Year 2 & 3 highest priority initiatives include:
  1. Collective Agreement finalized (Q3 2018)
  2. Customer Billing (CIS) and Call Centre Integration (Q1 2019)
  3. ERP Integration (Q3 2019)
  4. Control Room Consolidation (Q4 2019)



Table: 2018 Financial Plan (Forecast): 10 Year Outlook

<i>Results in Millions</i>	2017*	2018	2019	2020	2021	2022	2023 to 2026	Total
<b>OPERATING</b>								
Synergy	\$29.20	\$30.90	\$36.50	\$44.70	\$46.40	\$46.80	\$187.20	\$421.80
Transition Cost	(\$21.80)	(\$18.30)	(\$0.70)	(\$0.20)	(\$0.20)	-	\$0.00	(\$41.20)
Net Operating	\$7.30	\$12.70	\$35.80	\$44.50	\$46.20	\$46.80	\$187.20	\$380.60
<b>CAPITAL</b>								
Synergy	\$21.80	\$21.10	\$31.70	\$21.00	\$27.70	\$8.00	\$32.00	\$163.30
Transition Cost	(\$25.10)	(\$40.40)	(\$15.60)	-	-	-	\$0.00	(\$81.10)
Net Capital	(\$3.30)	(\$19.30)	\$16.10	\$21.00	\$27.70	\$8.00	\$32.00	\$82.20
<b>TOTAL NET SYNERGIES</b>	<b>\$4.00</b>	<b>(\$6.60)</b>	<b>\$51.90</b>	<b>\$65.50</b>	<b>\$73.90</b>	<b>\$54.80</b>	<b>\$219.20</b>	<b>\$462.80</b>

\*2017 (Year 1) Results as at December 31, 2017, includes pre-close.

# Hamilton Utilities Corporation

## HUC RESOLUTIONS



# HUC Resolutions for Shareholder's consideration

## 5.1 Appointment Resolutions

1. Receipt of 2017 Consolidated Audited Financial Statements
2. Appointment of Directors to HUC
3. Appointment of Directors to Alectra
4. Appointment of the Auditor

## 5.2 Board Recommendation on HUC Shareholder Declaration

## 5.3 Board Recommendation on HUC Dividend Policy

## 5.4 Board Recommendation on amendment to the Alectra USA



## 5.1(2) Appointment of Directors to HUC for 2018

### Recommended Slate of Directors

#### Private Directors

Christa Wessel  
Lesley Gallinger

Daryl Wilson  
Laurie Tugman  
Joe Rinaldo

#### Mayor's Designate

Maria Pearson

# Appointment Process & Criteria

- Engage Odgers Berndtson to assist the Nominating Committee
- Evaluate the skill set of the existing Board & identify gaps

## Attributes

- HUC Values – integrity, teamwork, innovation, communication
- Ties to Hamilton – resident, business owner, working in city, or deep personal ties to Hamilton.
- Diversity
- Board Experience and Leadership qualities

# Skills and Competencies Criteria

- Vision and Strategic skills
- Infrastructure Investment
- Financial Expertise
- Energy & Utility Services
- Governance
- Operational Experience
- Human Resources
- Entrepreneurial Mindset
- Project Development
- Risk Identification & Assessment
- Telecom Services
- Government relations
- Environmental
- Health & Safety

## 5.1(3) Appointment of Directors to Alectra for 2018

### **HUC Nominates Two Directors to Alectra and Recommends**

#### **Mayor of the City of Hamilton**

Fred Eisenberger

#### **Independent Director**

Paul Benson

## 5.1(4) Appointment of the Auditor for HUC

- **Board Recommends the appointment of KPMG LLP as the auditor for Hamilton Utilities for the Fiscal Year 2018**
- Board approved the appointment of KPMG LLP as the auditor for Alectra for the fiscal year 2018

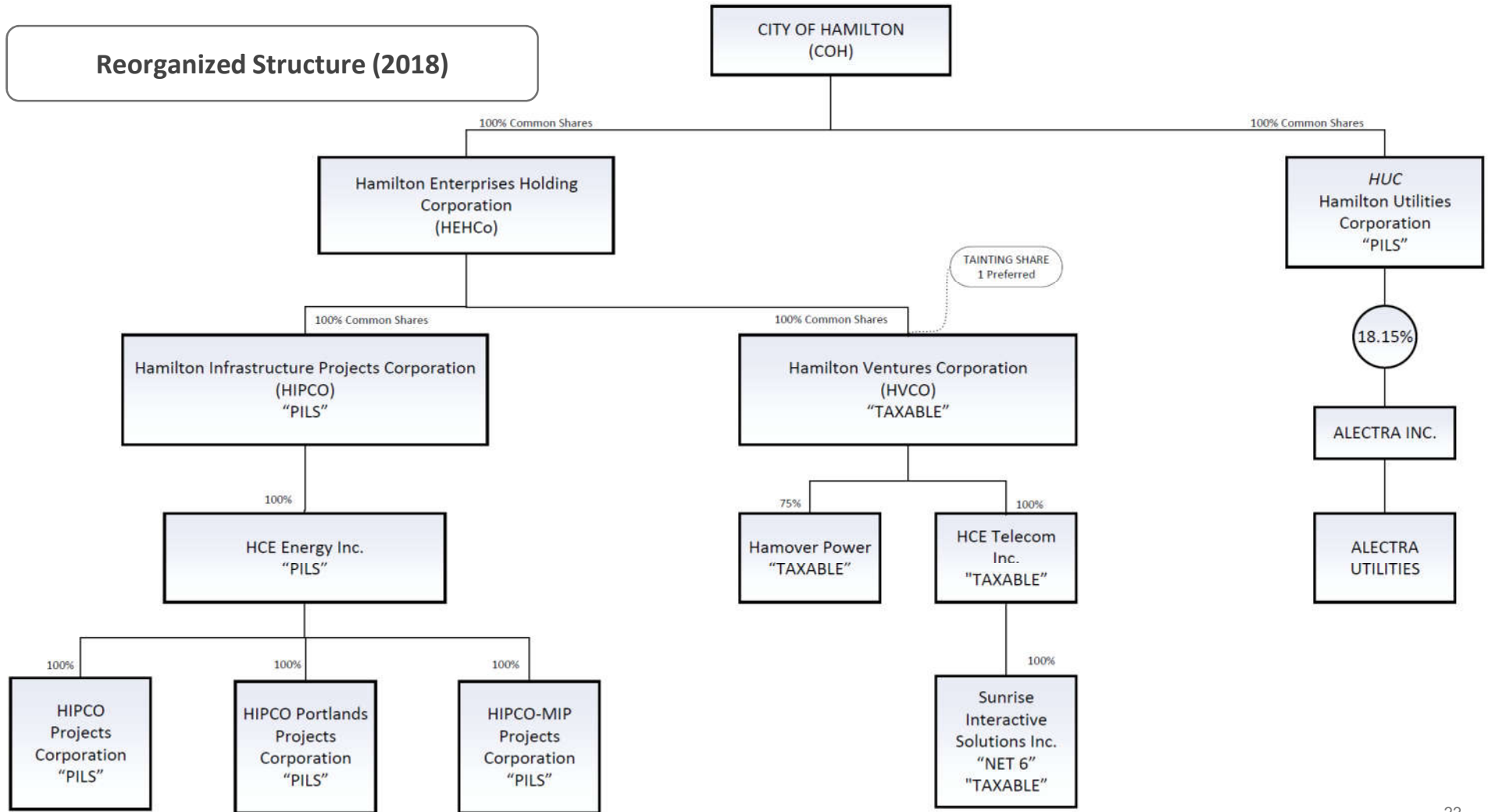
Note: Alectra issued a proposal call for audit services in 2016 and requires approval of 2/3 of the Shareholders for appointment of the auditor. KPMG is also the auditor for the City of Hamilton.

## 5.2 HUC Shareholder Declaration

- New Declaration Required:
  - Alectra Merger
  - HUC Reorganization Approved - June 8, 2017
  - Eliminates potential tax liability created with a change in tax status
  - Requires approval of City for all matters relating to Alectra
  - Board to review and evaluate any change to the Alectra USA and make a recommendation to the City.
- Declaration prepared together with City Staff. A productive consultation process between the City and HUC.

### Resolutions

- **Recommends to the Shareholder the approval of the HUC Shareholder Direction and Unanimous Shareholder Declarations**
- **City staff Recommendation for your consideration**



## 5.3 Approval of Dividend Policy

- Reorganization requires a new dividend policy
- Flows the Alectra dividends to the city less an administrative fee
- Consistent with the requirement of new shareholder declaration
- Submitted and reviewed by city staff
- Requires approval of the Shareholder, the City

### Resolutions

- **Board approved the dividend policy and is submitting the policy to the shareholder for its consideration**
- **City Staff recommendation for your consideration**



## 5.4 Alectra Amendment to Unanimous Shareholder Agreement(USA)

- Alectra recommendation - increase time to submit quarterly reports from 45 to 60 days
- Alectra is seeking approval to issue short-term Commercial paper and long-term debt which is required in the normal course of business without requiring Shareholder and municipal approval.
- Alectra will continue to require approval for the issuance of equity/shares securities.
- Original intent of Section 2.21(1)(d) and Section 4.2(2) was to restrict Alectra from the issuance of new equity/shares without shareholder and municipal approval.

### Resolutions

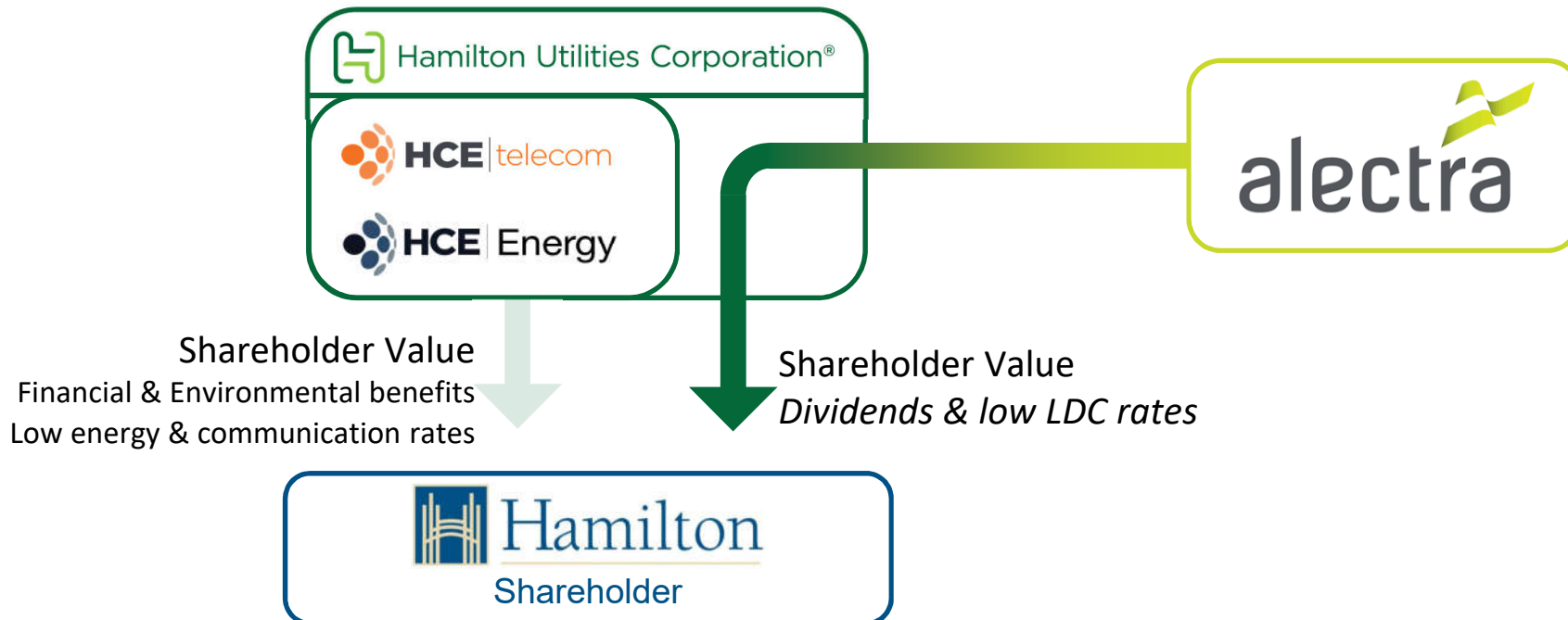
- **Board approved and recommends to the Shareholder the amendments to Section 2.26, Subsection 4.2(1) and Subsection 4.2(2) of the Alectra USA**
- **City Staff Recommendation for your consideration**

# Hamilton Utilities Corporation

## HCE Energy & HCE Telecom Overview & Update



# Existing Value Flow to Shareholder



# What we do...



**What we do:** We provide community focused, market disruptive ICT (information, communications and technology) solutions to strategic customers where we can further leverage the investment.

**How:** Through forward looking technologies such as fibre, wireless and application based services

**Who:** Public Sector and other strategic markets

**Outcome:** Enhanced shareholder value

*Critical Infrastructure Solutions that enables Smart(er) Communities & Customers*



**What we do:** We provide innovative energy solutions to those who value us as a strategic partner.

**How:** Through renewable and sustainability energy solutions via district energy, solar and other energy technologies.

# A few of our Customers...











Hamilton

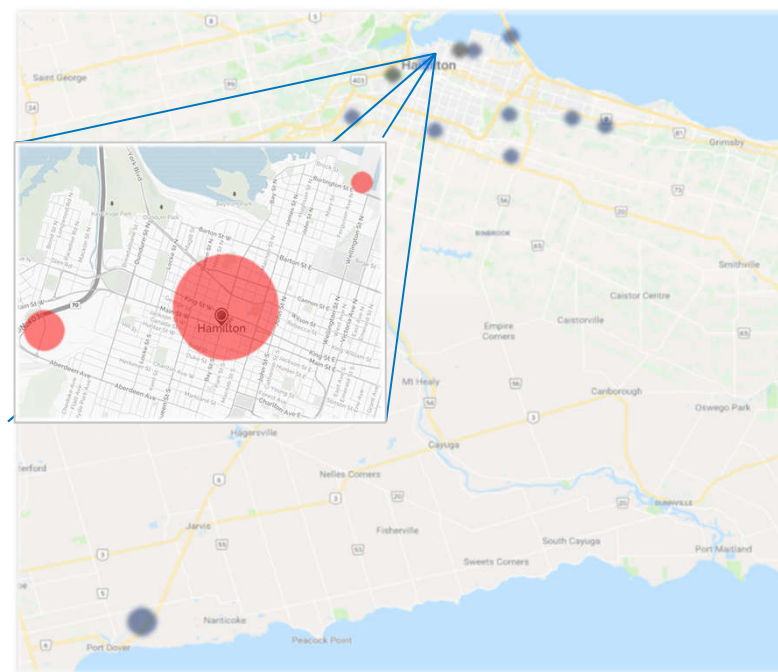


# This what HCE Energy operates...

Assets that we Own or Operate

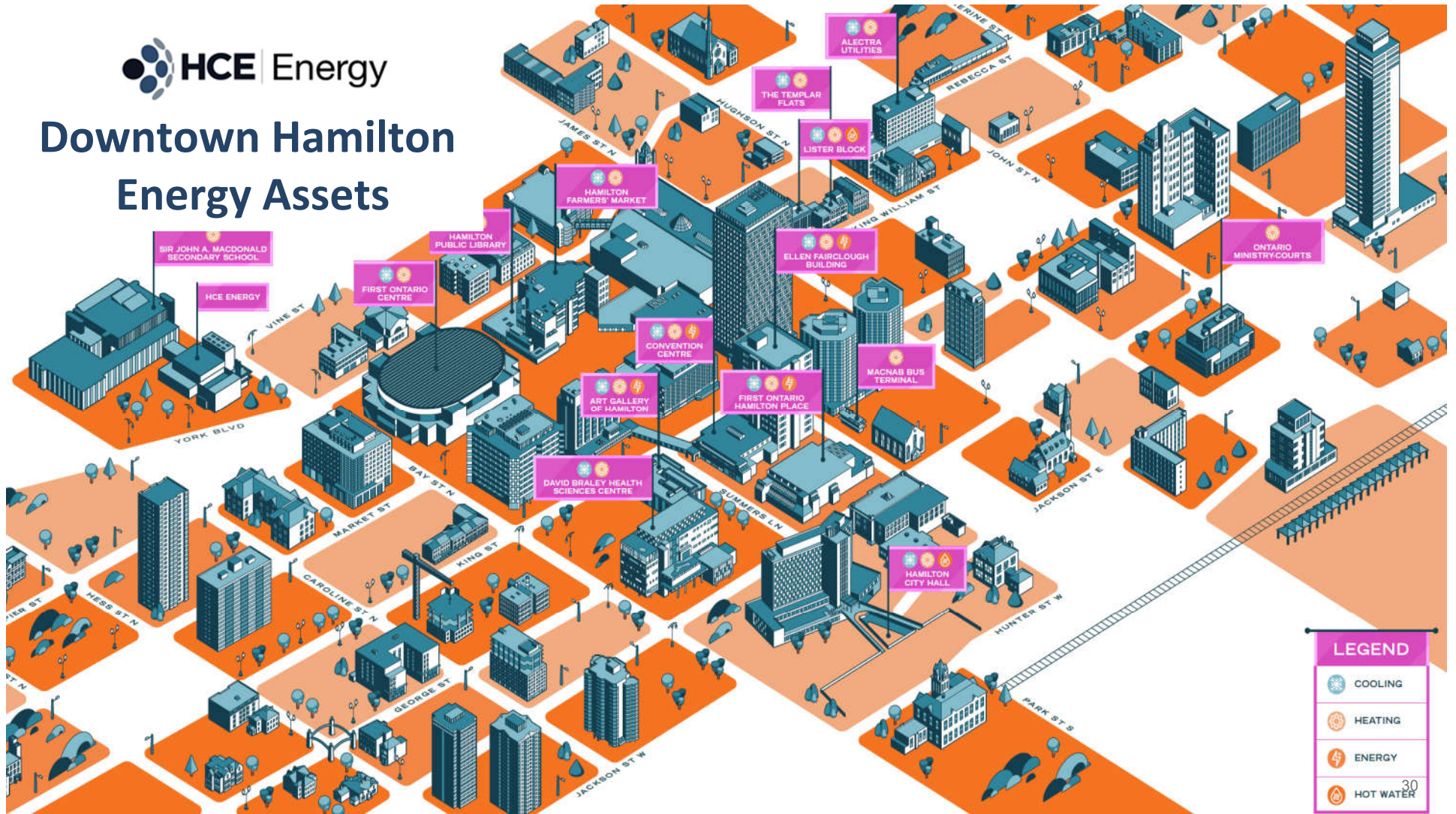
- 
Solar PV
Over 2 MW<sub>e</sub> of IESO FIT 3 Contracts
- 
Solar Thermal
208 Solar Thermal collection panels @ MIP
- 
Cogeneration
3.5 MW of Behind the Meter High Efficiency Combined Heat & Power Plants
- 
Geo-exchange
Eighty-one 500-ft deep geothermal wells combined with four heat pumps @ MIP
- 
Chillers
Over 5500 RT of high efficiency centrifugal and absorption chillers
- 
Biogas CHP
1.6 MW of biogas powered CHP @ Woodward Wastewater Treatment Plant
- 
Biogas Purification
Renewable Natural Gas generation from Anaerobic Digestion at Woodward Wastewater Treatment Plant
- 
Hot Water Boilers
Over 21 MWt of high-efficiency conventional and condensing boilers

## Where those Assets are Located





# Downtown Hamilton Energy Assets

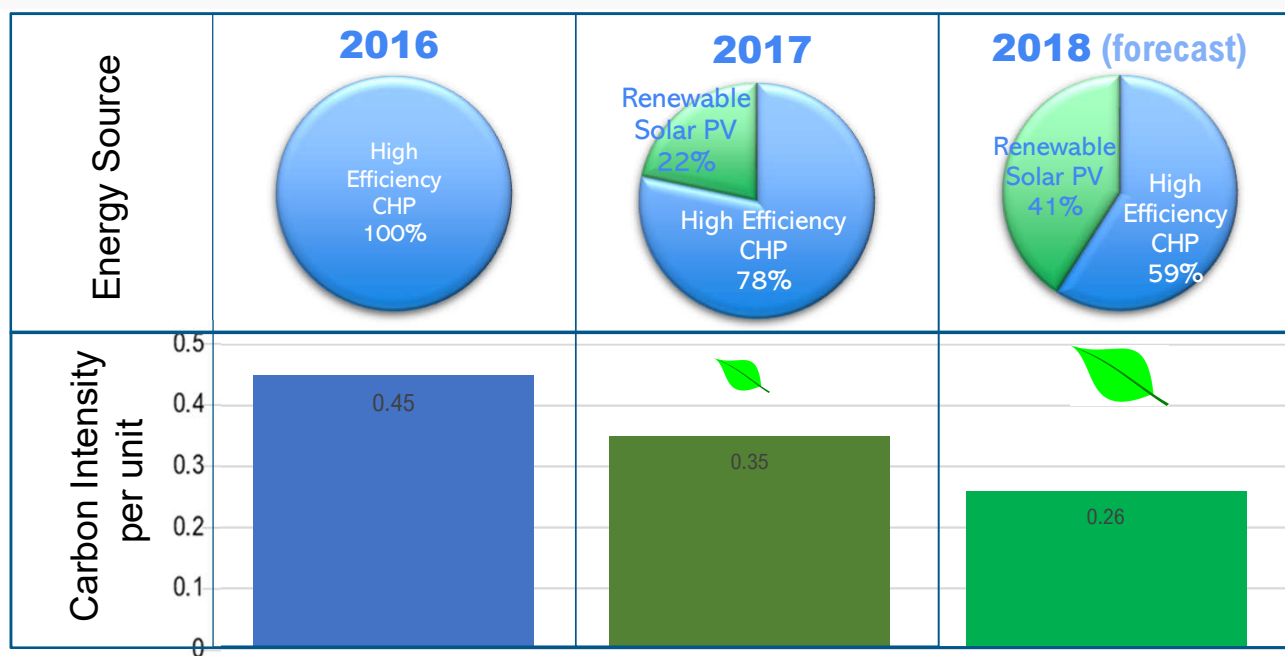


**LEGEND**

- COOLING
- HEATING
- ENERGY
- HOT WATER

30

# The Greening of Our Portfolio



From 0 to 41% renewable energy sources over 3 years within the electricity portfolio

42% Improvement on Carbon output per unit of energy

Carbon Intensity (tonnes CO<sub>2</sub>e/MWh/yr.)

■ 2016 ■ 2017 ■ 2018 (forecast)



# This is HCE Telecom...

## Fibre is Just the Beginning

HCE Telecom is a telecommunications provider, backed by Hamilton Utilities Corporation, serving businesses with head offices in the Golden Horseshoe and satellite offices across North America. Our team is comprised of passionate and experienced professionals so you can expect the same level of quality service with every call

## We're On A Mission

As your business grows you should never be constrained by your internet connection. Our mission is to provide your organization with more capacity than you know what to do with, and do it at rates that will surprise you.



### Our Network

We proudly own, install, innovate and operate our own networks. Our carrier grade network employs only the highest quality equipment and is operated, maintained and proactively monitored by a team of seasoned industry experts, 24 hours a day, 7 days a week.



### Flexible Approach

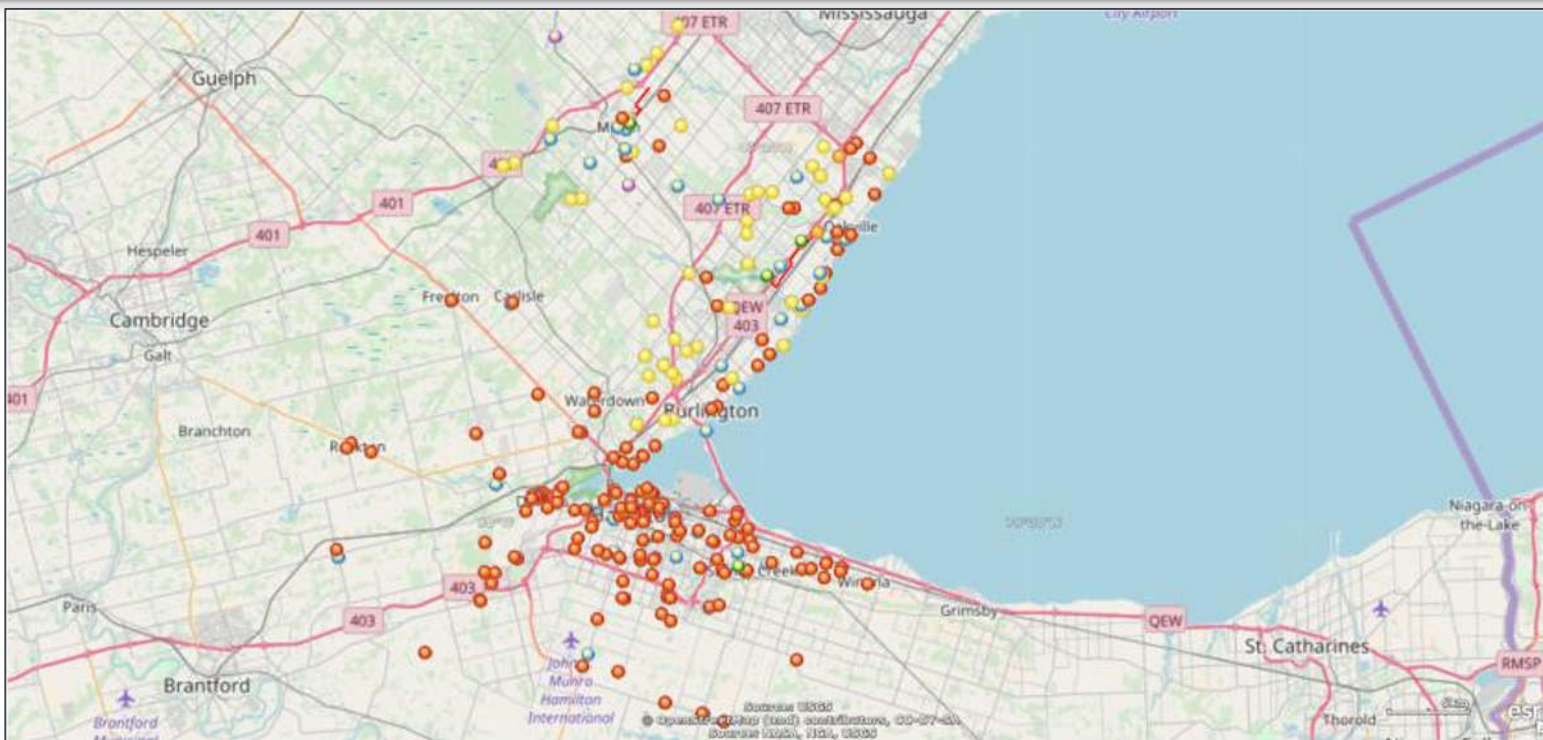
Every company is unique, so why are most services sold in "packages"? Every HCE Telecom customer receives a tailored quote that suits their unique needs. We're growing and innovating as our customers do to provide excellent service today and into the future.



### Extraordinary Service

When you need help, you need it now. So why do other providers make you jump through hoops just to reach a live support agent? Our network operations centre is staffed 24/7 with professionals who proactively monitor our network, and there when you need them.

# Telecom Services – What & Where



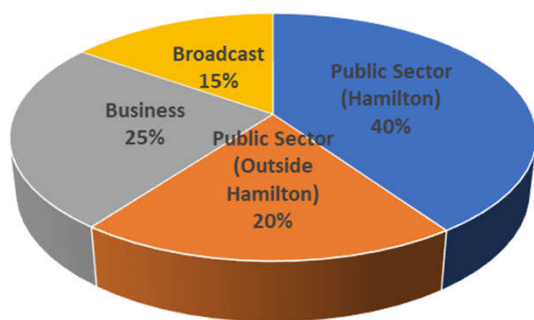
Locations  
Served: 476

Customers: 186

Hamilton  
centric but with  
services that  
span from  
Calgary to  
Montreal

# Sources of Revenue

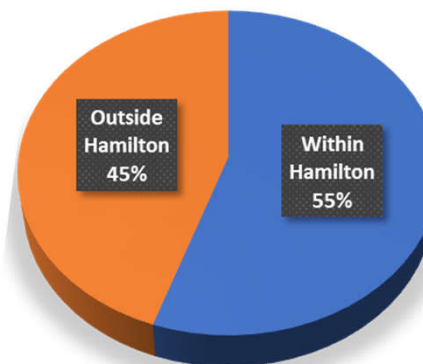
Revenues by Segment



■ Public Sector (Hamilton) ■ Public Sector (Outside Hamilton) ■ Business ■ Broadcast

60% of HCE Telecom is derived from public sector services. This is anticipated to grow upwards of 65% in 2018

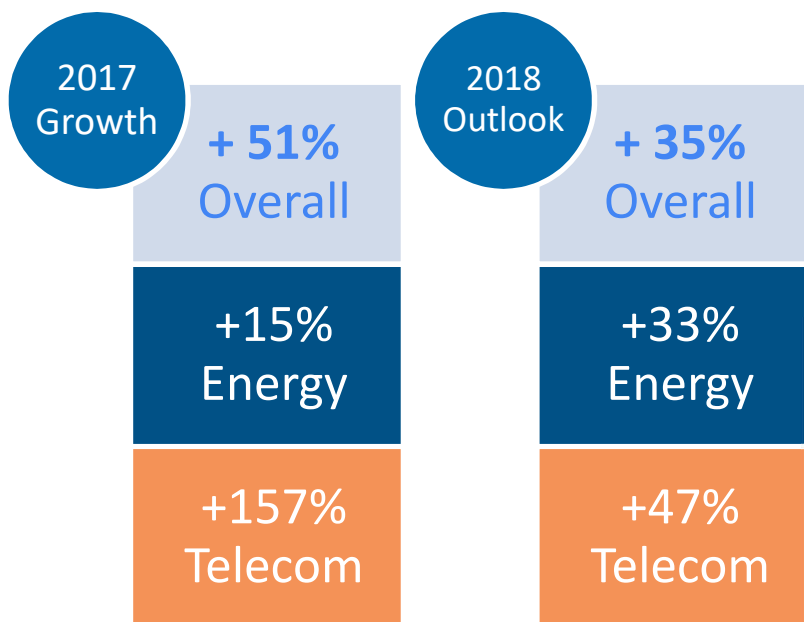
Revenues By Geographic Source



■ Within Hamilton  
■ Outside Hamilton

45% of revenues into the company are generated from outside the community. This represents shareholder value being pulled in from outside the municipality on a non-levy basis

# HCE Energy & Telecom Growth Highlights

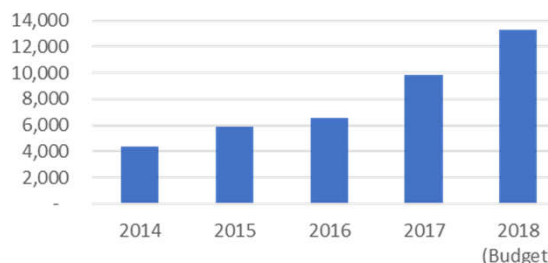


Total Revenue (2017)



■ HCE Energy ■ HCE Telecom

HCE Consolidated Revenue by Year  
(in 000's of dollars)



Consolidated Compounded Annual Growth Rate: 32%

Revenue streams grounded largely in public sector customers/contracts across both the energy and telecom segments

**Business Unit Performance:**  
**HCE Energy:** Positive Operating Profit in 2017  
**HCE Telecom:** Operating profit is on plan and will be positive within 2018

## Growing & Innovating... *Energy & Telecom Projects Underway*

### *In the energy portfolio...*

Hamilton Portlands

McMaster Innovation Park

Hamilton Police Services - ISF

HCDSB

### *In the telecom portfolio...*

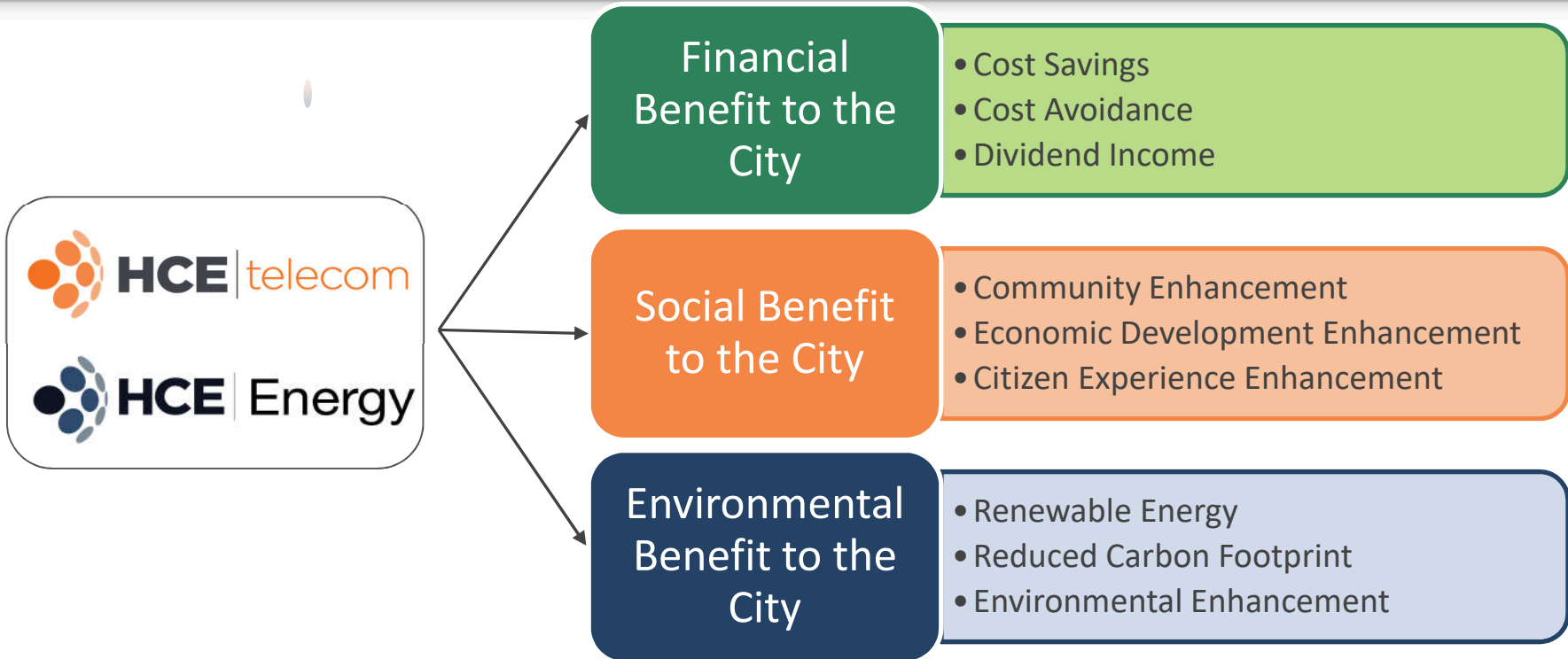
City of Hamilton

HWDSB

Halton Police Services

Hamilton Conservation Authority

# Triple Bottom Line Approach to Service Delivery



# Financial Enhancement Examples

Financial Benefit  
to the City



Social Benefit to  
the City

Environmental  
Benefit to the  
City

- IT Shared Services Cost Savings
  - Stabilized escalating annualized Costs
  - Optimized services
- IT Shared Services Cost Avoidance
  - 10X+ speed at same costs
  - Added resiliency and stability
  - Avoided costs of outage related productivity impacts
- Global Adjustment Energy Management Savings
  - Reduced energy costs with proactive GA management
- Energy Operations Savings
  - Improved efficiencies through consolidated energy operations (HRPI)
- Central Utilities Plant Contribution & Savings

**HUC Direct Financial Benefit to the City:  
\$1.4 Million/Year**

# Social Enhancement Examples

Financial Benefit  
to the City

Social Benefit to  
the City

Environmental  
Benefit to the  
City

- Alignment with Hamilton's 2016-2025 Strategic Plan where it makes sense
- Community oriented and focused
  - Enabler for economic development and growth
  - 'Do Good for Hamilton' as part of our values
- ICF Top 7 – "From Steel to Fibre"
- Targeted initiatives
  - Wi-Fi
  - Low cost internet
  - Rural Internet (through connect to innovate funding applications)
- Energy choice/alternatives for the community



# Environmental Benefits Examples

Financial Benefit  
to the City

Social Benefit to  
the City

Environmental  
Benefit to the  
City



- District Energy Options
- Progression towards renewable sources of energy
  - 0->41% of portfolio has evolved to renewables
- 42% reduction in carbon intensity within the energy portfolio
- Economies of scale for energy usage

## HCE Energy & HCE Telecom - Outlook & Opportunities

- Moving forward with a new corporate structure
- Vigilant to potential changes in Provincial energy policies
- Continued growth of the combined HCE Energy & HCE Telecom businesses adding supplemental value to shareholder in addition to HUC and Alectra
- Continued service delivery which provides triple bottom line benefits to our customers and our shareholder
  - Environmental
  - Financial
  - Social

Conclusion of Hamilton Utilities Corporation  
("HUC")  
Annual General Meeting

# Hamilton Enterprises Holding Company ("HEHCo")

## Inaugural Annual General Meeting

*June 6, 2018*

## 4.1 CONFIRMATION OF BY-LAW No. 1

- The incorporation of a new corporation requires the establishment of a General By-Law which complies with the Ontario Business Corporation Act.
- The General By-Law was enacted by the First Director who has now submitted his resignation.
- The General By-Law must be confirmed by the Shareholder and signed and sealed by the Chair of the Board.

**Resolution confirms the By-Law and authorizes of the Chair Board to sign the By-Law which shall be the General By-Law of the Corporation**

## 4.2 Appointment of Directors to HEHCo for 2018

### **Recommended Slate of Directors - Hamilton Enterprises Holding Corporation:**

#### **Private Directors**

Joseph Rinaldo

Christa Wessel

Lesley Gallinger

Daryl Wilson

Laurie Tugman

#### **Mayor's Designate**

Maria Pearson

## 4.3 Hamilton Enterprises Holding Corporation (HEHCo) Shareholder Declaration

- Creation of HEHCo requires a Shareholder Declaration:
  - ALECTRA MERGER
  - HUC REORGANIZATION APPROVED ON JUNE 8, 2017
  - POTENTIAL LIABILITY CREATED WITH A CHANGE IN TAX STATUS
  - LIMITS TAX LIABILITY
- City Staff prepared the Declaration in consultation with HUC

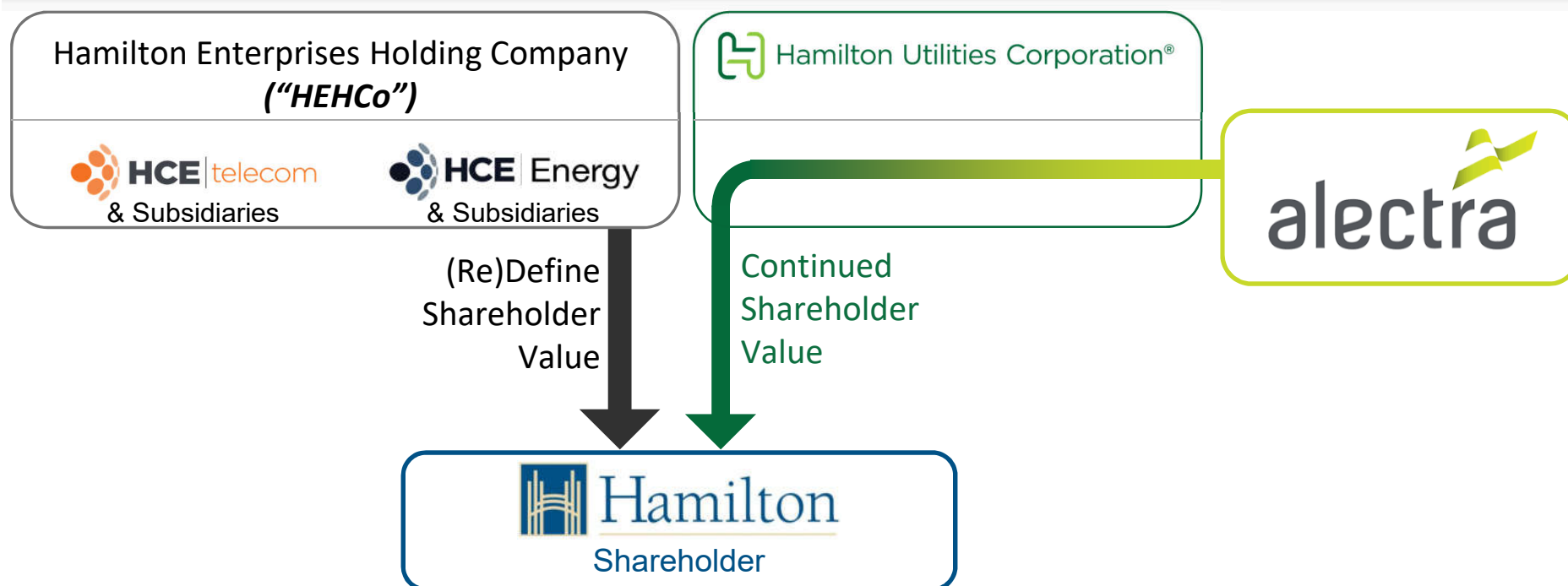
### **Board Resolution**

- **Recommends to the shareholder the approval of the HEHCo Shareholder Direction and Unanimous Shareholder Declaration**

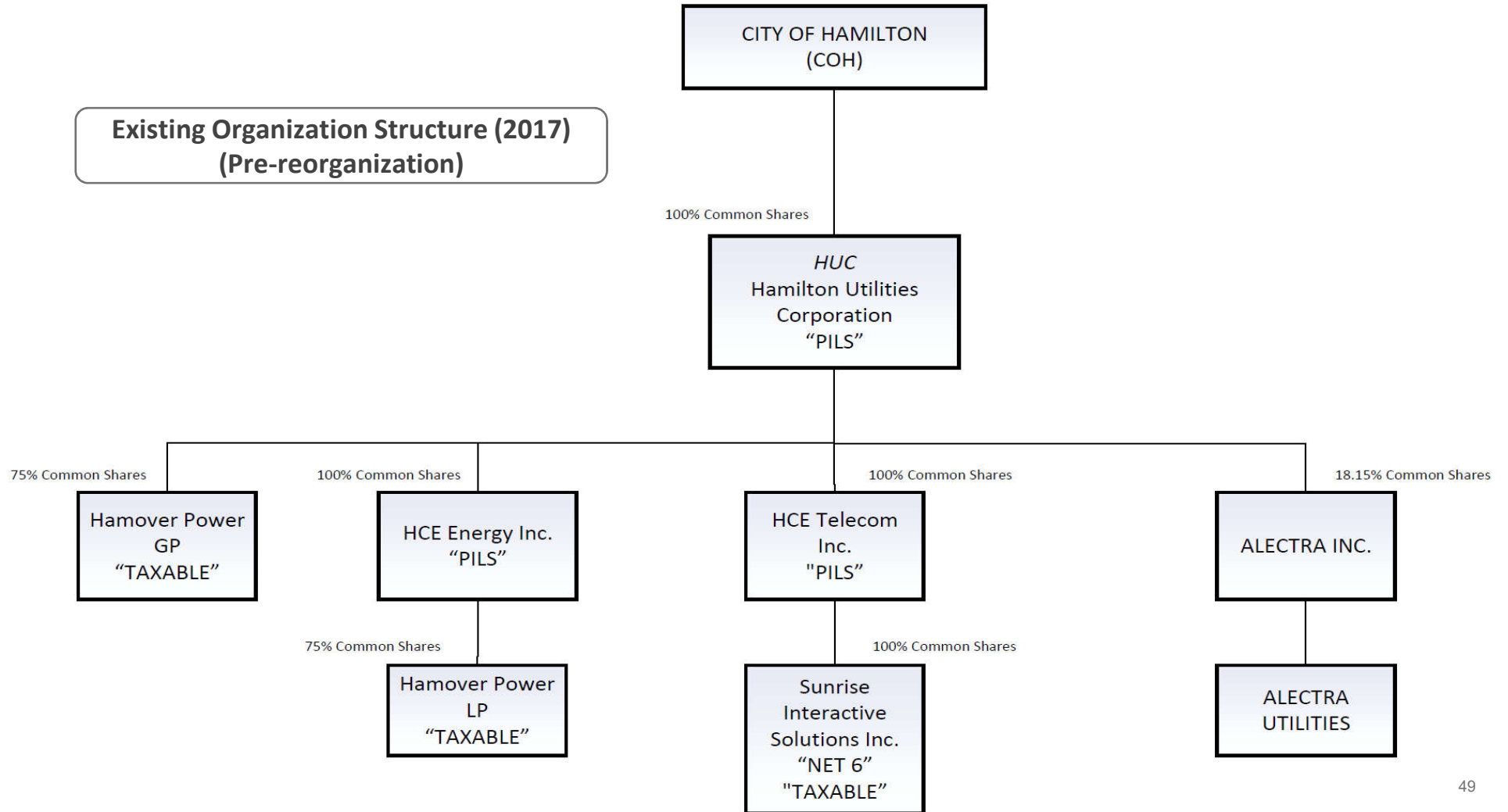
Conclusion of Hamilton Enterprises Corporation  
("HEHCo")  
Inaugural Annual General Meeting



# Redefined Value Flow to Shareholder



**Existing Organization Structure (2017)  
(Pre-reorganization)**



# HUC BOARD COMPENSATION FOR 2018

<u>Fees</u>	<u>Honorarium &amp; Mtg. Fees</u>	
	<u>2017</u>	<u>2018</u>
<u>Annual Retainer Fee</u>		
Director	13,500	13,500
Committee Chairs	18,000	18,000
Board Chair	28,000	28,000
<u>Meeting Fee</u>		
Fee per meeting	600	600

Note: No increase in fees since 2013

**5.1****HAMILTON UTILITIES CORPORATION****SHAREHOLDER RESOLUTIONS**

The undersigned, being the holder of all of the issued shares of Hamilton Utilities Corporation (the "**Corporation**"), hereby sign the following resolutions pursuant to subsection 104(1) of the Ontario *Business Corporations Act*:

**1. Audited Consolidated Financial Statements for the year ended December 31, 2017**

**RESOLVED THAT** the Audited Consolidated Financial Statements of Hamilton Utilities Corporation for the year ended December 31, 2017, as approved by the Board of Directors of Hamilton Utilities Corporation, are received by the Shareholder.

**2. Appointment of Directors to Hamilton Utilities Corporation**

**RESOLVED that** the Resolutions set forth below be presented to the City of Hamilton for passage as Resolutions of the Shareholder of the Corporation as representing the recommendations of the Directors of the Corporation:

**Number of Directors**

**WHEREAS** the Articles of the Corporation and subsequent special resolutions provide that the Corporation shall have seven Directors: and

**WHEREAS** it is desirable for the Corporation to have six Directors.

**RESOLVED**, as a special resolution, that henceforth the Corporation shall have six Directors.

**RESOLVED THAT**, inasmuch as each of the following persons was heretofore elected as a Director of the Corporation for a three-year term, each such person is confirmed as elected and has consented to continue to serve as a Director of the Corporation, as one of the "Private Directors" of the Corporation, for the period set opposite below and thereafter until the next annual general meeting of the Corporation:

<b>Joseph Rinaldo</b>	<b>one-year term commencing June 30, 2018</b>
<b>Laurie Tugman</b>	<b>one-year term commencing June 30, 2018</b>
<b>Daryl Wilson</b>	<b>one-year term commencing June 30, 2018</b>
<b>Christa Wessel</b>	<b>two-year term commencing June 30, 2018</b>
<b>Lesley Gallinger</b>	<b>two-year term commencing June 30, 2018</b>

**RESOLVED THAT**, inasmuch as the Shareholder of the Corporation has previously directed that the Mayor or the Mayor' designate is to be a Director of the Corporation and the Mayor is presently serving as a Director of the Alectra Utilities Corporation, the Mayor's Designate, Councillor **Maria Pearson**, having heretofore consented to serve as a Director of the Corporation, is confirmed as elected to continue as a Director of the Corporation except and provided that the term shall end upon the earlier of the end of the term of the Mayor as mayor of the city or the end of the term as Councillor for the City; and

These Directors comprise the Hamilton Utilities Corporation Board of Directors, effective June 30, 2018.

**3. Appointment of Directors to Alectra Inc.**

**WHEREAS** under the Unanimous Shareholder Agreement pertaining to Alectra Inc. ("Alectra"), Hamilton Utilities Corporation is entitled and required to nominate two directors to the Alectra Board of Directors, of which one director must be independent.

**RESOLVED THAT**, inasmuch the Council of the City of Hamilton has previously directed that the Mayor is to be a Director of Alectra and the Mayor is presently serving as the Non-Independent Director of Alectra, **the Mayor, Fred Eisenberger**, is confirmed as elected to continue as a Director of Alectra throughout his term as Mayor; and

**RESOLVED THAT, Paul Benson**, having heretofore consented to serve as a Director of Alectra, shall be the nominee of Hamilton Utilities Corporation to serve as the Independent Director of Alectra, for one-year term commencing June 30, 2018 and thereafter until the next annual general meeting of the Corporation;

**4. Appointment of the Auditor**

**RESOLVED THAT** KPMG LLP, Chartered Accountants, the present Auditor of the Corporation, is appointed the Auditor of Hamilton Utilities Corporation for the 2018 fiscal year of the Corporation.

**DATED the 6<sup>th</sup> day of June 2018**

**CITY OF HAMILTON**

Per: \_\_\_\_\_  
**Janet Pilon**  
**Acting City Clerk,**  
**Shareholder Representative**



**Hamilton Utilities Corporation  
Auditors' Report to the Shareholders  
and Consolidated Financial Statements  
Year Ended December 31, 2017**



KPMG LLP  
Commerce Place  
21 King Street West, Suite 700  
Hamilton Ontario L8P 4W7  
Canada  
Telephone (905) 523-8200  
Fax (905) 523-2222

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Hamilton Utilities Corporation

We have audited the accompanying consolidated financial statements of Hamilton Utilities Corporation, which comprise the consolidated statement of financial position as at December 31, 2017 the consolidated statements of comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hamilton Utilities Corporation as at December 31, 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada  
May 24, 2018





## Table of Contents

### Financial statements

Consolidated Statement of Financial Position	1
Consolidated Statement of Comprehensive Income	2-3
Consolidated Statement of Changes in Equity	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-42



Hamilton Utilities Corporation®

## Consolidated Statement of Financial Position

As at December 31, 2017, with comparative information for 2016  
(stated in thousands of Canadian dollars)

	2017	2016
<b>Assets</b>		
Current assets		
Cash [note 4]	\$ 13,514	\$ 7,091
Temporary investments	1,129	1,000
Accounts receivable	2,859	127,013
Inventory [note 5]	608	9,631
Payments in lieu of income taxes receivable	323	-
Other assets	266	3,266
	<u>18,699</u>	<u>148,001</u>
Property, plant and equipment [note 7]	39,239	497,484
Deferred payments in lieu of income taxes [note 8]	1,866	8,409
Intangible assets [note 9]	2,359	20,005
Goodwill [note 10]	571	18,923
Investment in Alectra Inc. [note 6]	347,238	-
	<u>391,273</u>	<u>544,821</u>
<b>Total assets</b>	<b>\$ 409,972</b>	<b>\$ 692,822</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,490	\$ 79,625
Derivative liability	19	-
Credit support for service delivery [note 12]	-	22,671
Payments in lieu of income taxes payable	150	-
Accounts payable to related parties	168	12,502
Obligations under capital cost recovery agreement [note 13]	-	7,101
Reimbursements from Ontario Power Authority	-	4,320
Current portion of long term borrowings [note 11]	523	468
	<u>5,350</u>	<u>126,687</u>
Non-current liabilities		
Deferred payments in lieu of income taxes [note 8]	36,272	-
Provision for asset retirement	34	-
Long term borrowings [note 11]	10,944	196,656
Employee future benefits [note 14]	126	30,157
Deferred revenue	71	36,454
	<u>47,447</u>	<u>263,267</u>
<b>Total liabilities</b>	<b>52,797</b>	<b>389,954</b>
<b>Equity</b>		
Share capital [note 16]	129,897	129,897
Contributed surplus	-	15,218
Accumulated other comprehensive income	(1,199)	(4,954)
Retained earnings	228,381	107,624
	<u>357,079</u>	<u>247,785</u>
Total equity attributable to the shareholder	357,079	247,785
Non-controlling interest [note 17]	96	55,083
<b>Total equity</b>	<b>357,175</b>	<b>302,868</b>
<b>Total liabilities and equity</b>	<b>\$ 409,972</b>	<b>\$ 692,822</b>

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



## Consolidated Statement of Comprehensive Income

For the year ended December 31, 2017, with comparative information for 2016  
(stated in thousands of Canadian dollars)

	2017	2016
Sale of energy	\$ 48,167	\$ 619,397
Distribution revenue <i>[note 18]</i>	8,906	124,522
Electricity, heating and cooling services charges	5,952	5,154
Telecommunications services charges	3,474	1,364
Other income from operations <i>[note 19]</i>	1,468	14,616
Total revenues	67,967	765,053
Expenses:		
Cost of power purchased	56,158	616,404
Operating expenses	11,135	71,442
Depreciation and amortization	4,264	26,523
	71,557	714,369
(Loss) income from operating activities	(3,590)	50,684
Loss on disposal of property, plant and equipment	(49)	(2,115)
Equity income in Alectra Holdings Inc. <i>[note 6]</i>	13,659	-
Finance income <i>[note 20]</i>	160,257	605
Finance charges <i>[note 20]</i>	(1,097)	(7,745)
Income before payments in lieu of income taxes	169,180	41,429
Payments in lieu of income taxes <i>[note 8]</i>	33,744	11,786
Net income	135,436	29,643
Items that may be reclassified to income:		
Realized loss in fair value of bond forward	(3,449)	-
Reclassification to net income, loss on bond forward	182	-
Tax impact on net change in value of loss on bond forward	1,063	-
	(2,204)	-
Items that will not subsequently be reclassified to net income:		
Actuarial gain on employee future benefits	(257)	397
Tax impact on remeasurement of employee future benefits	180	-
	(77)	397
Other comprehensive (loss) income	(2,281)	397
Total comprehensive income	\$ 133,155	\$ 30,040

The accompanying notes are an integral part of these financial statements.



## Consolidated Statement of Comprehensive Income

For the year ended December 31, 2017, with comparative information for 2016  
(stated in thousands of Canadian dollars)

	2017	2016
Net income attributable to:		
Shareholder of the Corporation	\$ 135,435	\$ 22,774
Non-controlling interest <i>[note 17]</i>	1	6,869
<b>Net income</b>	<b>\$ 135,436</b>	<b>\$ 29,643</b>
Total comprehensive income attributable to:		
Shareholder of the Corporation	\$ 133,154	\$ 23,081
Non-controlling interest <i>[note 17]</i>	1	6,959
<b>Total comprehensive income</b>	<b>\$ 133,155</b>	<b>\$ 30,040</b>

The accompanying notes are an integral part of these financial statements.



## Consolidated Statement of Changes in Equity

For the year ended December 31, 2017, with comparative information for 2016  
(stated in thousands of Canadian dollars)

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Non- controlling interest	2017 Total	2016 Total
Balance at January 1, 2017	\$ 129,897	\$ 15,218	\$ 107,624	\$ (4,954)	\$ 55,083	\$ 302,868	\$ 283,758
Net income	-	-	135,435	-	1	135,436	29,643
Acquisition	-	-	-	-	95	95	-
Divestiture of investment in Horizon Holdings Inc.	-	(15,218)	-	6,036	(55,083)	(64,265)	-
Other comprehensive (loss) income	-	-	-	(2,281)	-	(2,281)	397
Dividends	-	-	(14,678)	-	-	(14,678)	(10,930)
Balance at December 31, 2017	\$ 129,897	\$ -	\$ 228,381	\$ (1,199)	\$ 96	\$ 357,175	\$ 302,868

The accompanying notes are an integral part of these financial statements



## Consolidated Statement of Cash Flows

For the year ended December 31, 2017, with comparative information for 2016  
(stated in thousands of Canadian dollars)

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 135,436	\$ 29,643
Adjustments for:		
Depreciation and amortization <i>[notes 7 and 9]</i>	4,264	26,523
Loss on disposal of property, plant and equipment	49	2,115
Equity income in Alectra Holdings Inc.	(13,659)	
Payments in lieu of income taxes expense <i>[note 8]</i>	33,744	11,786
Net finance income <i>[note 20]</i>	(159,160)	7,140
Finance charges paid	(1,396)	(7,685)
Finance charges received	610	821
Payments in lieu of income taxes paid	(425)	(5,754)
Payments in lieu of income taxes received	301	91
Amortization of deferred revenue	(88)	(933)
Reductions of proceeds from credit support for service delivery	-	1,217
Contributions received from customers	73	7,648
Change in employee future benefits <i>[note 14]</i>	62	744
Change in other assets and liabilities <i>[note 21]</i>	2,278	(13,600)
<b>Net cash from operating activities</b>	<b>2,089</b>	<b>59,756</b>
<b>INVESTING ACTIVITIES</b>		
Change in temporary investments	(129)	24,000
Acquisition of subsidiaries, net of cash	(1,432)	-
Acquisition of property, plant and equipment and intangible assets <i>[notes 7 and 9]</i>	(13,470)	(59,965)
Proceeds from sale of property, plant and equipment	29	550
<b>Net cash used in investing activities</b>	<b>(15,002)</b>	<b>(35,415)</b>
<b>FINANCING ACTIVITIES</b>		
Reductions of reimbursements from Ontario Power Authority	-	(191)
Issuance of long term borrowings	4,320	-
Obligations under capital cost recovery arrangements	-	(9,525)
Repayment of long term borrowings	(486)	(324)
Finance lease payments	(12)	(144)
Divestiture of Horizon's bank indebtedness	30,192	-
Non-controlling interest dividend paid	(1,426)	(2,401)
Dividends paid	(13,252)	(8,529)
<b>Net cash used in financing activities</b>	<b>19,336</b>	<b>(21,114)</b>
Increase in cash	6,423	3,227
Cash, beginning of year	7,091	3,864
<b>Cash, end of year</b>	<b>\$ 13,514</b>	<b>\$ 7,091</b>

The accompanying notes are an integral part of these financial statements.



## Table of Contents to Notes to Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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<b>NOTE</b>	<b>PAGE</b>	<b>NOTE</b>	<b>PAGE</b>
1. Reporting entity	<b>7</b>	14. Employee future benefits	<b>33</b>
2. Basis of preparation	<b>8</b>	15. Pension plan	<b>34</b>
3. Significant accounting policies	<b>11</b>	16. Share capital	<b>35</b>
4. Cash	<b>23</b>	17. Non-controlling interest	<b>35</b>
5. Inventory	<b>23</b>	18. Distribution revenue	<b>35</b>
6. Investment in Alectra Inc.	<b>23</b>	19. Other income from operations	<b>36</b>
7. Property, plant and equipment	<b>25</b>	20. Finance income and charges	<b>36</b>
8. Payments in lieu of income taxes	<b>26</b>	21. Cash flow information	<b>37</b>
9. Intangible assets	<b>27</b>	22. Related party transactions	<b>37</b>
10. Goodwill	<b>28</b>	23. Financial instruments and risk management	<b>38</b>
11. Long term borrowings	<b>30</b>	24. Commitments and contingencies	<b>41</b>
12. Credit support for service delivery	<b>31</b>	25. Comparative information	<b>42</b>
13. Obligation under capital cost recovery agreements	<b>32</b>		



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 1. REPORTING ENTITY

On June 1, 2000, Hamilton Utilities Corporation (the "Corporation") was incorporated under the Business Corporations Act (Ontario). The Corporation is an investment holding company with investments in Alectra Holdings Inc. ("Alectra"), HCE Energy Inc. ("HCE"), HCE Telecom ("Telecom") and Hamover Power GP. The address of the Corporation's registered office is 79 Bay Street North, Hamilton, Ontario, Canada.

Alectra is an investment holding company that has investment interests in a regulated electricity distribution company, Alectra Inc., an energy services company, Alectra Energy Solutions Inc. and a solar PV partnership.

HCE operates a district energy plant providing thermal heat, cooling and electrical energy to its customers. HCE also owns 75 units of Hamover Power LP, which is a partnership involved in owning, operating, leasing and investing in energy and related projects. Hamover Power GP is the general partner holding a 25% interest in Hamover Power LP.

Telecom provides voice and data solutions for businesses using fibre optic technologies.

Investments in subsidiaries controlled by the Corporation:

HCE Energy Inc. ("HCE") – 100%

Hamover Power Limited Partnership ("Hamover LP") – 75%

2291506 Ontario Inc. – 85%

HCE Telecom ("Telecom")

Net6 Communications – 100%

Hamover Power General Partnership ("Hamover GP") – 75%

Investments where the Corporation exercises significant influence:

Alectra Holdings Inc. ("Alectra") – 18.15%

Alectra Inc.

Alectra Energy Solutions Inc.

Solar Sunbelt General Partnership

Horizon Solar Corporation





## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

#### (b) Approval of the financial statements

The financial statements were approved by the Board of Directors on May 24, 2018.

#### (c) Basis of measurement

The financial statements have been prepared on the historical cost basis, unless otherwise stated.

#### (d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 2. BASIS OF PREPARATION (Continued)

#### (e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

- (i) Note 7 – Property, plant and equipment: estimation of useful lives
- (ii) Note 9 – Intangible assets: estimation of useful lives
- (iii) Note 10 – Goodwill: key assumptions underlying recoverable amount for goodwill impairment testing
- (iv) Note 7, 9, 10 – Property, plant and equipment, intangible assets and goodwill: estimation of fair value of assets acquired
- (v) Note 13 – Obligations under capital cost recovery agreements: estimation of capital contribution shortfalls and corresponding intangible assets
- (vi) Note 14 – Employee future benefits: key actuarial assumptions
- (viii) Note 23 – Financial instruments and risk management: estimation of allowance for impairment of accounts receivable

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- (i) Note 3 – Revenue: whether the Corporation is a principal or agent for sale of energy
- (ii) Note 11 – Long term borrowings: lease classification
- (iii) Note 24 – Commitments and contingencies: whether a contingency is a liability



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 2. BASIS OF PREPARATION (Continued)

#### (f) Regulation

Alectra is regulated by the Ontario Energy Board (“OEB”). In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that differ from IFRS. The OEB’s regulatory accounting treatments require the recognition of regulatory assets and liabilities which do not meet the definition of an asset or liability under IFRS and, as a result, these regulatory assets and liabilities have not been recorded in these IFRS financial statements.

The Ontario Energy Board Act, 1998 (Ontario) (“OEBA”) conferred on the OEB increased powers and responsibilities to regulate the electricity industry in Ontario. These powers and responsibilities include: approving or fixing rates for the transmission and distribution of electricity; providing continued rate protection for rural and remote residential electricity consumers; and ensuring that distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”) such as the Corporation, which may include, among other things: record keeping; regulatory accounting principles; separation of accounts for distinct business; and filing and process requirements for rate setting purposes.

#### Rate Setting

The electricity distribution rates and other regulated charges of Alectra are determined in a manner that provides shareholders with opportunity to earn a regulated Maximum Allowable Return on Equity (“MARE”) on the amount of shareholder’s equity supporting the business of electricity distribution, which is also determined by regulation.

#### *Rate Applications*

The OEB regulates the electricity distribution rates charged by LDCs, such as Alectra, through periodic rate applications to the OEB and its ongoing monitoring and reporting requirements. At present, LDCs may apply to the OEB for electricity distribution rates under options specified in its Report of the Board – a Renewed Regulatory Framework for Electricity Distributors: A performance-Based Approach (“RRFE”). The three rate-setting methods available to LDCs under the RRFE are: Price Cap Incentive Rate-setting (“Price Cap IR”); Custom Incentive Rate-setting (“Custom IR”); or Annual Incentive Rate-setting Index.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 2. BASIS OF PREPARATION (Continued)

#### (f) Regulation (Continued)

*Rate Applications (Continued)*

##### Application for approval to amalgamate

On April 18, 2016, the Corporation, PowerStream Inc., and Enersource Hydro Mississauga Inc. submitted a Mergers, Acquisitions, Amalgamations and Divestitures Application ("MAADs Application") to the OEB requesting approval to amalgamate to form a new corporation. It also sought approval for the new corporation to purchase the shares of and amalgamate with Hydro One Brampton Networks Inc. under section 86 of the *Ontario Energy Board Act, 1998* ("Act"). Section 86 of the Act requires that the OEB review applications for a merger, acquisition of shares, amalgamation or divestiture that result in a change of ownership or control of an electricity transmitter or distributor and approve applications which are in the public interest.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

#### (a) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and its subsidiaries, some of which have a minority interest. The principal operating companies and the Corporation's ownership in these companies are as follows:

HCE Energy Inc.	100.00%
Hamover Power LP Inc.	75.00%
2291506 Ontario Inc.	63.75%
HCE Telecom Inc.	100.00%
Net6 Communications	100.00%

These consolidated financial statements include the Corporation's share of the income and expenses and equity movements of the equity accounted investee; Alectra.

All significant inter-company accounts and transactions have been eliminated.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (b) Financial instruments

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities with the exception of the derivative liability. These financial instruments, except for the derivative liability, are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(g). The derivative liability is classified as a financial liability at fair value through profit or loss. Transaction costs are expensed in the year incurred.

Hedge accounting has not been used in the preparation of these financial statements.

#### (c) Inventory

Inventory, comprising material and supplies acquired for internal construction, consumption, recoverable work and natural gas, are measured at the lower of cost and net realizable value. The cost of inventory is determined on a weighted average basis, and includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing them to their existing location and condition. Net realizable value is determined by replacement cost.

#### (d) Business combinations

The Corporation accounts for business combinations using the acquisition method when control is transferred to the Corporation. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of contingent consideration are recognized in profit or loss.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Property, plant and equipment

Property, plant and equipment ("PP&E") are measured at historical cost or deemed cost established on the transition date, less accumulated depreciation and accumulated impairment losses, if any. Where an item is transferred from customers, it is measured at fair value at the date of transfer, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation, direct labour, directly attributable overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset using the weighted average cost of debt incurred on the Corporation's external borrowings. Qualifying assets are considered to be those that take a substantial period of time to construct.

In circumstances where parts of an item of PP&E have different useful lives, such are accounted for as separate items (major components) of PP&E. Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing part of an item of PP&E is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of PP&E are recognized in net income as incurred.

Depreciation is recognized in net income on a straight-line basis over the estimated useful life of each part or component of an item of PP&E.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Property, plant and equipment (Continued)

Land is not depreciated.

Construction work-in-progress assets are not amortized until the project is complete and available for use.

The estimated useful lives for the current and comparative years are as follows:

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Buildings	25 – 40 years
Distribution equipment	15 – 70 years
Heating and electricity generation infrastructure	7 – 50 years
Other PP&E	3 - 15 years

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Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

Other PP&E includes vehicles, office and computer equipment.

Gains and losses on disposal of an item of PP&E are recognized in income and determined by the difference between proceeds from disposal and the carrying amount of PP&E.

Depreciation methods, useful lives and residual values, if any, are reviewed at each reporting date and adjusted prospectively.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Intangible assets

Intangible assets include computer software, customer contracts, Feed-in Tariff ("FIT") contracts and licenses.

Computer software is measured at historical cost or deemed cost less accumulated amortization. All other computer software that is acquired or developed by the Corporation, including software that is not integral to the functionality of equipment purchased, which has finite useful lives, is measured at cost less accumulated amortization.

Customer contracts, FIT contracts and licenses are measured at fair value upon acquisition of subsidiaries, less accumulated amortization.

Amortization is recognized in net income on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful life of the intangible assets are as follows:

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Computer software	2 - 5 years
Customer contracts	5 years
FIT contracts	20years
Licenses	10 years

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Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively.

#### (g) Goodwill

Goodwill arising on the acquisition of subsidiaries or on amalgamation is measured at cost and is not amortized.





## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Impairment

##### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in net income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in net income.

##### (ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventory and deferred payments in lieu of income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated as at December 31.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use and, further, that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate, net of tax that reflects current market assessments of the time value of money and the risks specific to the asset. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Impairment (Continued)

##### (ii) Non-financial assets (Continued)

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net income.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

##### (i) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate, net of tax, that corresponds to current market assessments of the time value of money and the risks specific to the liability.

##### (j) Employee future benefits

###### (i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (j) Employee future benefits (Continued)

##### (i) Pension plan (Continued)

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan as a defined benefit plan. Consequently, the plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income when they are due.

##### (ii) Other than pension

The Corporation provides certain group of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans. These benefits are provided through a group defined benefit plan. The Corporation is the legal sponsor of the Plan. There is a policy in place to allocate the net defined benefit cost to the entities participating in the group plan. The allocation is based on the obligation attributable to the plan participants. The Corporation has incorporated its share of the defined benefit costs and related liabilities, as calculated by the actuary, in these financial statements.

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting such to determine its present value. Any unrecognised past service costs are deducted. The discount rate is the yield at the reporting date on high quality debt instruments with duration similar to the duration of the plan.

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and the current service costs are actuarially determined by applying the projected unit credit method and incorporate management's best estimate of certain underlying assumptions. Re-measurements arising from defined benefit plans are recognised immediately in other comprehensive income and reported in retained earnings. When the benefits of a plan are improved, these increases are recognized immediately in net income.



Hamilton Utilities Corporation®

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Deferred revenue and assets transferred from customers

Deferred revenue represents the Corporation's obligation to continue to provide customers access to telecommunication services and is recognized in profit or loss in the period earned.

#### (l) Revenue

The Corporation was licensed by the OEB to distribute electricity through its former subsidiary Horizon Holdings Inc. ("Horizon"). As a licensed distributor, the Corporation was responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation was required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers. The Corporation determined that they were acting as a principal for the electricity distribution and therefore have presented the electricity revenues on a gross basis.

Revenue attributable to the delivery of electricity was based upon OEB-approved distribution tariff rates and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution charges and any regulatory charges. Revenue was recognized as electricity is delivered and consumed by customers. Electricity revenue was recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the year. Revenue was measured at the fair value of the consideration received or receivable, net of sales tax.

Customer billings for Ontario debt retirement charges was recorded on a net basis as the Corporation was acting as an agent for this billing stream. The Corporation filed to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

Performance incentive payments under CDM programs were recognized by the Corporation when there was reasonable assurance that the program conditions have been satisfied and the incentive payments would be received.

Water billing revenue was recorded net of the water revenue paid to the City of Hamilton and was recognized in the period the billing services are rendered.

Electricity, heating and cooling services charges are recognized when goods are delivered or services are provided. Customer billings for these charges are recorded on the basis of a fixed monthly capacity charge, as well as customer usage to the end of the year.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (l) Revenue (Continued)

Revenue earned from the provision of telecommunication service charges is recognized as the service is rendered. Amounts received in advance are presented as deferred revenue.

All other revenues are recorded on a gross basis and are recognized when services are rendered.

#### (m) Leased assets

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases and the leased assets are not recognised on the Corporation's statement of financial position. Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease.

#### (n) Finance income and finance charges

Finance income is recognized as it accrues in net income and comprises interest earned on cash and temporary investments.

Finance charges are calculated using the effective interest rate method and are recognized as an expense unless they are capitalized as part of the cost of qualifying assets. Finance charges comprises interest on borrowings, interest and penalties on income tax payments; unrealized losses on derivative liability and bank charges.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (o) Payments in lieu of income taxes

The Corporation and some of its subsidiaries are currently exempt from taxes under the Income Tax Act (Canada) ("ITA") and the Ontario Corporations Tax Act ("OCTA") (collectively the "Tax Acts").

Pursuant to the *Electricity Act, 1998 (Ontario)* ("EA"), and as a consequence of its exemption from income taxes under the Tax Acts, the Corporation is required to make payments in lieu of corporate income taxes ("PILs") to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the Tax Acts. These amounts are applied to reduce certain debt obligations of the former Ontario Hydro continuing in OEFC.

PILs comprises current and deferred payments in lieu of income tax. PILs is recognized in income and loss except to the extent that it relates to items recognized directly in either comprehensive income or in equity, in which case, it is recognized in comprehensive income or in equity.

Current PILs is the expected amount of cash taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred PILs comprise the net tax effects of temporary differences between the tax basis of assets and liabilities and their respective carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred PILs assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred PILs assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A deferred PILs asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred PILs assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (p) Set-off and reporting on a net basis

Assets and liabilities and income and expenses are not offset and reported on a net basis unless required or permitted by IFRS. Offsetting is permitted for financial assets and financial liabilities when, and only when, the Corporation has a legally enforceable right to set-off and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### (q) Future changes in accounting policy and disclosures

The Corporation is evaluating the adoption of the following new and revised standards along with any subsequent amendments.

##### *Revenue Recognition*

The IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 15 *Agreements for Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC 31 *Revenue - Barter Transactions* and applies to all revenues arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17 *Leases*. The standard requires entities to recognize revenue for the transfer of goods or services to customers measured at the amounts an entity expects to be entitled to in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Corporation is assessing the impact of IFRS 15 on its results of operations, financial position, and disclosures.

##### *Financial Instruments*

In July 2014, the IASB issued a new standard, IFRS 9 *Financial Instruments* ("IFRS 9"), which will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively. The Corporation does not expect IFRS 9 to have a material impact on its results of operations, financial position, and disclosures.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (q) Future changes in accounting policy and disclosures (Continued)

##### *Leases*

In January 2016, IASB issued IFRS 16 *Leases* ("IFRS 16"), which replaces IAS 17 *Leases* ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. Lessor accounting remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Corporation is still assessing the impact of IFRS 16 on its results of operations, financial positions, and disclosures.

### 4. CASH

Cash consist of cash and bank overdrafts, where balances fluctuate frequently from being positive to overdrawn and is utilized as part of the Corporation's overall cash management process.

### 5. INVENTORY

During the fiscal year 2017, an amount of \$nil (2016 - \$13) was recorded as an expense for the write-down of obsolete or damaged inventory to net realizable value.

The amount of inventory consumed by the Corporation and recognized as an expense during 2017 was \$2,481 (2016 - \$491).

### 6. INVESTMENTS IN ALECTRA INC.

On January 31, 2017, the Corporation disposed of its wholly-owned subsidiary, Horizon Holdings Inc. ("Horizon"). Horizon amalgamated with PowerStream Holdings Inc. ("PowerStream") and Enersource Holdings Inc. ("Enersource") to form Alectra Inc. ("Alectra"). Alectra's primary business is to distribute electricity to customers in municipalities in the greater golden horseshoe area as well as provide non-regulated energy services. In consideration for its disposition of Horizon, the Corporation received an 18.15% ownership interest in Alectra's issued and outstanding common shares. The Corporation has determined it has significant influence over Alectra's financial reporting and operating polices and has accounted for its investment in Alectra under the equity method.





## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

### 6. INVESTMENTS IN ALECTRA INC. (Continued)

Alectra has also issued Class S Shares to the former PowerStream shareholders relating to Ring Fenced Solar Portfolio, a division of Alectra. In accordance with the Solar Services and Indemnity Agreement between the former PowerStream shareholders and Alectra, the solar division within Alectra is beneficially owned indirectly by the former PowerStream shareholders through Alectra's Class S shares. As such, the Corporation does not hold Class S shares of Alectra.

As a result of the Alectra formation on January 31, 2017, the Corporation derecognized its investment in Horizon. The Corporation recognized its initial 18.15% equity interest in Alectra at fair value of Alectra Inc. in the amount of \$341,354 plus final purchase price adjustments of \$6,549 resulting in a gain on disposition of \$160,008.

The following tables summarizes the financial information of Alectra as included in its own financial statements, adjusted for fair value adjustments at acquisition as well as the removal of Ring Fenced Solar Portfolio's net assets and operating results. The table also reconciles the summarized financial information to the carrying amount of the Corporation's interest in Alectra:

	2017
Current assets	\$ 702,000
Non-current assets	3,779,000
Current liabilities	(739,000)
Non-current liabilities	(2,094,000)
Net assets (100%)	1,648,000
Ring Fenced Solar Portfolio Net Assets	(30,974)
Fair value bump	296,145
	1,913,171
Carrying value of investment in Alectra at 18.15%	\$ 347,238

<b>Investment in Alectra Inc.</b>	<b>2017</b>
Opening investment as at January 1	\$ -
Initial investment	341,354
Share of income	13,659
Share of OCI	(2,722)
Dividends received	(5,053)
Ending investment as at December 31	\$ 347,238



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

### 7. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Distribution equipment	Heating and electricity generation infrastructure	Other PP&E	Construction Work-in- Progress	2017 Total	2016 Total
<i>Cost or deemed cost</i>							
Balance at January 1, 2017	36,143	498,034	20,844	38,433	15,166	608,620	551,957
Additions	12	1,313	271	2,226	9,188	13,010	59,984
Acquisition	-	-	5,204	552	-	5,756	-
Disposals	(34,456)	(499,347)	-	(34,961)	(13,480)	(582,244)	(3,321)
Balance at December 31, 2017	1,699	-	26,319	6,250	10,874	45,142	608,620

	Land and buildings	Distribution equipment	Heating and electricity generation infrastructure	Other PP&E	Construction Work-in- Progress	2017 Total	2016 Total
<i>Accumulated depreciation</i>							
Balance at January 1, 2017	7,645	77,727	2,912	22,852	-	111,136	88,631
Depreciation	207	1,473	1,136	976	-	3,792	23,161
Disposals	(7,167)	(79,200)	-	(22,658)	-	(109,025)	(656)
Balance at December 31, 2017	685	-	4,048	1,170	-	5,903	111,136
<i>Carrying amounts</i>							
December 31, 2016	28,498	420,307	17,932	15,581	15,166	-	497,484
December 31, 2017	1,014	-	22,271	5,080	10,874	39,239	-



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

### 7. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year, finance charges of \$nil (2016 \$69) were capitalized as part of the cost of property, plant and equipment. A capitalization rate of 3.36% (2016 - 3.36%) was used to determine the amount of finance charges to be capitalized.

The net carrying amount of leased computer equipment is \$nil (2016 - \$314).

Assets with a carrying value of \$9,479 (2016 - \$9,910) are pledged as security for the City of Hamilton Loan.

### 8. PAYMENT IN LIEU OF INCOME TAXES

#### Payments in lieu income taxes

	2017	2016
Current payments in lieu of income tax expense:		
Current year	657	5,529
Deferred payments in lieu of income tax expense:		
Origination and reversal of temporary differences	33,087	6,257
Payments in lieu of income taxes	33,744	11,786

#### Reconciliation of effective tax rate

The payment in lieu of income tax expense varies from amounts which would be by applying the Corporation's combined statutory income tax rate as follows:

	2017	2016
Basic rate applied to income before income tax	26.50%	26.50%
Increase (decrease) in income tax resulting from:		
Items not deductible for tax purposes and other	(6.39%)	1.95%
Allowance for deferred tax	(0.16%)	-
Effective rate applied to income before income tax	19.95%	28.45%



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

### 8. PAYMENTS IN LIEU OF INCOME TAXES (Continued)

#### Deferred payments in lieu of income tax balances

Significant components of the Corporation's deferred payments in lieu of income tax balances are as follows:

	2017	2016
Property, plant and equipment	(1,862)	1,614
Non-capital loss carry forwards	1,720	1,110
Non-deductible reserves	-	9,141
Employee future benefits	33	60
Obligation under capital cost recovery agreements	-	2,015
CMT	113	71
Bond issuance costs	-	(296)
Investment in Alectra Inc.	(33,906)	-
Other	(333)	-
Goodwill	(171)	-
Regulatory liabilities	-	(5,306)
Net deferred payments in lieu of income tax liabilities	(34,406)	8,409

### 9. INTANGIBLE ASSETS

	CCRA	Computer software	Customer contracts, FIT contracts, licenses	2017 Total	2016 Total
<i>Cost or deemed cost</i>					
Balance at January 1, 2017	18,542	16,280	-	34,822	34,841
Other additions	-	494	-	494	(19)
Acquisition additions	-	65	2,895	2,960	-
Disposals	(18,542)	(16,263)	-	(34,805)	-
Balance at December 31, 2017	-	576	2,895	3,471	34,822
<i>Accumulated depreciation</i>					
Balance at January 1, 2017	3,238	11,579	-	14,817	11,455
Amortization charge	84	287	102	473	3,362
Acquisition additions	-	65	754	819	-
Disposals	(3,322)	(11,675)	-	(14,997)	-
Balance at December 31, 2017	-	256	856	1,112	14,817



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

### 9. INTANGIBLE ASSETS (CONTINUED)

	CCRA	Computer software	Customer contracts, FIT contracts, licenses	2017 Total	2016 Total
<i>Carrying amounts</i>					
At December 31, 2016	15,304	4,701	-	-	20,005
At December 31, 2017	-	320	2,039	2,359	

### 10. GOODWILL

Hamover Power LP ("Hamover") acquired control of 2291506 Ontario Inc. ("the company") through a share purchase of 85% of the voting shares of the company for cash consideration of \$720,000. Hamover incurred no costs with respect to this acquisition. The purchase price was allocated to the following tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as follows:

Working capital	\$ (3)
Leasehold improvements	46
Provision for asset retirement	(46)
FIT contract	850
Future income taxes	(213)
Goodwill	213
	847
Less non-controlling interest	127
Total consideration	\$ 720



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 10. GOODWILL (Continued)

On February 23, 2017, Telecom obtained control of Sunrise Interactive Solutions Inc. (also known as NET6 Communications) (the "Company") through a share purchase agreement. The Telecom acquired 100% of the outstanding common shares of the Company in exchange for cash consideration of \$929 as follows:

Cash consideration after closing adjustments	\$	929
Repayment of shareholder loans		1,225
<b>Total consideration</b>	<b>\$</b>	<b>2,154</b>

The Corporation incurred \$7 with respect to legal costs on acquisition.

The purchase price was allocated to the following tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as follows:

Working capital	\$	181
Property, plant and equipment		552
Licences		950
Customer contracts		553
Long term debt		(144)
Future income taxes		(349)
Goodwill		411
	<b>\$</b>	<b>2,154</b>



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

### 11. LONG TERM BORROWINGS

Long term borrowings comprise:

	2017	2016
Senior unsecured debentures bearing interest at 3.03% and due July 25, 2022	-	150,000
Senior unsecured debentures bearing interest at 4.77% and due July 21, 2020	-	40,000
City of Hamilton loan bearing interest at 4.06% and due January 1, 2040 (i)	7,128	7,452
Secured bank loans (ii, iii)	4,339	-
Finance lease liabilities	-	315
Transaction costs	-	(1,329)
Net long-term borrowings	11,467	196,438
Accreted interest	-	686
Total long-term borrowings	11,467	197,124
Current	523	468
Non-current	10,944	196,656
	11,467	197,124

Long-term borrowings comprise the following:

i. Loan with the City of Hamilton to finance HCE's acquisition of the City's Central Utilities Plant (CUP). The loan bears interest at 4.06% per annum and is payable \$324 annually principal plus interest and is due January 1, 2019 with four 5 year renewals. The borrowings are secured by the assets of the CUP.

ii. \$4,189 secured bank loan - The bank loan bears interest at the cost of funds index plus 0.85% plus stamping fees of the BA rate plus 1.54% and is repayable in blended monthly instalments of principal and interest of \$34,911. The loan is due January 12, 2022 and is secured by guarantees of the Corporation and a registered security interest in the rooftop solar power generation equipment owned by Hamover Power LP. The loan is further secured by an assignment of the Feed-In Tariff contracts held by the Corporation. The Corporation entered into an interest rate swap agreement with a notional value of \$5,760,000. Under the terms of the agreement, the Corporation has contracted to pay interest at a fixed rate of 2.46% while receiving a variable rate equivalent to the one month Canadian Dollar Offer Rate. The interest swap agreement is recorded at fair value and is in a net unfavorable position of \$19 (2016 - \$nil).



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

### 11. LONG TERM BORROWINGS (Continued)

iii. \$150 secured bank loans – The Corporation holds two loans with commercial institutions under normal lending terms covered under a general security agreement secured in the assets of the Corporation. The balances outstanding at year end are \$31 and \$119, bearing interest at 6.20% with blended monthly payments of \$3 and \$2 respectively. The loans are due December, 2018 and November, 2023 respectively.

The Corporation paid interest in respect of the debentures of \$548 (2016 - \$7,648).

Interest expense on the City of Hamilton loan was \$288 (2016 - \$308).

Principal payments on the borrowings are as follows:

2018	523
2019	498
2020	505
2021	514
2022	4,074
Thereafter	5,353
	11,467

### 12. CREDIT SUPPORT FOR SERVICE DELIVERY

Credit support for service delivery represents cash deposits from electricity distribution customers and retailers, as well as construction deposits. These customer deposits bear interest at Canada's Prime Business rate less 2.0%, which is 0.7% per annum as of December 31, 2016.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Corporation in compliance with policies set by the OEB or upon termination of their electricity distribution service.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to deferred revenue.

	2017	2016
Customer deposits	-	13,239
Construction deposits	-	9,432
Total credit support for service delivery	-	22,671





## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

### 13. OBLIGATIONS UNDER CAPITAL COST RECOVERY AGREEMENTS

The Corporation was party to connection and cost recovery agreements (“CCRA(s)”), through its former subsidiary Horizon, with Hydro One Networks Inc. (“HONI”). Such agreements provide for the construction by HONI of transformer stations (“TS(s)”) to the distribution system for the purpose of serving the Corporation’s customers, including anticipated electricity load growth.

Under the CCRAs, the Corporation was required to provide HONI with an initial capital contribution (“Initial Capital Contribution”) based on the difference (the “Difference”) between the total capital cost of constructing the TS and a projection of transformation revenue (“HONI Revenue”) earned on the conveyance of electricity through such TS. The Difference represented a debt obligation of the Corporation based on the extent that historical actual and forecast HONI Revenue through the CCRA term was less than the amount of HONI revenue projected as a basis for the determination of the Initial Capital Contribution. Conversely, the Corporation was entitled to a rebate of the Initial Capital Contribution based on the extent that historical actual and forecast HONI Revenue through the CCRA term was greater than the amount of HONI revenue projected as a basis for the determination of the Initial Capital Contribution.

Based on a review of two CCRAs with HONI for TS facilities constructed in 2003, the Corporation estimated a shortfall in HONI for TS Revenue relative to that projected as bases for the determination of respective Initial Capital Contributions. As a result of such a shortfall and based on the terms of the CCRAs, the Corporation recorded Obligations under Capital Cost Recovery Agreements and a corresponding intangible asset of \$10,000 as at December 31, 2012.

Based on a review of three additional CCRAs with HONI for TS facilities constructed in 2006, 2011, and 2013, the Corporation estimated additional shortfalls to HONI for TS Revenue relative to that projected as bases for the determination of respective Initial Capital Contributions. As a result of such shortfalls and based on the terms of the CCRAs, the Corporation recorded incremental Obligations Under Capital Cost Recovery Agreements and a corresponding intangible asset of \$6,626 as at August 31, 2015. Total Obligations Under Capital Cost Recovery Agreements amounted to \$16,626 as at December 31, 2015.

In 2015 the Corporation received and accepted a settlement proposal from HONI in respect of three of the aforementioned CCRAs in the amount of \$9,022. The related payment of this settlement occurred on February 19, 2016. In 2016, the Corporation received and accepted a settlement proposal from HONI in respect of the remaining two aforementioned CCRAs in the amount of \$7,101. The related payment of this settlement occurred on January 19, 2017. In totality, the settlement amounts for these CCRAs were \$504 lower than the estimated shortfalls recorded as Obligations Under Capital Cost Agreements.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

### 13. OBLIGATIONS UNDER CAPITAL COST RECOVERY AGREEMENTS (Continued)

In general terms, investments in regulated electricity distribution assets are recoverable from ratepayers in future rate applications based on the rate-making policies of the OEB.

### 14. EMPLOYEE FUTURE BENEFITS

The Corporation provides certain unfunded health, dental and life insurance benefits on behalf of certain group of its retired employees. The Corporation has reported the defined benefit costs and related liabilities, as calculated by the actuary, in these financial statements. The accrued benefit liability and the expense for December 31 was based on results and assumptions determined by actuarial valuation as at December 31, 2017.

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the unfunded defined benefit obligation and the accrued benefit liability are as follows:

	2017	2016
Defined benefit obligation, beginning of year	30,157	29,952
Current service cost	162	1,848
Interest	9	8
Benefits paid during the year	(109)	(1,112)
Actuarial gain recognized in other comprehensive income	(106)	(539)
Disposal of Horizon Holdings Inc.	(29,987)	-
<b>Defined benefit obligation, end of year</b>	<b>126</b>	<b>30,157</b>



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

### 14. EMPLOYEE FUTURE BENEFITS (Continued)

The main actuarial assumptions underlying the valuation are as follows:

#### (a) General inflation

The health care cost trend for prescription drugs is estimated to increase at a declining rate from 6.20% to 4.5% over seven years. Other medical and dental expenses are assumed to increase at 4.50% per year.

The approximate effect on the accrued benefit obligation ("ABO") and the estimated net benefit expense if the health care trend rate assumption was increased or decreased by 1% is as follows:

	Period Benefit Cost	ABO
1% increase in health care trend rate	1	9
1% decrease in health care trend rate	(1)	(8)

#### (b) Discount (interest) rate

The obligation at the period end and the present value of future liabilities were determined using a discount rate of 3.40% (2016 - 3.90%) representing an estimate of the yield on high quality corporate bonds as at the valuation date.

#### (c) Salary levels

Future general salary and wage levels were assumed to increase at 3.30% (2016 - 2.50%) per year.

### 15. PENSION PLAN

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined benefit pension plan with equal contributions by the employer and its employees. In 2017, the Corporation made employer contributions of \$631 to OMERS (2016 - \$4,132). The Corporation's net benefit expense has been allocated as follows:

- i) \$50 (2016 - \$616) capitalized as part of PP&E; and
- ii) \$581 (2016 - \$3,283) charged to net income.

The Corporation estimates a contribution of \$423 to OMERS during the next fiscal year.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

### 16. SHARE CAPITAL

	2017	2016
Unlimited number of common shares (1,000 issued and outstanding)	129,897	129,897

#### Dividends

The holder of the common shares is entitled to receive dividends as declared from time to time.

The Corporation paid a dividend of \$14.678 per share (2016 - \$10.930) on the common shares during the year, amounting to a total dividend of \$14,678 (2016 - \$10,930).

### 17. NON-CONTROLLING INTEREST

Non-controlling interest previously represented St. Catharines Hydro Inc.'s 21.1% common share ownership in Horizon Holdings Inc. and currently represents Green Energy Nexus 2 Renewable Co-operative Corporation's 15% common share ownership in 2291506 Ontario Inc. Non-controlling interest comprises:

	2017	2016
Non-controlling interest, beginning of year	55,083	50,525
Net comprehensive income (loss)	1	6,959
Dividends paid to non-controlling interest	-	(2,401)
Disposal of Horizon Holdings Inc.	(55,083)	-
Acquisition of 2291506 Ontario Inc.	95	-
Non-controlling interest, end of year	96	55,083

### 18. DISTRIBUTION REVENUE

	2017	2016
Gross customer billings	56,453	736,680
Less: Pass through charges billed by the Corporation		
Electricity charges paid through to generators	(39,827)	(522,243)
Transmission and miscellaneous charges	(5,543)	(67,909)
Market service charges	(2,177)	(22,006)
Distribution revenue	8,906	124,522



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

### 19. OTHER INCOME FROM OPERATIONS

	2017	2016
Water and waste water billing and customer charges	466	5,072
CDM revenue and performance incentives	-	595
Collection and other service charges	109	1,430
Pole and other rental income	138	1,577
Late payment charges	88	967
Management and other support services	348	631
Scrap sales	31	568
Meter services	66	946
Solar PV revenue	38	1,399
Miscellaneous	184	1,431
<b>Total other revenue</b>	<b>1,468</b>	<b>14,616</b>

### 20. FINANCE INCOME AND CHARGES

	2017	2016
Interest income	249	605
Gain on disposal of Horizon Holdings Inc.	160,008	-
<b>Finance income</b>	<b>160,257</b>	<b>605</b>
Interest expense	(1,072)	(7,745)
Unrealized loss on derivative liability	(19)	-
Bank charges	(6)	-
<b>Finance charges</b>	<b>(1,097)</b>	<b>(7,745)</b>
<b>Net finance income</b>		
<b>(charges) recognized in net income</b>	<b>159,160</b>	<b>(7,140)</b>



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

### 21. CASH FLOW INFORMATION

Net change in other assets and liabilities:

	2017	2016
Accounts receivable	5,837	(12,144)
Inventory	(641)	(1,133)
Other assets	(838)	(84)
Accounts payable and accrued liabilities	(3,986)	504
Accounts payable to parent	1,906	(743)
	2,278	(13,600)

### 22. RELATED PARTY TRANSACTIONS

#### (a) Parent and ultimate controlling party

The sole shareholder and parent company of the Corporation is the City of Hamilton. The City of Hamilton produces financial statements that are available for public use.

#### (b) Key management personnel

The key management personnel of the Corporation has been defined as members of its executive management team.

Key management compensation

	2017	2016
Salaries and other short-term benefits	1,751	3,146
Bonuses	159	919
Employee future benefits	-	24
Termination	288	66
Other long-term benefits	117	598
Total	2,315	4,753

The Corporation provides utility services to key management personnel. All energy charges of the Corporation to key management personnel were at prices and under terms approved by the OEB.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 22. RELATED PARTY TRANSACTIONS (Continued)

#### (c) Transactions with shareholder

The Corporation entered into a borrowing agreement with the City of Hamilton as described in note 10.

In the ordinary course of business, the Corporation delivers electricity to the City of Hamilton. Electricity is billed to the City of Hamilton at the prices and terms as approved by the OEB.

The Corporation also provides certain water and waste water billing and customer care services to the City of Hamilton. Other revenue includes \$419 (2016 - \$5,072) earned with respect to these services. Accounts payable and accrued liabilities includes \$nil (2016 - \$14,480) owing to the City of Hamilton for amounts collected on behalf of the City of Hamilton.

Electricity, heating and cooling services charges include \$2,378 (2016 - \$1,916) received from the City of Hamilton pursuant to agreements to produce, sell and distribute thermal energy and electricity. The agreements expire December 31, 2027. Accounts receivable from the City of Hamilton was \$597 (2016 - \$426) at the end of the year. Cooling charges related to the Central Utilities Plant include \$1,802 (2016 - \$1,788) attributable to the City of Hamilton. The agreement will expire December 31, 2039. Accounts receivable from the City of Hamilton is \$237 (2016 - \$2,756) at the end of the year.

The Corporation provides ongoing fibre services to the City of Hamilton. Other revenue includes \$1,077 (2016 - \$780) earned from the City of Hamilton related to these fibre services. Accounts receivable from the City of Hamilton was \$171 (2016 - \$166) at the end of the year.

### 23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### *Fair value disclosure*

The carrying values of cash, temporary investments, accounts receivable, bank and bank indebtedness, accounts payable and accrued liabilities, and reimbursements from IESO approximates fair values because of the short maturity of these instruments. The carrying value of the credit support for service delivery approximates fair value because the amounts are payable on demand.

The fair value of the long-term borrowings is \$11,800. The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### *Financial risks*

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk as well as related mitigation strategies are discussed below. However, the risks described below are not exhaustive of all the risks nor will the mitigation strategies eliminate the Corporation's exposure to all risks listed.

#### (i) Credit risk

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Corporation, such as cash and accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Hamilton and throughout the Province of Ontario. One customer, the City of Hamilton, accounts for 3.79% (2016 - 3.78%) of revenue. No other single customer in either year would account for revenue in excess of 1% of the respective reported balances.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in net income. Subsequent recoveries of receivables previously recorded as impaired are credited to net income. The balance of the allowance for impairment as at December 31, 2017 is \$13 (2016 - \$1,750). An impairment loss of \$48 was recognized during the year (2016 - \$1,058).





## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### *Financial risks (Continued)*

##### (ii) Market risk

Market risk primarily refers to the risk of loss that results from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have commodity or foreign exchange risk. The Corporation is subject to interest rate risk since certain long-term debt bears interest at a floating rate. For a fixed interest rate of 2.46% for the entire term of the contract through the use of derivative instruments in order to hedge its exposure to interest rate risk.

##### (iii) Liquidity risk

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The majority of accounts payable, as reported on the Statement of Financial Position, are due within 60 days.

##### (iv) Capital disclosures

The main objectives of the Corporation when managing financial capital include:

- ensuring ongoing cost effective access to such to provide adequate investment in support of its regulated electricity distribution and other businesses;
- compliance with covenants within its financial instruments;
- prudently manage its capital structure, with regard for maintaining a high level of creditworthiness;
- deliver reasonable returns on the investments of its shareholders.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

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### 23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### *Financial risks (Continued)*

##### (iv) Capital disclosures (Continued)

The Corporation's definition of capital includes: shareholder's equity; indebtedness under existing credit facilities; and long-term borrowings, which includes the current portion of long term borrowings.

The Corporation has customary covenants typically associated with long-term borrowings. The Corporation is in compliance with all credit agreement covenants and limitations associated with its long-term borrowings.

### 24. COMMITMENTS AND CONTINGENCIES

#### **Commitments**

##### *Contractual Obligations*

##### Maintenance contracts

Pursuant to the terms of a Maintenance Contract dated August 25, 2003, the Corporation has agreed to purchase engine maintenance services for a period of 15 years or 60,000 engine hours, whichever comes first. The total commitment over the term of the agreement is approximately \$1,941 and the remaining commitment at year-end is approximately \$520 (2016 - \$645).

Pursuant to the terms of a maintenance contract dated December 9, 2016, the Corporation has agreed to purchase Preventative Maintenance services at McMaster Innovation Park for a period of 3 years. The total commitment over the term of the agreement is approximately \$34 and the remaining commitment at year-end is approximately \$23.

Pursuant to the terms of a maintenance contract dated December 9, 2016, the Corporation has agreed to purchase Preventative Maintenance services at CUP and FOC for a period of 3 years. The total commitment over the term of the agreement is approximately \$103 and the remaining commitment at year-end is approximately \$70.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017  
(stated in thousands of Canadian dollars)

### 24. COMMITMENTS AND CONTINGENCIES (Continued)

#### Commitments (Continued)

##### *Leases*

The Corporation has entered into operating lease agreements with various landlords which provide for the leasing of building rooftops for purposes of installing and operating Solar PV Property. Future minimum annual lease payments are as follows:

2018	79
2019	79
2020	79
2021	79
2022	79
Thereafter	799
	1,194

#### Contingencies

##### *General*

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

##### *General Liability Insurance*

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members on a pro-rata basis based on the total of their respective service revenues. It is anticipated that should such an assessment occur it would be funded over a period of up to 5 years. As at December 31, 2016, no assessments have been made.

### 25. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the presentation adopted in the current year. There is no impact to retained earnings or total comprehensive income as a result of the reclassification.

**5.2****RESOLUTION OF THE CITY OF HAMILTON ACTING AS THE SOLE  
SHAREHOLDER OF  
HAMILTON UTILITIES CORPORATION**

**WHEREAS**, the City of Hamilton (the “**Shareholder**”), as the sole shareholder of Hamilton Utilities Corporation (“**HUC**”), approved the amalgamation of Horizon, PowerStream, Enersource and Hydro One Brampton to create Alectra on October 30, 2015;

**WHEREAS**, in light of the Alectra amalgamation HUC was restructured, among other reasons, to create improved corporate governance and to avoid negative tax implications;

**WHEREAS**, upon restructuring the assets of Alectra remained with HUC, but all other assets were transferred to the newly formed Hamilton Enterprises Holding Corporation (“**HEHCo**”) or its subsidiaries;

**WHEREAS**, as prudent practice, new unanimous Shareholder declarations were required for both HUC and HEHCo as a result of the HUC restructuring;

**WHEREAS**, the Board of Directors of HUC and staff for the Shareholder have been involved in the drafting of the new unanimous Shareholder declarations for HUC and HEHCo;

**WHEREAS**, the Board of Directors of HUC passed a resolution on May 24, 2018 in the form set out in Appendix “A” that recommends the adoption of the new unanimous Shareholder declarations by the Shareholder;

**BE IT RESOLVED THAT**

- (a) The City of Hamilton, acting in its capacity as sole shareholder of Hamilton Utilities Corporation, adopt the Unanimous Shareholder Declaration for Hamilton Utilities Corporation in the form attached in Appendix “B”; and
- (b) The Mayor and Clerk of the City of Hamilton, acting in its capacity as sole shareholder of Hamilton Utilities Corporation, be authorized and directed to execute the Unanimous Shareholder Declaration for Hamilton Utilities Corporation in the form attached in Appendix “B”.

**Appendix A**

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF  
HAMILTON UTILITIES CORPORATION  
(the “Corporation”)**

**WHEREAS**, Hamilton Utilities Corporation hold investments in both regulated and non-regulated subsidiaries with its sole shareholder being the City of Hamilton (the “**City**”); and

**WHEREAS**, the Corporation and its subsidiaries are tax-exempt entities from corporate tax under the Income Tax Act (Canada) and the *Ontario Corporations Tax Act* and are subject to payment in lieu of tax (“PILs”) pursuant to the Electricity Act; and

**WHEREAS**, to maintain the tax-exempt status, the Corporation must pass the 90% municipal ownership test and must limit income generated outside the City boundaries to 10%; and

**WHEREAS**, a change in the tax status of one of the non-regulated subsidiaries of the Corporation could result in the Corporation being required to make a substantial payment under indemnification provisions included in the Alectra Inc. the Unanimous Shareholder Agreement and/or the Merger Participation Agreement entered by the Corporation and the City; and

**WHEREAS**, the City approved the reorganization of Hamilton Utilities Corporation on June 8, 2017 by the creation of a new corporation (Hamilton Enterprises Holding Corporation) to own and hold all of the non-regulated business activities and that Hamilton Utilities Corporation continue to hold and own all the holdings and activities in Alectra Inc. as the sole and exclusive asset and investment; and

**WHEREAS**, so as to limit the tax liability of the reorganization, it is prudent to incorporate two subsidiaries under Hamilton Enterprises Holding Corporation: the first, a holding company, Hamilton Infrastructure Projects Corporation, which will hold and own the businesses whose activities are solely within the City; and, the second, a holding company, Hamilton Ventures Corporation, which will hold and own the businesses whose activities are both within and outside the City boundaries: and

**WHEREAS**, the reorganization requires new Shareholder Direction and Unanimous Shareholder Declarations (the “**Declarations**”) for both corporations; and

**WHEREAS** the City, in the preparation of the Declarations, has consulted with the Board which has deliberated upon, and discussed, the Declarations for both corporations;

**BE IT RESOLVED THAT**

The Board of Directors of Hamilton Utilities Corporation hereby recommends to its shareholder, the City of Hamilton, the approval of the Shareholder Direction and Unanimous Shareholder Declarations for Hamilton Utilities Corporation.

**SHAREHOLDER DIRECTION**

and

**UNANIMOUS SHAREHOLDER DECLARATION**

---

**City of Hamilton**

to

**Hamilton Utilities Corporation**

as regards its interests in:

Alectra Inc.

**JUNE 6, 2018**

## SHAREHOLDER DIRECTION

and

### UNANIMOUS SHAREHOLDER DECLARATION

**WHEREAS** Hamilton Utilities Corporation (the “**Corporation**”) is a corporation incorporated and existing under the Ontario *Business Corporations Act*; and

**WHEREAS** the City of Hamilton (the “**City**”) is the beneficial and registered owner of all of the issued shares of the Corporation; and

**WHEREAS** through this Direction and Declaration made and issued by the City to the Corporation, it is the purpose of the City to:

- (i) inform the Corporation of certain expectations that the City has with respect to the Corporation and its activities;
- (ii) provide certain directions to the Corporation as to how its activities are to be conducted;
- (iii) provide certain restrictions on the investments, shares, securities, assets, business, activities and undertaking that the Corporation may own and conduct;
- (iv) provide certain principles that are to govern the activities of the Corporation;
- (v) restrict certain actions by the directors of the Corporation; and
- (vi) inform the residents of the City of the expectations, principles, directions and restrictions given by the City to the Corporation; and

**NOW THEREFORE THIS DIRECTION AND DECLARATION MADE AND ISSUED BY THE CITY OF HAMILTON TO HAMILTON UTILITIES CORPORATION WITNESSETH:**

### ARTICLE 1 – DEFINITIONS

**1.01**        **Definitions:** In this Direction and Declaration (including the recitals hereto and this Section), unless the context otherwise necessarily requires, the words and phrases set forth below shall have the meaning provided therefor below, namely:

“**Alectra**” means Alectra Inc., an Ontario corporation having Ontario Corporation Number 1969562, as may be continued, amalgamated or reorganized.

“**Alectra Shareholders’ Agreement**” means a Unanimous Shareholders Agreement made as of January 31, 2017 between Enersource Corporation, Markham Enterprises Corporation, Barrie Hydro Holdings Inc., Vaughan Holdings Inc., Hamilton Utilities Corporation and St. Catharines Hydro Inc., as shareholders, and BPC Energy Corporation, the City of Hamilton, The Corporation of the City of Barrie,

- 2 -

The Corporation of the City of Mississauga, The Corporation of the City of St. Catharines, The Corporation of the City of Vaughan and The Corporation of the City of Markham, as principals, as amended from time to time.

“**Applicable Laws**” means: (i) all applicable federal, provincial, regional, county, municipal and other governmental laws, statutes and regulations; (ii) all guidelines, rules, ordinances, by-laws, guidelines, directives, policies, standards, codes and similar edicts having the force of law (including, without limitation, official plans, zoning by-laws, development and site plan agreements, building codes and ESA, CSA and Ontario Energy Board codes); and (iii) all orders, rulings, decisions, mandates and other requirements whatsoever of courts, regulatory and administrative bodies and other authorities having jurisdiction.

“**Board**” means the board of directors of the Corporation.

“**City**” means the City of Hamilton.

“**Corporation**” means Hamilton Utilities Corporation, an Ontario corporation having Ontario Corporation Number 1421133, as may be continued, amalgamated or reorganized.

“**Council**” means the City Council of the City of Hamilton.

“**Effective Date**” means June 6, 2018.

“**HEHCo**” means Hamilton Enterprises Holding Corporation., an Ontario corporation having Ontario Corporation Number 1986514, as may be continued, amalgamated or reorganized.

“**HUC Declaration**” means this Direction and Declaration made and issued by the Shareholder to the Corporation dated June 6, 2018, as amended from time to time.

“**Management**” means the senior employees of the Corporation who are responsible for the management of and conduct of operations by the Corporation, including the officers of the Corporations except the Chair of the Corporation.

“**Prior Shareholder Declarations**” means all written declarations made by the Shareholder to the Corporation of the nature of a “unanimous shareholder agreement” under the Ontario *Business Corporations Act* including: (i) the “Original Shareholder Declaration” effective July 1, 2000; (ii) the “Amended and Restated Shareholder Declaration” dated August 31, 2000; (iii) the Shareholder Declaration dated February 28, 2005 and effective March 1, 2005; (iv) the Amended and Restated Shareholder Declaration dated October 20, 2006 and effective November 1, 2006; (v) Resolutions of the Shareholder dated May 12, 2008; and (vi) the Interim Shareholder Declaration dated June 21, 2016 as amended by letters dated November 15, 2016 and January 5, 2017.

“**Shareholder**” means the City.

“**Shareholder Representative**” shall have the meaning provided therefor in Section 8.04.

“**Subsidiary**” has the meaning provided therefor in the Ontario *Business Corporations Act*.



“**Timely**” means within the time provided herein for a particular action or, if no such provision is made herein, means as quickly as circumstances reasonably allow taking into consideration, in appropriate circumstances, the time available for a decision required by an entity not controllable by the Corporation.

**1.02** **OBCA Definitions:** Words and phrases used but not defined herein but that are defined in the *Ontario Business Corporations Act* shall have the meanings provided therefor in such Act.

## **ARTICLE 2 – TERMINATION OF PRIOR SHAREHOLDER DECLARATIONS**

**2.01** **Termination:** All of the Prior Shareholder Declarations are terminated effective as of the Effective Date.

## **ARTICLE 3 – MANAGEMENT OF ALECTRA INTERESTS**

**3.01** **Fundamental Approach to Alectra Interests:** It is the intention and requirement of the Shareholder, generally, to be fully informed by the Corporation with respect to all material decisions to be made relative to the interests of the Corporation in Alectra, the activities of the Corporation in relation to Alectra and the decisions of the Corporation under the agreements to which the Corporation is a party or bound relating to Alectra. Certain specific requirements of the Shareholder in such regards are provided for in the other Sections of this Article.

**3.02** **Alectra Directors:** The Corporation shall cause the Nominating Committee constituted for the purposes of this HUC Declaration to use the same criteria and follow the same procedure to make a Timely report and recommendation to the Shareholder of candidates qualified for the City to select as the Corporation's appointees to the board of directors of Alectra. The Corporation shall not, without the approval of the Shareholder, place forward or nominate any appointee or nominee of the Corporation to the board of directors of Alectra. Once selected by the Shareholder, the Corporation shall notify Alectra of the appointees to the board of directors of Alectra selected by the Shareholder.

**3.03** **Specific Matters Requiring Shareholder Approval:** Without first having obtained the written approval of the Shareholder, the Corporation shall not itself take any action or acquiesce in any action by another that would:

- (i) be an approval, consent or waiver by the Corporation under or pursuant to the Alectra Shareholder Agreement;
- (ii) amend or terminate the Alectra Shareholders Agreement; or
- (iii) enforce or exercise any right or remedy of the Corporation under the Alectra Shareholders Agreement.

The Shareholder shall endeavor to provide the Corporation in a Timely manner with a decision with respect to actions advised by the Corporation to the Shareholder for which the Shareholder may or may not grant approval. Notwithstanding the foregoing, in the event that the Corporation has not received written approval of the Shareholder in a Timely manner after having provided a

written notice to the Shareholder pursuant to this Section, should the Board determine on a reasonable and good faith basis that, in the best interests of the Corporation or in order to avoid a material breach by the Corporation under the Alectra Shareholders Agreement, the Corporation must act in relation to a matter of which the Corporation gave the Shareholder written notice pursuant to this Section, the Board may take such action as it determines is warranted. Promptly after taking any such action, the Corporation shall notify the Shareholder of the action taken accompanied by a detailed explanation of the basis upon which such action was taken. Provided circumstances allow, the Board will cause the Corporation to act in relation to a matter with respect to which the Board has acted without the written approval of the Shareholder pursuant to this Section in accordance with any written direction given by the Shareholder to the Corporation after the Board has so acted.

**3.04 Alectra Financial Statements & Corporation Report:** The Corporation shall forthwith deliver to the Shareholder copies of all audited financial statements and the quarterly reports received by the Corporation as a shareholder of Alectra forthwith upon receipt thereof, together with (upon request by the Shareholder with respect to the annual and quarterly financial statements): (i) a written report providing such background, additional information and analysis concerning such materials as the Corporation regards as necessary to understand the materials provided; and (ii) a recommendation to the Shareholder for any response to Alectra that the Corporation regards as appropriate in response to such materials.

**3.05 Notice to Shareholder:** The Corporation shall provide written notice of the following to the Shareholder in as Timely a manner as practicable following written receipt by the Corporation of relevant information:

- (i) **Notices:** each notice received by the Corporation under or pursuant to the Alectra Shareholders Agreement or otherwise in relation to Alectra;
- (ii) **Strategic Plans:** each successive Strategic Plan (including business plan and asset management plan) for Alectra;
- (iii) **Changes to Strategic Plan:** each change to the Strategic Plan (including any business plan or asset management plan) of Alectra proposed or approved by the board of Alectra;
- (iv) **Approvals, Consents and Waivers:** each request for an approval, consent or waiver received by the Corporation as a shareholder of Alectra pursuant to the Alectra Shareholders Agreement;
- (v) **Transfers:** any proposed transfer or transfer of ownership of shares or securities of Alectra;
- (vi) **Sections 2.20 and 2.21 Actions:** any action taken pursuant to a “Unanimous Shareholders Approval” under Section 2.20 of the Alectra Shareholders Agreement and pursuant to any Special Shareholder Approval under Section 2.21 of the Alectra Shareholders Agreement; and
- (vii) **Breaches:** any breach by a party to the Alectra Shareholders Agreement.

Each such notice shall be accompanied by: (i) a written report providing such background and additional information concerning such materials as the Corporation regards as necessary to

understand the materials provided; **(ii)** an analysis of such materials; and **(iii)** a recommendation to the Shareholder for any response that the Corporation regards as appropriate in response to such materials. If it is not practicable for a notice pursuant to this Section to be accompanied by such analysis and recommendation, the analysis and recommendation shall be provided to the City at the earliest practicable time following such notice.

**3.06            Responses by the Corporation:** The Corporation shall provide to Alectra any response to a notice received by the Shareholder from the Corporation pursuant to Section 3.05 of which the Shareholder gives the Corporation written notice. If the Shareholder gives the Corporation written notice in respect of any matter concerning Alectra or the Alectra Shareholders Agreement, the Corporation shall only act in a manner that it is authorized by such notice and at all times in furtherance of and consistent with such notice.

#### **ARTICLE 4 – PERMITTED & PROHIBITED ACTIVITIES**

**4.01            Businesses Permitted:** The sole and exclusive business that the Corporation may have and conduct are:

- (i) owning shares and securities of Alectra; and
- (ii) administering the ownership by the Corporation of shares and securities of Alectra and the receipt and disbursement of monies related to such ownership, including the relationship of the Corporation under the Alectra Shareholders Agreement.

The Corporation shall not, directly or indirectly, own howsoever any shares, securities, assets or interests therein or have any business or business interests, activities or undertaking whatsoever other than the forgoing. The business conducted by the Corporation must be conducted in a manner compliant with this HUC Declaration.

**4.02            No Sale or Encumbering of Alectra Shares or Interests:** Without first having obtained the approval of the Shareholder, the Corporation shall not:

- (i) sell, or otherwise alienate howsoever, or grant or allow to exist any security interest on any of the shares or securities of Alectra owned by the Corporation
- (ii) grant any security interest on the interests of the Corporation in or under the Alectra Shareholders Agreement or any other agreement to which the Corporation is a party or by which the Corporation is bound relating to the interests of the Corporation in Alectra.

**4.03            No Subsidiaries or Other Subordinate Vehicles:** The Corporation: **(i)** shall not have any Subsidiaries; and **(ii)** shall not have any ownership interests in any corporation, partnership, unincorporated association, trust, fund or other legal entity of any kind whatsoever except as permitted by Section 4.01.

#### **ARTICLE 5 - EXPECTATIONS AND PRINCIPLES**

**5.01**            **Shareholder Expectations:** It is the expectation of the Shareholder that the Corporation:

- (i) shall forthwith pay to the Shareholder the full amount of all distributions received by the Corporation attributable to the ownership of the Corporation of the shares, securities, assets or interests of or in Alectra, including dividends on the shares and securities of Alectra and distributions made under the Alectra Shareholders Agreement, after deducting only a reasonable amount: (1) to pay the operating expenses of the Corporation; and (2) to either pay or as a reserve to pay taxes payable or projected to be payable by the Corporation;
- (ii) will develop and maintain a prudent financial and capitalization structure consistent with sound financial principles, which will be established on the basis that the Corporation is intended to be financially self-sufficient;
- (iii) will manage all risks related to the business of the Corporation through the adoption of appropriate risk management strategies and internal controls consistent with industry norms; and
- (iv) will develop a long range strategic plan which is consistent with the maintenance of a viable business and preserves the value of its business.

**5.02**            **Directors Responsible:** The directors of the Corporation shall be responsible for determining and implementing the appropriate balance among the expectations set forth in Section 5.01 and for causing the Corporation to conduct its activities in accordance with such determination.

## **ARTICLE 6 - DIRECTORS**

**6.01**            **Additional Definitions:** For purposes of this Article, the words and phrases set forth below shall have the meaning provided therefor below, namely:

“**Mayor**” shall have the meaning provided therefor in Section 6.03(1).

“**Mayor’s Surrogate**” shall have the meaning provided therefor in Section 6.03(1).

**6.02**            **Mandate of the Board:** Excepting matters requiring approval of the Shareholder under either the *Ontario Business Corporations Act* or this HUC Declaration, the mandate of the Board is to recommend the strategic direction for the Corporation to the Shareholder and to implement the strategic direction for the Corporation as approved by the Shareholder and to supervise and oversee the business, the affairs, and the Management of the Corporation in addition to such other duties and responsibilities as are required by Applicable Laws. The Board should consider and, if warranted, approve all significant decisions that affect the Corporation before they are implemented, and review the results. For matters requiring approval of the Shareholder under either the *Ontario Business Corporations Act* or this HUC Declaration, the mandate of the Board is to provide the Shareholder with a Timely report and recommendation.

**6.03**            **Number of Directors for the Corporation:** Initially, the Corporation shall have six (6) directors. The Corporation may, from time to time, change the number of Directors that the Corporation shall have by special resolution of the Shareholder.

- 6.04**      **Composition of Board:** The directors of the Corporation shall at all times include:
- (i) the Mayor of the City (the "**Mayor**") or, should the Mayor either: (1) decline to serve as a director of the Corporation or (2) be a director of Alectra, a member of Council selected by the Council from time to time to serve instead of the Mayor (the "**Mayor's Surrogate**"); and
  - (ii) five (5) individuals who are not members of Council or the administration of the City. A director of HEHCo may serve as a director of the Corporation.

**6.05**      **Qualifications of Directors:** When selecting persons to recommend to the Shareholder to be directors of the Corporation, the Nominating Committee of the Board and the Board will, generally, consider all of qualifications of candidates including sound judgment and personal integrity. In evaluating and nominating potential independent nominees for the Board, the Nominating Committee shall strive to achieve a Board composed of members that, as a group, have skills, experience and expertise in, among other things corporate and/or public management including strategic planning, governance, finance, project development and operations, regulated energy services, environmental matters, municipally-owned corporations and government relations. Preference may be given to qualified candidates who are residents of the City of Hamilton, however non-residents of the City of Hamilton shall not be excluded from serving as directors of the Corporation. Candidates for being a director of the Corporation must consent to the disclosure of his or her director's remuneration to Council for the City of Hamilton and placed on the public record each fiscal year in a form and with sufficient details as prescribed by the Shareholder from time to time.

**6.06**      **Procedure to select Directors:** The Nominating Committee of the Board shall establish a process, and follow such process, to broadly canvass for (including advertising), identify, evaluate and validate, select and recommend to the Board candidates acceptable to the Nominating Committee to be Private Directors (as defined in Section 6.07 (iii)) of the Corporation. The Board shall select from the candidates for Private Directors recommended by the Nominating Committee the persons to be recommended by the Board to the Shareholder to be Private Directors of the Corporation. The Shareholder must approve each candidate for a Private Director prior to the candidate being appointed and elected as a Private Director of the Corporation. The Shareholder may accept or reject, but not substitute for, any person proposed to Council to be a Private Director.

- 6.07**      **Term of Directors:** The terms of the various directors on the Board shall be:
- (i) **Mayor:** The Mayor shall be eligible to serve as director of the Corporation throughout the term of the Mayor as mayor of the City;
  - (ii) **Mayor's Surrogate:** The term of any person serving as director on the Board as the Mayor's Surrogate shall end upon the earlier of: (1) the end of that person's term as a Councillor for the City; (2) the end of the term of the Mayor as mayor of the City; as the case may be; and
  - (iii) **Private Directors:** Each person serving as a director of the Corporation other than the Mayor and the Mayor's Surrogate (a "**Private Director**") shall be elected to serve as a member of the Board for a term of three years. The terms of the Private

- 8 -

Directors shall be arranged such that the terms of approximately one-third of the Private Directors will expire each year.

**6.08**        **Chair:** The Board shall appoint the Chair of the Board and the Chair and Vice Chair, if any, of each committee of Board.

**6.09**        **Committees:** The Board may establish committees of the Board at its discretion. The Shareholder anticipates that the Board will establish the following committees:

- (i)        Audit and Risk Management Committee, to review financial results and to provide direction relative to risk-related matters; and
- (ii)       Nominating Committee, to fulfil the responsibilities provided in Section 6.06.

**6.10**        **Directors' Compensation:** The compensation of the directors of the Corporation will be determined by the Board from time to time in an amount sufficient to attract and retain directors with the necessary qualifications and on the recommendation of any Committee of the Board who shall consult with an independent consultant.

**6.11**        **Disclosure of Compensation:** The remuneration received from the Corporation by each director of the Corporation shall be disclosed to the Shareholder each fiscal year in a form and with sufficient details as prescribed by the Shareholder from time to time and may be placed by the Shareholder in the public record, and each director of the Corporation must irrevocably agree thereto as a precondition to becoming and continuing to be a director of the Corporation.

**6.12**        **Directors' Insurance:** The Corporation shall carry Directors and Officers Liability Insurance for the directors and officers of the Corporation in an amount and upon terms consistent with industry norms as determined by the Board or by any Committee of the Board.

## **ARTICLE 7 – CONDUCT OF ACTIVITIES**

**7.01**        **Requirements:** The directors, officers and Management of the Corporation shall conduct their activities in accordance with the requirements of:

- (i)        the Ontario *Business Corporations Act* and other Applicable Laws including, particularly, the provisions thereof dealing with conflict of interest;
- (i)        this HUC Declaration;
- (iii)       the Articles of the Corporation;
- (iv)       the By-Laws of the Corporation;
- (v)        the corporate policies, codes and values of the Corporation; and
- (vi)       the charters established by the Board for the various committees of the Board.

These requirements are listed in order of precedence; and, in the event any requirement is in conflict with another requirement, the requirement with the higher precedence shall prevail and govern.

## **ARTICLE 8 - SHAREHOLDER MATTERS**

**8.01**        **Matters Requiring Shareholder Approval:** Without first having obtained the approval of the Shareholder, the Corporation shall not, either directly or indirectly:

- (i)        **Requisite Statutory Approvals:** enter into any transaction or take any action that requires the approval of the shareholder(s) of a corporation under the Ontario *Business Corporations Act* or under any other Applicable Laws;
- (ii)       **Agreement Approvals:** enter into any transaction or take any action that requires the approval of the Shareholder under this HUC Declaration;
- (iii)      **Shares and Securities:** issue, purchase, approve the transfer, sell, redeem, retract, convert, divide, contract or otherwise deal with howsoever any of its shares or securities or the terms or conditions thereof or enter into any agreement or warrant to do any of the foregoing;
- (iv)      **Purchases and Sales:** make any acquisition or disposition of assets howsoever (including, without limitation, by way of subscription, lease, exchange, merger, arrangement, consolidation or other corporate reorganization);
- (v)        **Dividends & Distributions:** declare any dividend or make any other distribution to the Shareholder except by the Board exercising its discretion having regard to the principles set out in any Dividend and/or Distribution Policy approved by the Shareholder;
- (vi)      **Financial Transactions:**
  - (1)       borrow any funds;
  - (2)       make any capital expenditure;
  - (3)       loan any funds to any entity;
  - (4)       grant any guarantee of indebtedness or performance or provide financial assistance howsoever to any entity;
  - (5)       grant any security; or
  - (6)       invest any funds in any securities other than the debt of governments of Canada or any Canadian province or debt of Canadian chartered banks;
- (vii)     **Non Arms-Length Transactions:** effect any transaction with any entity who does not deal at arm's length (as that term is interpreted under the *Income Tax Act* of Canada) with the Corporation or any director, officer or employee of the Corporation. The provisions of this paragraph do not apply to remuneration paid in the normal course of business to directors, officers and employees of the Corporation including, without limitation, fees, honoraria, wages, salaries and bonuses or any reimbursement for expenses incurred in performing duties.;
- (viii)    **Changes in Status:** make any decision that would materially and adversely affect the tax or regulatory status of the Corporation;

- 10 -

- (ix) **Wind-up or Dissolution:** take any steps to wind-up or dissolve the Corporation;
- (x) **Litigation:** initiate any litigation, arbitration or other like proceedings against the Shareholder, any of its agencies local boards, or administrative subdivisions or any corporation or other body owned or controlled by the Shareholder or any director, officer, official, elected member or employee (including full-time, part-time and contract employees) of any of the foregoing entities in this Section 8.01(x);
- (xi) **Dividend Policy or Distribution Policy:** establish any dividend and/or distribution policy for the Corporation; and
- (xii) **Compliance with Agreement:** conduct any activities not allowed by this HUC Declaration.

**8.02** **Materials to Accompany Approval Requests:** Requests by the Corporation to the Shareholder for approvals in relation to Section 8.01 shall be in writing and shall be accompanied by a written analysis and recommendation in connection with the matter in respect of which approval is requested; provided, however, that if it is not practicable for the request to be accompanied by such analysis and recommendation, the analysis and recommendation shall be provided to the Shareholder at the earliest practicable time following such request.

**8.03** **Decisions of the Shareholder:** Approvals and decisions of the Shareholder in relation to this HUC Declaration will be given to the Corporation in writing signed by the Shareholder Representative, and approvals and decisions so signed may be relied upon by the Corporation as being the approval and decision of the Shareholder.

**8.04** **Shareholder Representative:** The Shareholder hereby designates the City Clerk for the City or such other person as may be designated by the Council of the City from time to time as the legal representative of the Shareholder (the "**Shareholder Representative**") for purposes of: (1) communicating to the Corporation on behalf of the Shareholder any consent or approval required by the Ontario *Business Corporations Act* or providing any consent, approval, direction, communication or any information to be provided by the Shareholder to the Corporation for the purposes of this HUC Declaration; and (2) receiving from the Corporation any communications or information to be provided to the Shareholder by the Corporation for the purposes of this HUC Declaration. All communications for the purposes of this HUC Declaration between the Shareholder and the Corporation shall be transmitted to and from the President of the Corporation, on behalf of the Corporation, and the Shareholders Representative, on behalf of the Shareholder.

**8.05** **Unanimous Shareholder Agreement:** This HUC Declaration is intended to be a unanimous shareholders agreement under Section 108 of the Ontario *Business Corporations Act* to the extent, but only to the extent, that it restricts in whole or in part the powers of the directors of the Corporation including, without limitation, in the management or supervising the management of the business and affairs of the Corporation, but is not intended to, and shall not be construed, to be a unanimous shareholders agreement except to such extent.

## **ARTICLE 9 – REPORTING**



- 11 -

**9.01**            **Major Developments:** The Corporation shall, from time to time, report to the Shareholder Representative and, if requested by the Shareholder Representative, directly to the Council of the City on business developments regarded by the Board as major or adverse results regarded by the Board as material that pertain to the Corporation as the Board determines, in accordance with the standard of care required to be applied by the Board, appropriate to so report.

**9.02**            **Annual Meetings:** The Corporation shall hold its Annual Meeting each year in satisfaction of the requirements of the Ontario *Business Corporations Act* within six months after the end of each fiscal year of the Corporation.

**9.03**            **Annual Meeting Report:** In the course of each Annual Meeting of the Corporation, either the Chair of the Board or the President of the Corporation shall report with respect to the Corporation and Alectra (to the extent that information is available to the Corporation pursuant to the Alectra Shareholders Agreement or otherwise becomes available to the Corporation) and that is appropriate having regard to the forum, competitive position and confidentiality obligations of the Corporation in the following areas: **(i)** the business activities and prospects; **(ii)** any updates to strategic plans or business plans; **(iii)** business performance; **(iv)** financial performance and existing or potential tax liabilities; **(v)** any changes to corporate organization; and **(vi)** current and projected dividends. The Corporation will invite Management of Alectra to provide the Shareholder with an update on Alectra's activities, particularly as they relate to items (i) to (vi) in this Section.

**9.04**            **Right of Inspection and Inquiry:** The Corporation shall permit representatives designated by the Shareholder to examine the properties and assets of the Corporation and the financial and other records of the Corporation, at all reasonable times, as often as may be reasonably requested by the Shareholder, and at the expense of the Shareholder. The Corporation shall cause to be answered fully and fairly any inquiries that such representatives may have; and such representatives may, in the course of their investigations, discuss the business and affairs of the Corporation with the officers, employees and auditor of the Corporation.

## **ARTICLE 10 - GENERAL**

**10.01**            **Paramountcy:** In the event of any inconsistency between the provisions of this HUC Declaration and of the by-laws of the Corporation, the provisions of this HUC Declaration shall prevail to the extent of the conflict.

**10.02**            **Revisions:** The Shareholder will endeavor to consult with the Board prior to completing any revisions to this HUC Declaration and will promptly provide the Board with copies of each such revision.

**10.03**            **Governing Law:** This HUC Declaration shall be governed by and construed in accordance with the laws applicable in the Province of Ontario.

**10.04**            **Legislation, Regulations, Codes and Rules:** Any reference in this HUC Declaration to all or any part of any law, statute, regulation, code or rule shall, unless otherwise expressly stated herein, be a reference to the statute, regulation, code or rule, or part thereof, as amended from time to time.

- 12 -

**10.05**        **Article, Section, Subsection and Item References:** The division of this HUC Declaration into Articles, Sections and Subsections is for convenience of reference only and shall not affect or be considered to affect the construction or interpretation of the provisions of this HUC Declaration. References in this HUC Declaration to an Article, Section or Subsection shall mean a reference to an Article, Section or Subsection within this HUC Declaration unless otherwise specified.

**10.06**        **Headings:** The headings of Articles, Sections and Subsections in this HUC Declaration, are inserted for convenience of reference only and shall not affect or be considered to affect the construction or interpretation of the provisions of this HUC Declaration.

**10.07**        **No Third Party Beneficiaries:** Nothing in this HUC Declaration shall entitle any entity other than the Shareholder to any claim, cause of action, remedy or right of any kind in respect of this HUC Declaration or the subject matter of this HUC Declaration.

**10.08**        **Effective Date:** Notwithstanding the date of execution hereof by the City and the date of delivery hereof by the City to the Corporation, this HUC Declaration shall become effective on the Effective Date.

**DATED and DELIVERED** at Hamilton, Ontario as of the 6th day of June, 2018.

**CITY OF HAMILTON**

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

## 5.3

**RESOLUTION OF THE CITY OF HAMILTON ACTING AS THE SOLE  
SHAREHOLDER OF  
HAMILTON UTILITIES CORPORATION  
(the "Corporation")**

**WHEREAS**, the Board of Directors of the Corporation passed a resolution on May 24, 2018 in the form set out in Appendix "A" that approved a Dividend Policy for the Corporation, as set out in Appendix "B";

**BE IT RESOLVED THAT**

- (a) The City of Hamilton, acting in its capacity as sole shareholder of the Corporation, hereby approve Dividend Policy for the Corporation, as set out in Appendix "B".

**Appendix A**

**APPROVAL OF THE HUC DIVIDEND POLICY  
RESOLUTION OF THE BOARD OF DIRECTORS  
OF  
HAMILTON UTILITIES CORPORATION  
(the “Corporation”)**

**Item 3.05 Review and approve HUC Dividend Policy**

UPON MOTION duly made, seconded and carried, IT WAS RESOLVED that the Board of Directors of Hamilton Utilities Corporation approves the HUC Dividend Policy and submits the policy to the Shareholder, the City of Hamilton, for its consideration.

**Appendix B****HAMILTON UTILITIES CORPORATION****DIVIDEND POLICY****Preamble**

The Dividend Policy of Hamilton Utilities Corporation (the “**Corporation**”) as regards to its interest in Alectra Inc. (“**Alectra**”) is predicated on the mandate of the Board of Directors (the “**Board**”) which includes maximizing Shareholder value. Such value is generally realized by the Shareholder (the “**City of Hamilton**”) through dividends or the appreciation of shareholder investment.

**Policy**

Subject to the “Criteria for the Payment of Dividends” provided in this Dividend Policy and the Shareholder Direction and Unanimous Shareholder Declaration of the Corporation (the “**Declaration**”), the payment of any dividends is at all times subject to the discretion and resolution of the Board.

**Regular Dividends to the Shareholder**

In addition to Special Dividends referred to below, the Shareholder is eligible to receive the full amount of all distributions received from Alectra including dividends on shares and securities of Alectra and distributions made under the Alectra Unanimous Shareholder Agreement (the **USA**). The Board shall deduct all expenses and required reserves to meet the obligations of the Corporation which it deems necessary to meet its mandate, the effective financial management of the Corporation and all requirements set out in the Declaration.

**Criteria for the Payment of Dividends to Shareholder**

Dividends will be paid to the extent that such would not otherwise cause:

1. Non-compliance with relevant statutes and regulations;
2. An impairment which would deteriorate the financial structure of the Corporation; or
3. Non-compliance with the financial policies of the Corporation.

**Special Dividends**

The Board may declare special dividends to the Shareholder at any time acting in its discretion.

**Payment of Dividends**

Each year, the Board will provide to the Shareholder the Alectra forecast of the annual dividends payable by Alectra for the next fiscal year. Alectra sets its

## HAMILTON UTILITIES CORPORATION

quarterly dividend installments at up to 20% of forecasted dividend payable for the coming year. Quarterly dividend installment paid by Alectra to the Corporation on June 30<sup>th</sup>, September 30<sup>th</sup>, and December 31<sup>st</sup> will be paid within 30 days of the receipt of the dividend by the Corporation. The Alectra March 31<sup>st</sup> dividend payment which includes the quarterly dividend in respect of the fourth quarter of the preceding year and any further adjustment as determined by Alectra will be paid by the Board on approval of its Annual Audited Financial Statements of the Corporation. Expenses will be deducted on the March 31<sup>st</sup> dividend instalment which will be paid within 15 business days of the date of declaration by the Board.

### **Reporting to Shareholder**

In the event that the Board either (i) does not approve a payment of a dividend; or (ii) approves a payment of a dividend that is less than set out in this policy, it will promptly report the circumstances underlying the non-payment or payment, as the case may be, to the Shareholder.

**5.4**

**RESOLUTION OF THE CITY OF HAMILTON AS THE SOLE SHAREHOLDER  
OF  
HAMILTON UTILITIES CORPORATION  
(the “Corporation”)**

**WHEREAS**, the Corporation and the City of Hamilton (the “**Shareholder**”), among others, are parties to the Unanimous Shareholders Agreement (the “**USA**”) for Alectra Inc. (“**Alectra**”) dated the 31<sup>st</sup> of January, 2017; and

**WHEREAS**, the Corporation has received notice on April 13, 2018 that the Board of Directors of Alectra has approved and is recommending to its shareholders minor amendments to the Alectra USA; and

**WHEREAS**, pursuant to the letter dated April 30, 2018, the Corporation provided notice to the Shareholder, advising of the Corporation’s intention to make a recommendation to the Shareholder; and

**WHEREAS**, the Audit and Risk Management Committee (the “**ARM**”) met on May 7, 2018 to review the amendments to the Alectra USA and has recommended approval to the Board of Directors of the Corporation (the “**HUC Board**”) and the Shareholder; and

**WHEREAS**, the HUC Board has deliberated upon, and discussed, the ARM recommendation and the submission made by Alectra on April 13, 2018;

**WHEREAS**, on May 24, 2018, the HUC Board has recommended the amendments to the Alectra USA as prescribed in the resolution attached hereto as Appendix “A”;

**WHEREAS** the Shareholder is relying upon the recommendation of the HUC Board;

**BE IT RESOLVED THAT:**

- (a) The Shareholder approves the amendments to the Alectra USA as prescribed in the resolution attached hereto as Appendix “A”;
- (b) The Mayor and Clerk of the Shareholder be authorized and directed to execute the amendments to the Alectra USA as prescribed in the resolution attached hereto as Appendix “A” and the General Manager, Finance and Corporate Services be authorized and directed to execute any ancillary documents in a form approved by the City Solicitor with content approved by the General Manager, Finance and Corporate Services; and
- (c) The Shareholder waive any approval rights it may have to allow the HUC Board to approve the amendments to the Alectra USA as prescribed in the resolution attached hereto as Appendix “A”.

**Appendix A****ALECTRA INC.  
(the "Corporation")****SHAREHOLDERS RESOLUTIONS****Amendments to Unanimous Shareholders Agreement**

**WHEREAS** all of the shareholders of the Corporation are parties to the shareholders agreement of the Corporation made as of January 31, 2017 (the "**USA**");

**AND WHEREAS** all capitalized terms not otherwise defined herein have the meanings ascribed thereto in the USA;

**AND WHEREAS** in addition to the Shareholders, each Principal is a party to the USA;

**AND WHEREAS** a new unanimous shareholders agreement for the Corporation, substantially in the form of the USA (the "New USA"), will take effect concurrent with the acquisition and merger transactions being entered into by the Corporation and Alectra Utilities Corporation with Guelph Hydro Electrical Services Inc. ("**GHESI**") and Guelph Municipal Holdings Inc. ("**GMHI**");

**AND WHEREAS** the Shareholders desire to approve certain amendments to the USA;

**RESOLVED THAT:**

1. Section 2.26 of the USA is hereby amended by deleting the words "45 days" in the first line thereof, and substituting therefor the words "60 days";
2. Subsection 2.21(1)(d) of the USA is hereby amended by adding thereto the word "equity" after the word "other" in the first line and sixth line thereof;
3. Subsection 4.2(1) of the USA is hereby amended by adding thereto the word "equity" after the word "other" in the third line thereof;
4. Subsection 4.2(2) of the USA is hereby amended by adding thereto the word "equity" after the word "other" in the second line and fifth line thereof;
5. Forthwith upon approval of the foregoing amendments by each Principal, GHESI and GMHI, the Shareholders shall execute and deliver an Amendment No. 1 to the USA in order to give effect to the foregoing;
6. The New USA of the Corporation to be entered into upon completion of the acquisition and merger transactions with GHESI and GMHI shall also include the foregoing amendments;
7. Any director or officer of the Corporation is hereby authorized and directed to take all steps and procedures required to give effect to the foregoing; and
8. These resolutions are hereby unanimously approved by the Shareholders.

**DATED** as of the 15<sup>th</sup> day of June, 2018.



- 2 -

**ENERSOURCE CORPORATION**

Per: \_\_\_\_\_

Per: \_\_\_\_\_

**HAMILTON UTILITIES CORPORATION**

Per: \_\_\_\_\_

Per: \_\_\_\_\_

**MARKHAM ENTERPRISES CORPORATION**

Per: \_\_\_\_\_

Per: \_\_\_\_\_

**VAUGHAN HOLDINGS INC.**

Per: \_\_\_\_\_

Per: \_\_\_\_\_

**ST. CATHARINES HYDRO INC.**

Per: \_\_\_\_\_

Per: \_\_\_\_\_

- 3 -

**BARRIE HYDRO HOLDINGS INC.**

Per: \_\_\_\_\_

Per: \_\_\_\_\_

# 5.5

## CITY OF HAMILTON MOTION

Hamilton Utilities Corporation Shareholder: June 6, 2018

**MOVED BY COUNCILLOR D. CONLEY .....**

**SECONDED BY COUNCILLOR.....**

### **Local Representation on the Hamilton Utilities Corporation and Alectra Inc. Boards**

WHEREAS, the former Hamilton Utilities Corporation (HUC) Boards were comprised with the majority of Directors being from leading Hamilton business and community organizations, with only a minority of the representatives being selected from outside of the city of Hamilton;

WHEREAS, currently, five of the seven HUC Board Directors are not from the city of Hamilton; and,

WHEREAS, Alectra Inc. has two Board seats for Hamilton and one representative resides outside of Hamilton;

THEREFORE, BE IT RESOLVED:

- (a) That the majority of Directors of the Hamilton Utilities Corporation Board be residents of the city of Hamilton; and,
- (b) That both of the Hamilton representatives for the Alectra Inc. Board of Directors be residents of the city of Hamilton.

# Alectra Shareholder and Stakeholder Communications Plans

## DEFINITIONS

### 1. Shareholders as defined in the Unanimous Shareholder Agreement (USA)

Enersource Corporation, Markham Enterprises, Barrie Hydro, Vaughan Holdings, Hamilton Utilities and St. Catharines Hydro.

### 2. Principal (as defined in the USA)

“Principal” means, in respect of a Shareholder, (i) a Person listed as a principal of such Shareholder on Schedule A, namely BPC Energy corporation, City of Hamilton, The Corporation of the City of Barrie, The Corporation of the City of Mississauga, The Corporation of the City of St. Catharines, The Corporation of the City of Vaughan, The Corporation of the City of Markham.

### 3. Stakeholders

The municipalities in our service territory together with key agencies and organizations.

## A. Shareholders

Recognizing the requirement to provide Shareholders with quarterly financial reports and annual financial statements, and the need and value of effective written and verbal communications to our Shareholders, this plan has been developed to ensure that Alectra meets its reporting obligations.

Communications to Shareholders are subject to the oversight of the Board of Directors.

Communications to Principals about financial matters or matters likely to be of material interest to Principals should be coordinated through the Shareholders.

The Unanimous Shareholder Agreement provides that:

### Annual Financial Statements

The audited financial statements, along with accompanying Management Discussion and Analysis, shall be delivered to the Shareholders following their approval by the Board and shall include a Summary of Financial Results and a Financial Review of Modified IFRS Operating Results. In addition, a cover letter will be provided which will include the following information: Alectra Inc. Shared Financial Results; Final Dividend on Voting Shares; 5 Year Financial Plan; Quarterly Dividends for current fiscal year; and Notice to Shareholders Under Section 4.1(5) of the USA Governing Alectra Inc. Regarding Additional Capital, as necessary.

## Quarterly Reports

After the end of the first three fiscal quarters of each Fiscal Year, the Board will prepare (on a consistent basis with the previous fiscal quarter and the audited financial statements) and submit a quarterly report to the Shareholders. The quarterly report will include:

- (a) quarterly unaudited financial statements for the immediately preceding fiscal quarter and shall include a Summary of Financial Results and a Financial Review of Modified IFRS Operating Results; and
- (b) information that is likely to be of material concern to the Shareholders

## Shareholder Communications

### 1. Annual financial statements

Annual audited financial statements will be forwarded to Shareholders.

Timing: April

### 2. Quarterly reports

Shareholders will be provided with quarterly unaudited financial statements for the immediately preceding fiscal quarter, along with information that is likely to be of material concern.

Timing: June, September, December

### 3. Annual general meeting (AGM)

An Annual General Meeting will be held and shall be open to Shareholders and Principals.

Timing: June

### 4. Participation at shareholder AGMs

The Alectra Chief Executive Officer and other executives will present a summary of the Annual Financial Statements and other relevant information to each of the Shareholder Annual General Meetings, as requested.

Timing: May

## B. Principals

Alectra's Municipal Stakeholder Communications Plan (Principal) will leverage the existing relations of the predecessor companies and will involve proactive two way communications relating to the day-to-day business operations of the company. Alectra's approach will be consistent to all Principals, while recognizing the specific needs and unique circumstances of each community.

### To meet this requirement Alectra will:

- track issues affecting each municipality
- identify opportunities to contribute to municipal goals (e.g., Net-Zero project in Markham, etc.)
- provide feedback and engage on Municipally-led consultation activities (e.g., growth plans, etc.); and
- Ensure coordination on key accounts and community stakeholders

Share timely and relevant information on matters such as:

- status update on billing information related to government policies
- system upgrades / construction / maintenance schedules
- update on strategic projects
- energy sector policy initiatives (e.g., Long-Term Energy Plan, etc.)
- regulatory matters of interest to customers
- Integrated Regional Energy Plans
- energy conservation programs
- opportunities for community engagement

Be responsive to ad hoc issues, by including:

- protocols for rapid response to any issues brought forward; and
- coordination with Alectra media relations, PR and customer care key accounts teams

## **Communications**

### **Briefing meetings**

Meetings with key staff about local operational issues, infrastructure projects, customer service initiatives, community involvement activities.

### **Quarterly newsletters**

In order to maintain effective communications a newsletter program will be distributed on a quarterly basis. The purpose of this will be to provide high level and general information on relevant matters tailored for the specific municipality. For example, this would include information on infrastructure upgrades, new development projects, benefits to the community, how and who to access during an outage, etc.

### **Monitoring program and delegations to council**

Alectra's day-to-day business operations can be impacted by by-law changes, regulations etc. A municipal issues monitoring program of committees and council agendas / meetings in each municipality in our service territory will enable Alectra to become aware of any issues as they make their way through the municipal legislative process. Should an item be before a committee or council for consideration, the following steps may be necessary and subject to municipal lobbyist registration requirements, where applicable:

- Arrange for appropriate representatives from Alectra to attend meetings with staff, Councillors and the Mayor prior to the committee / council meeting to gain an understanding of their position on the issue.
- Prepare for public deputations at committee and/or council, only as required (deputation preparations vary according to issue and can be submitted in writing or in person).
- Coordinate with Alectra's communications team for any media relations required.

## C. Stakeholders (Other Municipalities and Key Business Organizations)

Alectra's Stakeholders Plan for other municipalities and key business organizations across our service territory and will also build on existing relationships and seek opportunities to expand our presence and brand awareness.

### **Alectra will:**

- build and enhance visibility of Alectra in the community
- provide stakeholders opportunities to raise issues directly with Alectra

### **Share timely and relevant information on matters such as:**

- status updates on customer service billing information
- system upgrades / construction / maintenance schedules
- updates on strategic projects
- energy sector policy initiatives (e.g., Long-Term Energy Plan, etc.).
- regulatory matters of interest to customers
- Integrated Regional Energy Plans
- energy conservation programs
- opportunities for community engagement

### **Be responsive to ad hoc issues, by including:**

- protocols for rapid response to any issues brought forward; and
- coordination with Alectra media, PR, communications and customer care key accounts team

## Communications

### **Quarterly newsletters**

In order to maintain frequent communications a newsletter program will be distributed on a quarterly basis. The purpose will be to provide high level and general information on relevant matters tailored to specific municipalities. For example, this would include information on infrastructure upgrades, new development projects, benefits to the community, power outage communications.

### **Monitoring program and deputations to council**

Alectra's day-to-day business operations can be impacted by by-laws, regulations, requests from City Councils etc. A municipal issues monitoring program of committees and council agendas / meetings in each municipality in our service territory will enable Alectra to become aware of any issues as they make their way through the municipal legislative process. Should an item be before a committee or council for consideration, the following steps may be necessary and subject to municipal lobbyist registration requirements, where applicable:

- Arrange for appropriate representatives from Alectra to attend meetings with staff, Councillors and the Mayor prior to the committee / council meeting to gain an understanding of their position on the issue.

- Prepare for public deputations at committee and/or council, only as required (deputation preparations vary according to issue and can be submitted in writing or in person).
- Coordinate with Alectra's communications team for any media relations required.

### Board of trade/chamber of commerce involvement

Alectra will maintain its existing memberships in Boards of Trade/Chambers of Commerce across our territory, and look for additional opportunities to engage with business groups.

Alectra will:

- Actively support local business associations in Principal Municipalities through memberships and attendance at business events.
- Encourage its executives to seek nominations for Board of Director positions at the local associations.
- Encourage staff to participate on local association planning and events committees.

Shareholder Outreach			
Activity	Content	Recipients	Timing
Quarterly financial statements	Unaudited quarterly financial statements;	Shareholders	May, August, November
Annual financial statements	Audited year-end financial statements	Shareholders	March
Shareholder annual general meetings	As requested, CEO will provide an overview of the business and summary of financial summary to Shareholder AGMs	Shareholders	May
Alectra annual general meeting	CEO overview of the business; Year-end results Appointment of Auditor	Shareholders, Principals, including councilors and senior staff	June



## Principals Outreach

Briefing meetings	Local operational issues, customer service initiatives, infrastructure investment, community involvement opportunities	Local Councillors and senior staff	As necessary
Quarterly newsletters	Merger updates; Customer service news; CDM programs for business and residents; Local community involvement; Capital investments/construction news	City Councillors and senior staff in Principal Municipalities;	March, June, September, November
Council monitoring program; deputations	Monitor city service territory council agendas to track items that relate to utility or energy solutions operations	Alectra management; Board of Directors as necessary	Ongoing

## Stakeholder Outreach

(Other municipalities and key organizations)

Quarterly newsletters	Merger updates; Customer service news; CDM programs for business and residents; Local community involvement; Capital investments/construction	City Councillors in municipalities across our territory, including Principals; Senior municipal staff; Local Boards of Trade/Chambers of Commerce across our service territory	March, June, September, November
Council monitoring program, deputations	Monitor city service territory council agendas to track items that relate to utility or energy solutions operations	Alectra management; Board of Directors as necessary	Ongoing
Board of trade/chamber of commerce	Memberships in local BoT and CoC organizations	Alectra executives and Board of Directors	Ongoing