

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



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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)
Revenue:			
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)
Total net revenue	545,960	547,575	(1,615)
Expenses:			
Operating expenses	271,996	273,697	1,701
Depreciation and amortization	119,829	123,940	4,111
Total expenses	391,825	397,637	5,812
Income from operating activities	154,135	149,938	4,197
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
Income before income taxes	96,410	90,000	6,410
Income tax expense	(13,686)	(14,776)	1,090
Net income	82,724	75,224	7,500



CAPEX - Consolidated Alectra Inc.

As of December 2017 (000's)

	Actual	Budget	Variance Fav/(unfav)
CAPEX			
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)
Total	237,542	269,258	31,716

- 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	
Alectra Net Income (MIFRS)								
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)	
Alectra Dividends								
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)
HUC/City Dividends								
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)
Closing Adjustment								
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>	ACTUAL	FINANCIAL PLAN	VARIANCE
OPERATING			
SYNERGY	\$24.2	\$15.9	\$8.4
TRANSITION COST	-\$18.2	-\$34.4	\$16.3
NET OPERATING	\$6.1	-\$18.6	\$24.7
CAPITAL			
SYNERGY	\$17.9	\$23.0	-\$5.1
TRANSITION COST	-\$22.8	-\$43.1	\$20.3
NET CAPITAL	-\$4.9	-\$20.2	\$15.3
TOTAL NET SYNERGIES	\$1.2	-\$38.7	\$39.9



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
OPERATING								
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
CAPITAL								
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
TOTAL NET SYNERGIES	\$4.00	(\$6.60)	\$51.90	\$65.50	\$73.90	\$54.80	\$219.20	\$462.80

*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

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.

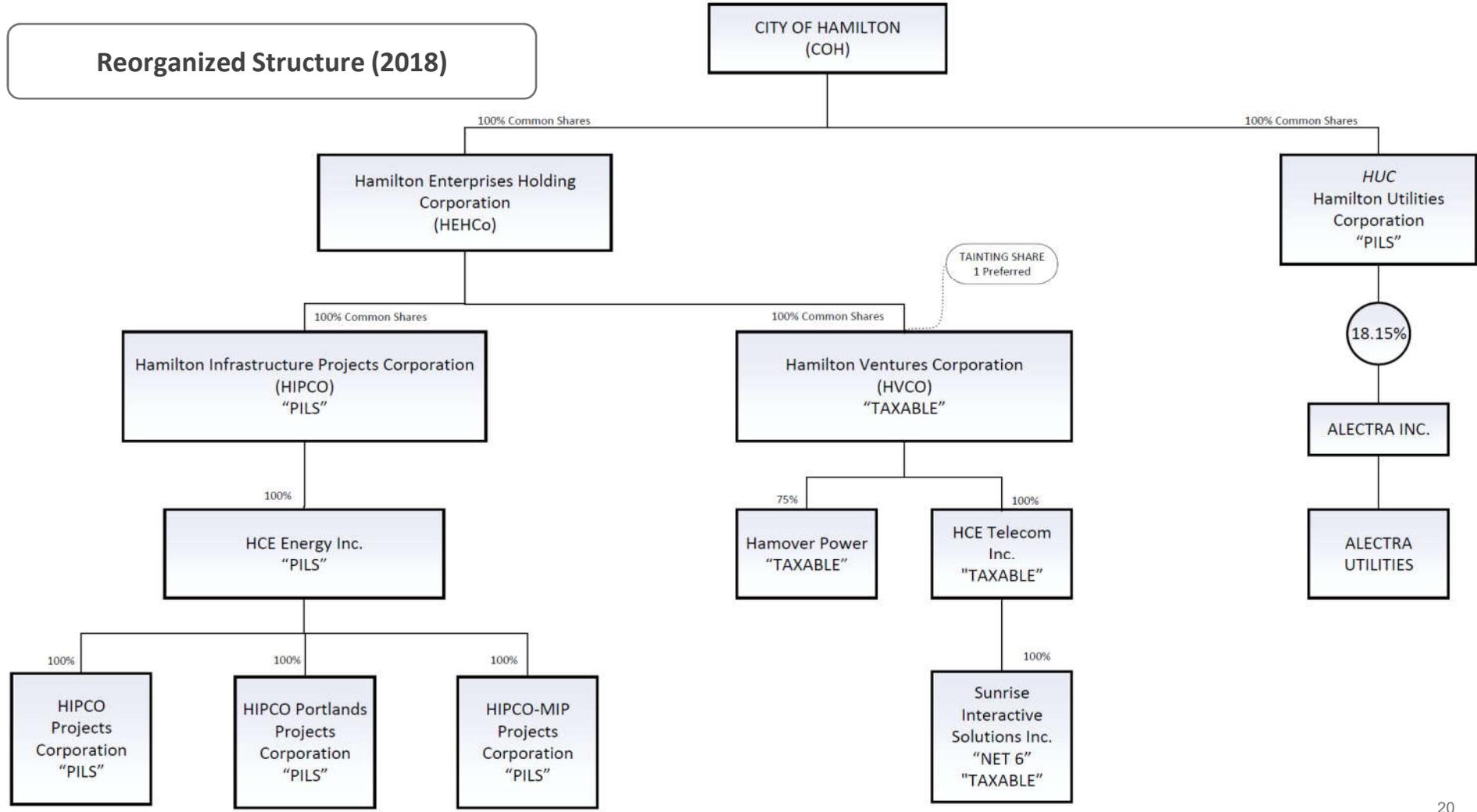
5.2 HUC Shareholder Declaration

- 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**

Reorganized Structure (2018)



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

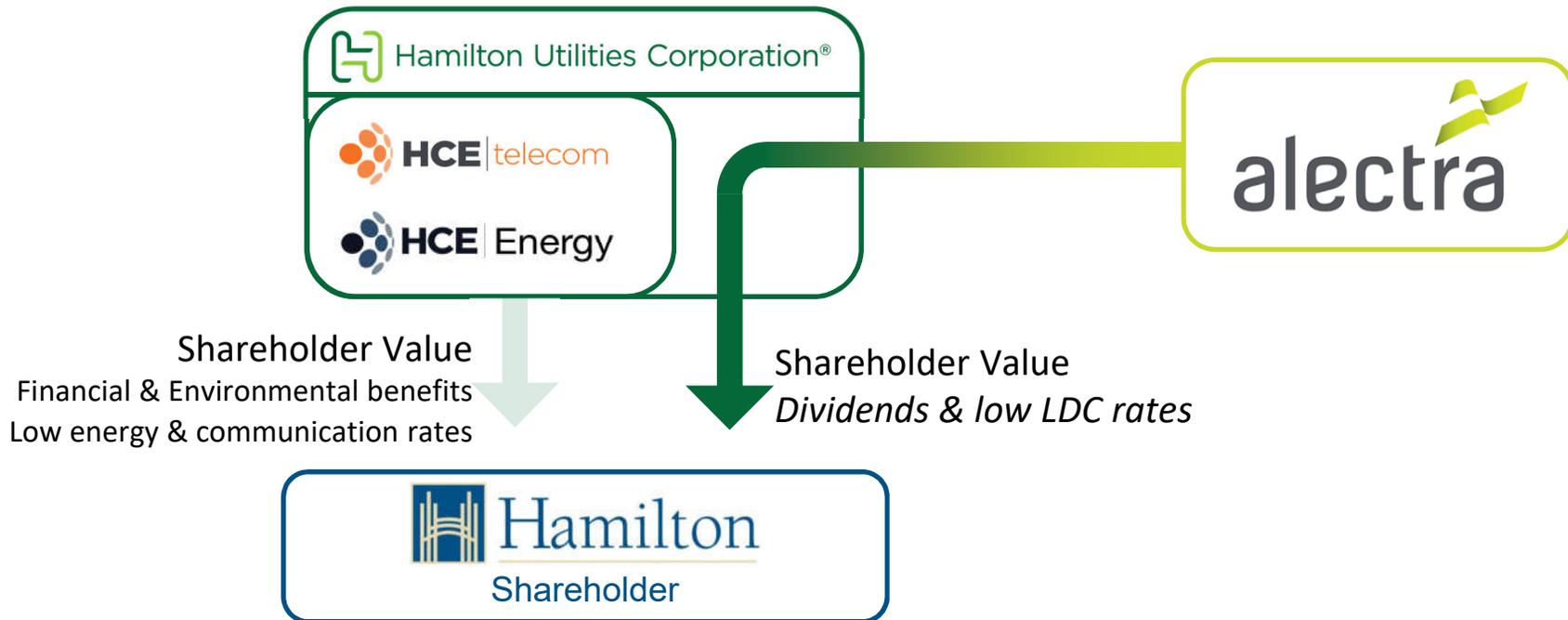
- **Board approved and recommends to the Shareholder the amendments to Section 2.26, Subsection 4.2(1) and Subsection 4.2(2) of the Alectra USA**
- **City Staff Recommendation for your consideration**

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



Hamilton
Health
Sciences

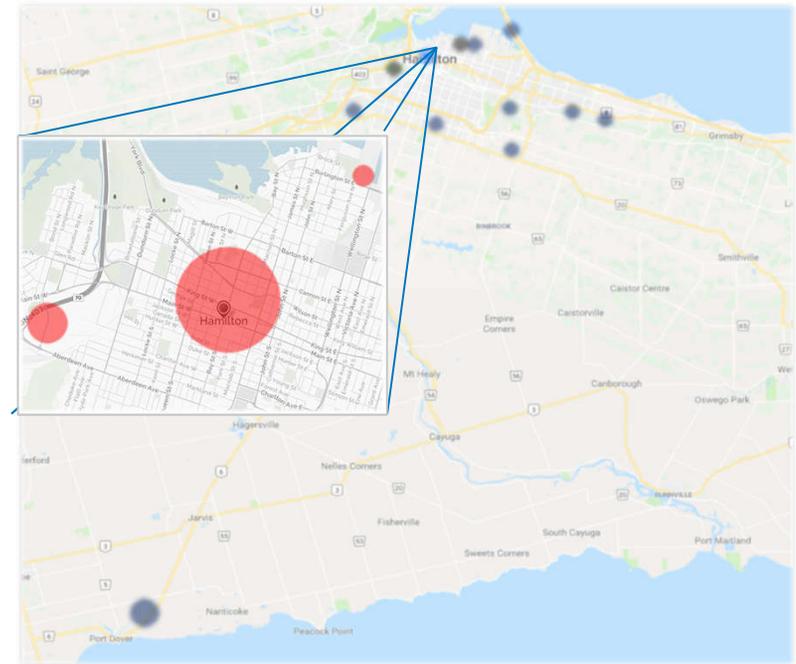


This what HCE Energy operates...

Assets that we Own or Operate

- 
Solar PV
 Over 2 MW_e 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



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 CO₂e/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

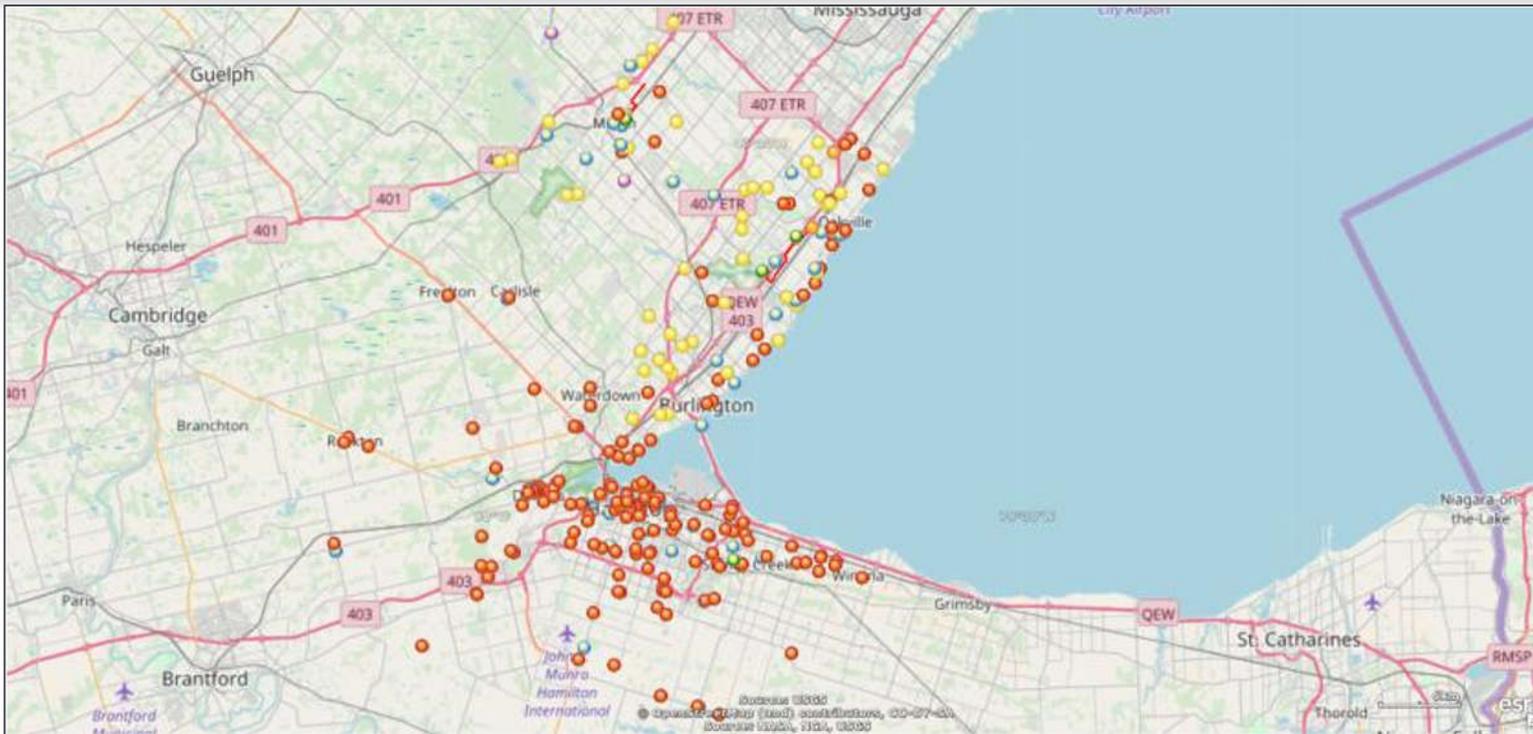
Every company is unique, so why are most services sold in "packages"? Every HCE Telecom customer receives a tailored quote that suits their unique needs. We're growing and innovating as our customers do to provide excellent service today and into the future.



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



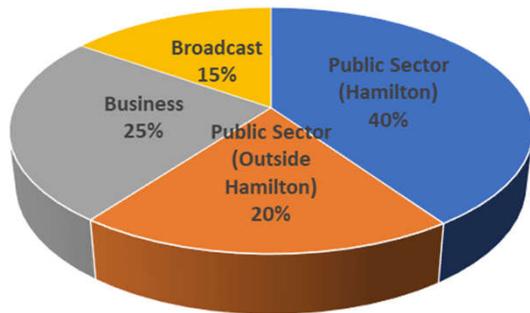
Locations
Served: 476

Customers: 186

Hamilton
centric but with
services that
span from
Calgary to
Montreal

Sources of Revenue

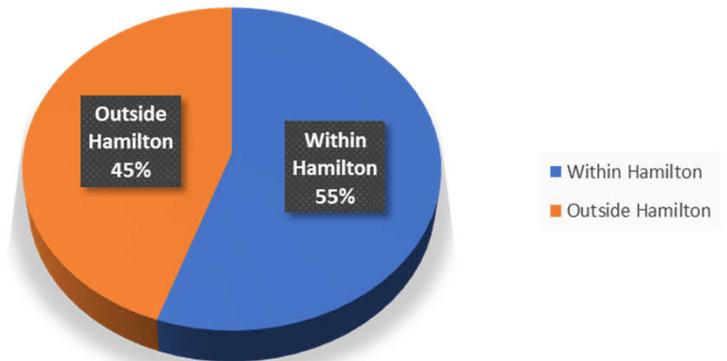
Revenues by Segment



■ 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

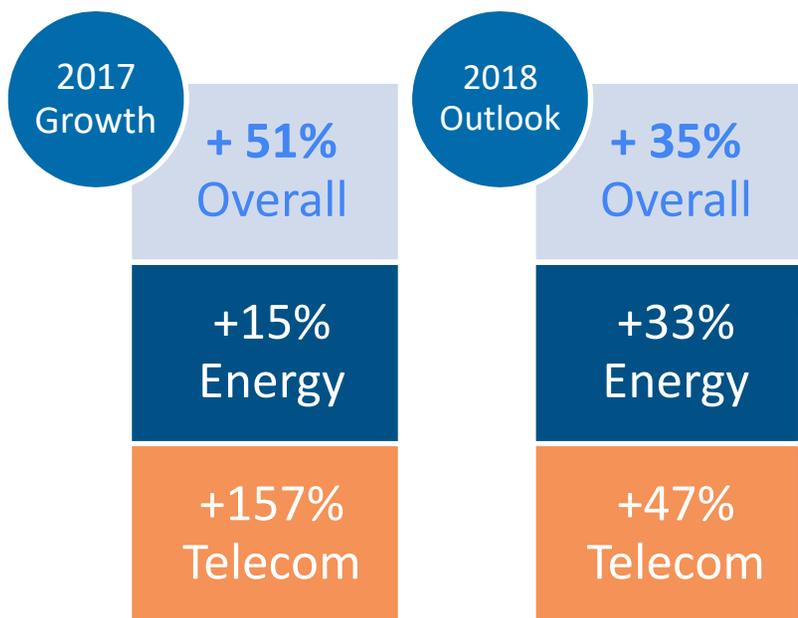
Revenues By Geographic Source



■ 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

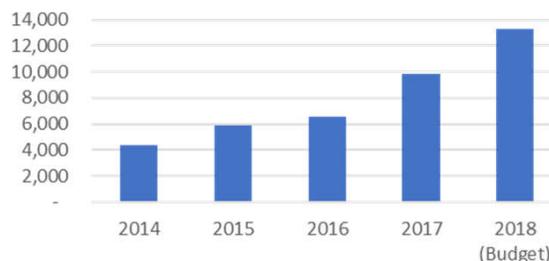


Total Revenue (2017)



■ 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...

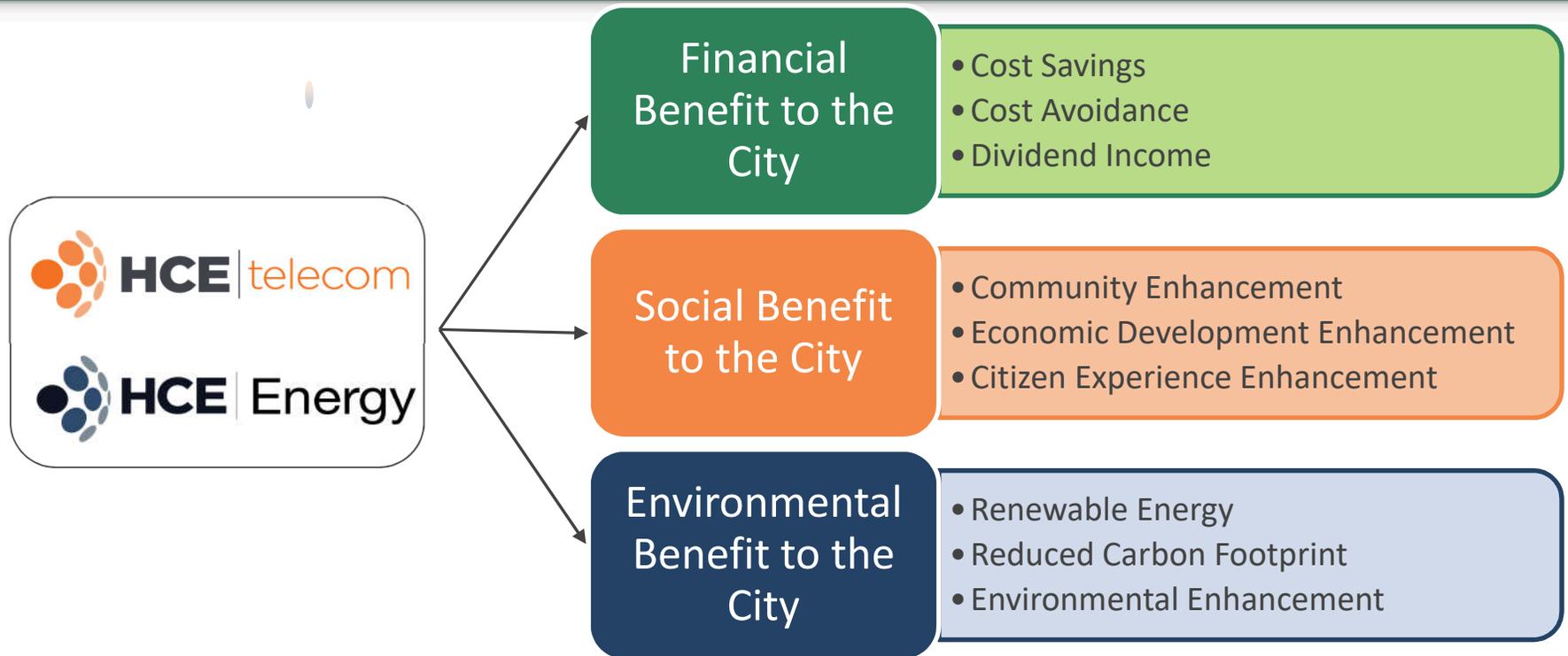
City of Hamilton

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