

# Hamilton Utilities Corporation Annual General Meeting

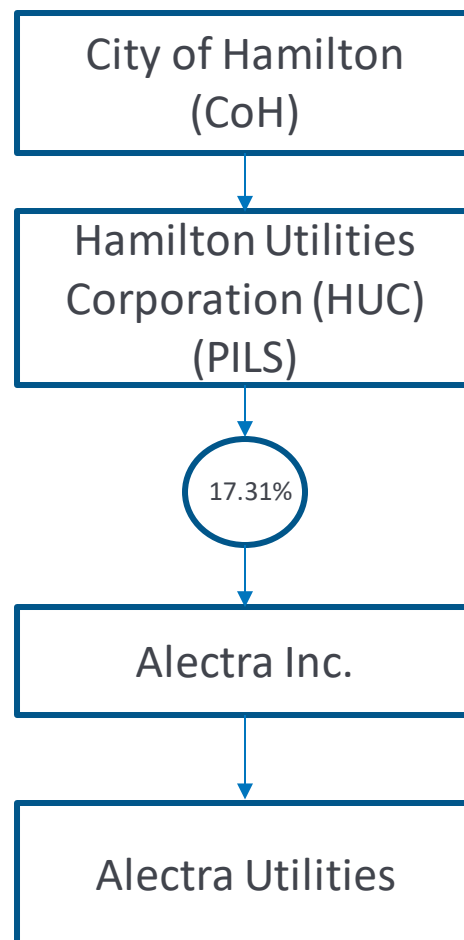
October 13, 2020



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- Introduction of Board Members, Management and Guests in attendance
- Update on the HUC/HEHCo. restructuring
- 2020 Hamilton Utilities Corporation Annual General Meeting Alectra Inc. Overview

# Current HUC Corporate Structure



# Hamilton Utilities Corporation Board Meeting Shareholder Report: 2019

October 13, 2020



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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 September 28, 2020 unless otherwise stated.



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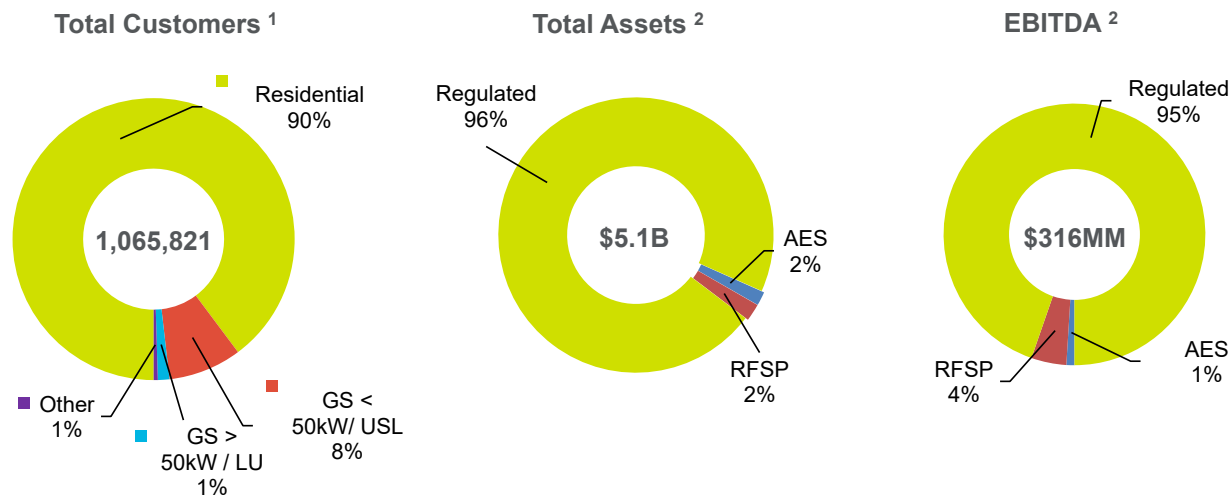


# Financial Performance

## Consolidated Highlights - Alectra

- AUC is the largest municipally-owned Local Distribution Company ("LDC") in Canada providing service to over 1,000,000 residential, commercial, industrial and institutional customers around the Greater Golden Horseshoe Area
  - Regulated business comprises* approximately 96% of Total assets and approximately 95% of consolidated EBITDA
  - Non-regulated business* consists principally of solar generation assets under long term FIT contracts with the IESO and sub-metering business

2019 Highlights



1 - Number of customers is as of Dec.31, 2019;

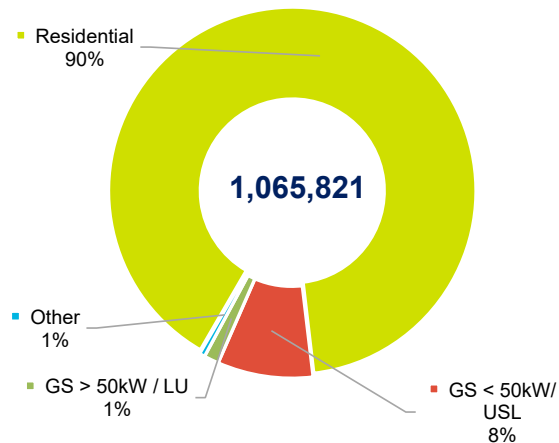
2 - Total Assets and EBITDA are based on 2019 IFRS Audited Financial Statements



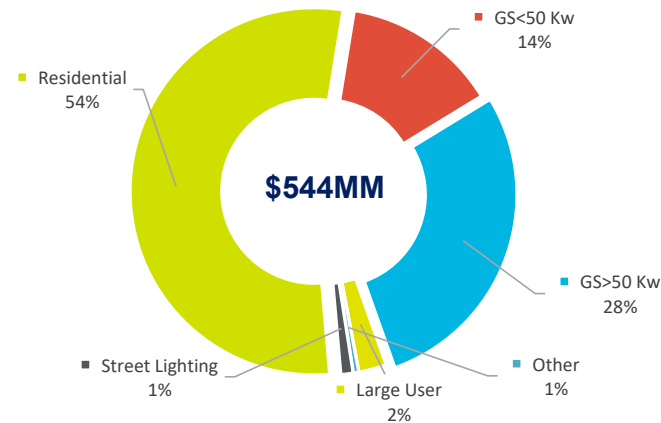
# Regulated Business

- Residential customers account for 90% of the customer base for AUC
- The top ten customers account for approximately 6.0% of total revenue. These generally include customers from the MUSH, manufacturing, and transportation sectors.

**Alectra – 2019 Number of Customers <sup>1</sup>**



**Alectra - 2019 Distribution Revenue <sup>1</sup>**

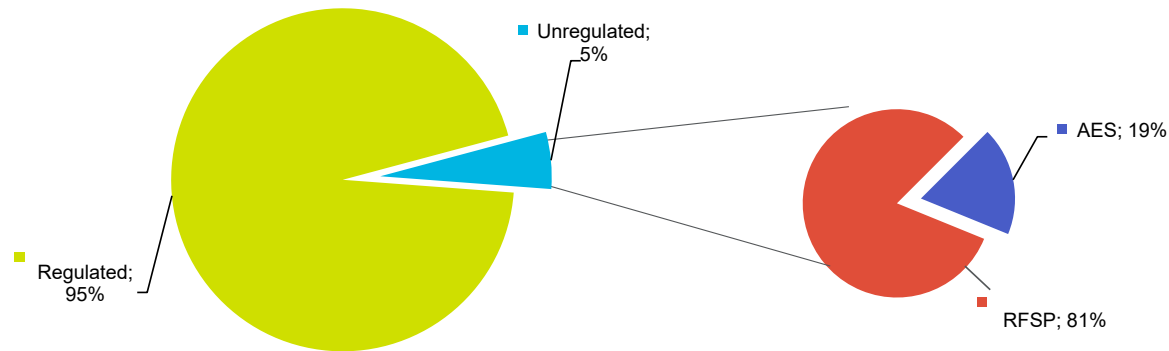


*1 - The data is as of Dec. 31, 2019; Distribution revenue is based on Alectra 2019 Audited Financial Statements*

# Alectra Energy Services

- Alectra's unregulated business consists of non-regulated solar generation and energy services operated by Alectra Energy Solutions
- Alectra is also focusing on the development of variety of microgrid solutions, including the use of Distributed Energy Resources ("DER") and energy storage, to meet the needs of the customers in the changing energy landscape

2019 EBITDA<sup>1</sup>

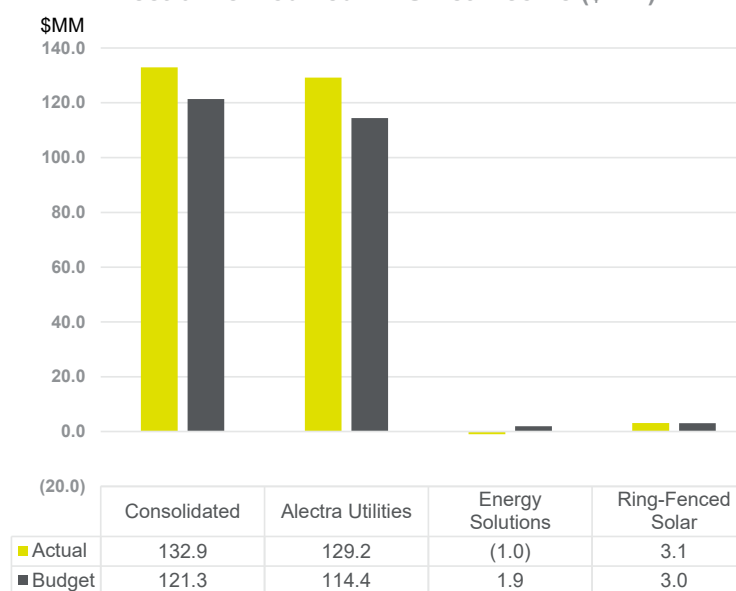


1 - Alectra EBITDA is based on Alectra 2019 Audited IFRS Financial Statements

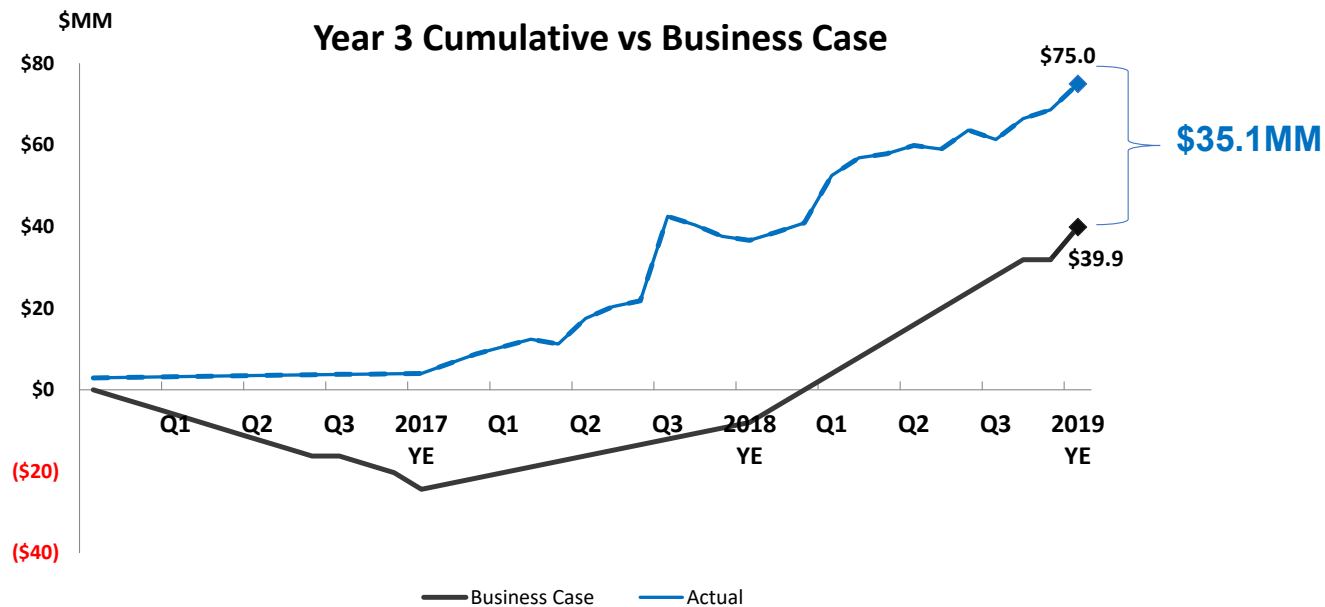
## 2019 Consolidated Results

- ✓ 2019 net income of \$132.9MM (MIFRS) overachieved budget
  - Strong revenue and cost control
- ✓ Net capital expenditures of \$333.5MM, 36.5MM higher than budget
  - due to the purchase of land for Consolidated Operation Centre (\$44MM)
- ✓ Over-achieved merger synergy targets
- ✓ Modest write-offs from Sub-metering contracts

Alectra Inc Modified IFRS Net Income (\$MM)



# Alectra Merger Synergies



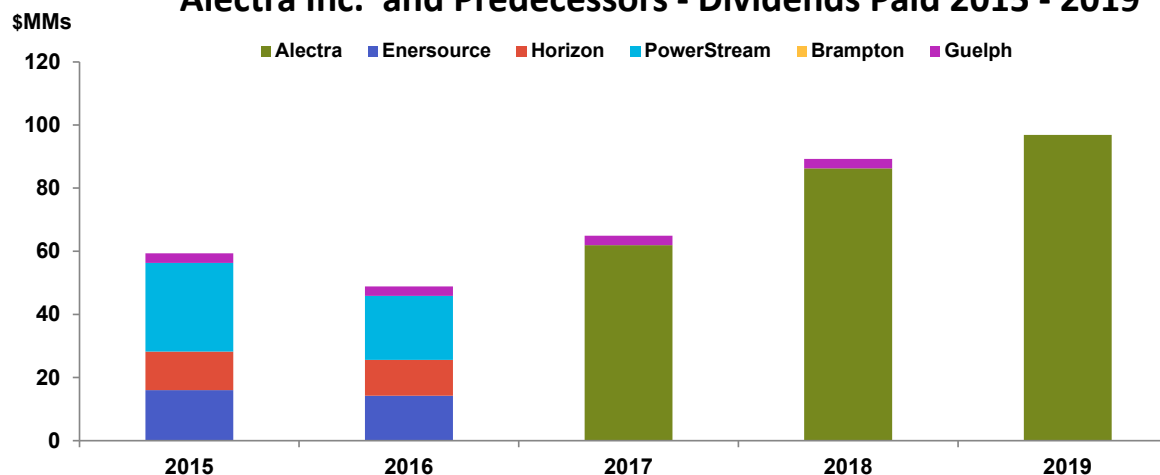
Net synergies achieved up to date are \$35.1MM above Alectra business case<sup>1</sup>:

- Operating Net Synergies - \$55.8MM above business case
- Capital Net Synergies - \$20.7MM below business case

# Dividends

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

## Alectra Inc. and Predecessors - Dividends Paid 2015 - 2019



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

<sup>2</sup> Aggregation of dividends paid by predecessor distributors for purpose of illustration

## Delivering On Dividends in Years 1-3

(\$MMs)	2017	2018	2019	Total
<b>PERFORMANCE vs MERGER BUSINESS CASE</b>				
Achieved	45.2	75.7	85.8	206.7
Merger Business Case	52.1	66.8	77.6	196.5
Difference	(6.9)	8.9	8.2	10.2
<b>PERFORMANCE vs NO MERGER</b>				
Achieved	45.2	75.7	85.8	206.7
No Merger(Status Quo)	44.3	50.7	53.2	148.2
Difference **	0.9	25.0	32.6	58.5

\* Accruing to initial Alectra Inc. Voting Common Shareholders (i.e., excluding GMHI) for comparative purposes to Alectra Merger Business Case

\*\* Alectra Merger Business Case assumed 12 month year for 2017. Alectra was formed Jan.31, 2017 with Brampton acquisition on Feb. 28, 2017

- 2019 dividends to Guelph shareholder are \$4.1MM, or \$0.5MM favourable to the Year 1 projection of \$3.6MM, provided in the Guelph Hydro - Merger Business Case

## Financial Plan – 2020 to 2022 Dividends

(\$MMs)	2020B	2021F	2022F	Total
<b>PERFORMANCE vs MERGER BUSINESS CASE</b>				
Budget/Forecast	77.6	78.4	85.6	241.6
Merger Business Case*	92.9	96.7	95.7	285.3
Difference	(15.3)	(18.3)	(10.1)	(43.7)
<b>PERFORMANCE vs NO MERGER</b>				
Budget/Forecast	77.6	78.4	85.6	241.6
No Merger(Status Quo)*	58.8	60.7	63.8	183.3
Difference **	18.8	17.7	21.8	58.3

- For comparative purpose only, the amounts from the original business case and the Guelph business case are combined;
- These results are based on the Financial Plan communicated to Shareholders in November 2019 and are unadjusted for the forecast implications of COVID-19;
- As previously reported to Shareholders, the principal drivers of the unfavourable forecast dividend trends compared to Merger Business Case are a result of (i) unexpected adverse OEB decision on Alectra Utilities ICM/IR rate applications; (ii) changes in customer service rules adversely impacting revenue forecasts; (iii) elimination of the Conservation First Framework and (iv) a reset of revenue growth expectations from non-regulated Energy Solutions businesses.



# Impact of COVID-19

## Mitigation Strategy Should COVID Impact Persist

- Management continues to work on plans to reduce financial impacts of an extended COVID duration
- Management expects to be able to mitigate impacts through:
  - collections management processes to mitigate exposure to credit losses;
  - labour and productivity management to reduce labour costs;
  - capital program management to accelerate return to work under appropriate health and safety protocols
- There is advocacy with government, the OEB and through industry associations regarding supporting customer payment flexibility and providing electricity distributors with enabling financial mechanisms:
  - the OEB has established deferral accounts for electricity distributors to record foregone revenues and increased costs associated with the Pandemic;
  - timing and method of settlement through OEB processes are unlikely to be resolved in 2020;
  - the amount of any recovery is uncertain at this point and will be subject to an application subject to the usual prudence review processes of the OEB





## Impact of COVID-19 - Liquidity

Alectra's short-term cash requirements have been re-forecast, under several stress tested scenarios, to determine whether the funds available under Alectra's committed facility are adequate to mitigate liquidity risks.

- In April 2020, Alectra increased its availability under its current committed facility from \$500MM to \$700MM;
- In addition, Alectra has access to \$200MM in uncommitted facilities;
- With \$900MM of available short-term liquidity, Alectra has sufficient liquidity to meet its obligations



# Alectra Update



# 2020 Rate Application Update

## Rate Application Decision – “M-Factor” Request for Capital Financing

- The Ontario Energy Board (“OEB”) recently issued its decision with respect to Alectra Utilities 2020 Electricity Distribution Rate (“EDR”) application.
- Alectra’s 2020 EDR application includes Alectra Utilities’ first consolidated Distribution System Plan (“DSP”) for the 2020 to 2024 period, and a request for \$265MM in capital funding based on a rate-adjustment mechanism that reconciles the capital needs set out in the DSP with the capital-related revenue in rates (the “M-factor”)
  - The OEB denied M-factor funding;
  - OEB has invited Alectra to amend its 2020 Application to either a single-year or multi-year ICM application;
  - Management expects to proceed with a multi-year ICM.
- The decision has implications to the 2020-2024 Financial Plan:
  - 2020 impact is expected to be immaterial;
  - Management will need to revisit its capital priorities and the implications of any changes to Alectra Utilities customers and shareholders



# COVID-19 – Alectra Employees and Emergency Plans

- On March 23<sup>rd</sup>, Alectra activated its Emergency Operations Centre, which focuses on delivering essential services to Alectra communities. The essential services that require staff to be onsite include:
  - i) Control Room Operations;
  - ii) Emergency Response Crews;
  - iii) Minimal levels of Stores, Fleet and Facilities staff to support emergency field operations
- At the beginning of June, Alectra Utilities resumed work on the capital program and Network Operations completed its returned to the workplace on June 29;
- All non-essential staff who are not required to be physically on site will remain working from home until further notice;
- A Return to Workplace Committee has been formed and work is underway to identify the staff who are required to be brought back to the office in the next phase;
- Alectra intends to take a slow and cautious approach to the return, focusing on critical roles and those who provide direct support to Network Operations.



## COVID-19 – Rate Redesign and Relief for Residential and Small Business Customers

- **On March 19**, the OEB extended the winter ban on electricity disconnections for non-payment for residential customers to July 31, 2020. Low-volume, small business customers are also protected by the ban;
- **On April 15**, Alectra started to waive late payment charges on overdue accounts for a period of 60 days for residential and small commercial customers;
- **On May 30**, the Government announced the replacement of TOU rates with a new fixed COVID-19 Recovery Rate of 12.8 cents/kWh for residential and small business customers. This rate will be applicable until October 31, 2020;
- **On June 16**, the OEB implement the COVID Emergency Assistance Program (“CEAP”) requirements. Alectra successfully launched its CEAP program on July 13, 2020;
- **August 7:** The CEAP-small business program was announced by the OEB. Funding is expected to flow to small business customers as of August 31;
- Alectra continues to advise its residential customers of available financial assistance programs such as LEAP and the Ontario Electricity Support Program



# Community Involvement

# Community Involvement

- Since the onset of the pandemic, Alectra has taken immediate action to support our communities and ensure that our customers are top of mind.

## To date, Alectra's key community investments include:

- 16,800 N95 masks donated to hospitals across our service territory to help address shortages due to the COVID-19 pandemic
  - 2,400 masks to Hamilton Health Sciences
- \$230,000 donation to food banks across eight communities
  - Hamilton Food Share donation of \$20,000
- \$273,000 donation to various United Way chapters to provide relief to 17 communities
  - \$60,000 towards United Way Halton & Hamilton
- Over \$140,000 raised for local food banks through our e-billing campaign and the Alectra employee matching donation program



# Municipal Shareholder and Customer Communications

- Alectra is continuously working to connect with our customers and municipal partners through various communications channels, including:

## Ally:

- Municipal shareholder quarterly newsletter;
- Provides relevant customer-related information to councillors and city staff to share with constituents;
- Next issue: September 2020

## Customer Newsletter

- Provides timely and helpful electricity news that matters to our customers;
- Includes articles about Alectra services, new developments, support programs, electricity prices, energy conservation, safety tips, industry news, corporate social responsibility, and much more



As the province of Ontario works towards gradually and safely restarting the economy, Alectra is also starting to slowly ramp up operations while continuing to support our customers and protecting the safety of our employees and the public. These past three months have been an unprecedented time for all of us as a society. We have all been impacted by this pandemic in a way that we have never experienced before. Alectra is dedicated to remaining an ally to our communities and helping guide them through these uncertain times.

To learn more about the steps Alectra has taken to protect our employees and customers amid the pandemic, click here: [alectrautilities.com/covid19](https://alectrautilities.com/covid19)



Brian Bentz  
President and CEO





# Community Involvement

- Since the early stages of the pandemic, Alectra has listened to our customers' most pressing concerns and have advocated for them at the highest levels within government in order to bring relief during this difficult time. To date, Alectra has:
  - Advocated for the COVID-19 Emergency 24/7 Off-Peak Rate of 10.1¢ for residential and small business customers;
  - Collaborated with government on the establishment of the COVID-19 Recovery Rate;
  - Starting November 1st, customers will have a choice between Time of Use rates or tiered pricing;
  - Worked with the provincial government on support programs for ratepayers, including the CEAP and CEAP-SB
- Alectra continues to be here for our customers by:
  - Being a trusted advisor through the Minister of Energy's Ministerial Advisory Committee
    - Brought awareness to government on our customers' needs and concerns during the pandemic;
    - Provided thoughtful insights on how we can continue to assist our customers through the pandemic and beyond
  - Delivering the Affordability Fund Initiative (closed July 31st 2020)
    - Provided energy efficiency kits to eligible customers across our service territory in order to help them reduce their electricity bills

# 2020 Awards

Corporate Knights  
ranks Alectra #3 in Canada  
on Best 50 Corporate Citizens list



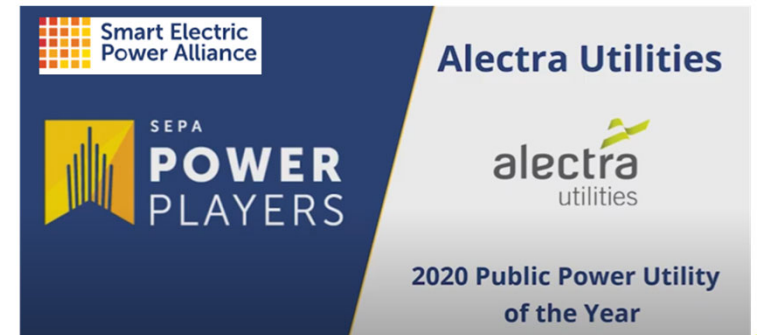
Electricity Distributors Association  
Environmental Excellence Award



Alectra named top  
fundraiser for  
YWCA's Walk A Mile  
In Her Shoes



Alectra Utilities named 2020 Public Power Utility of the Year by SEPA



## 2020 Awards Continued

Alectra becomes the first ever recipient of the Sustainability Leadership Award presented by Sustainable Hamilton Burlington



Sustainable Hamilton Burlington · 2d  
The Winner of the "Overall Sustainability Leadership Award 2019" goes to  
[@alectranews](#)  
Congratulations!!  
[#8thAnnualEOR](#)  
[#SHBSustainabilityAwards2019](#)



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Canadian  
Electricity  
Association

Association  
canadienne  
de l'électricité

Alectra receives the 2020 Tom Mitchell EV Leadership Award for Utilities, presented by Plug 'N Drive and the CEA



# HUC Resolutions

- Receipt and Approval of the HUC Audited Consolidated Financial Statements – Year Ended December 31, 2019
- Appointment of KPMG as the auditor of the Corporation for 2020
- Continuation of the Directors of the Corporation

# Alectra Resolutions

- Receipt of the Alectra Inc. Financial Statements – Year Ended December 31, 2019

# Hamilton Utilities Corporation

## QUESTIONS