1.0-VECC-1

Reference

Exhibit 1, Tab 3, Schedule 1, pg. 3 / Exhibit 2, Tab 1, Schedule 3, pg.13

a) **Please provide the calculation which demonstrates that Alectra's base rates support average annual capital expenditures of approximately $236 MM?**

b) **Please provide the same for the project $275MM in otherwise unfunded capital expenditures.**

Response:

a) Alectra Utilities' M-factor materiality threshold, calculated based on the Ontario Energy Board's ("OEB") ICM methodology, represents the level of capital funding that a utility should be expected to absorb within its funding from base rates outside of a rebasing application. The threshold calculation is provided in Exhibit 2, Tab 1, Schedule 3, Table 3. Please also see Alectra Utilities' response to G-Staff- 8, which includes the detailed calculations of the thresholds for each of Alectra Utilities' rate zones. The threshold over the 5-year DSP period is $1.182B or approximately $236MM per year.

b) Alectra Utilities' maximum eligible M-factor capital is the difference between the 2020 to 2024 capital forecast and the threshold capital expenditure identified in part a) of the response. This calculation is provided in Table 4 of Exhibit 2, Tab 1, Schedule 3.

1.0-VECC-2

Reference

Exhibit 1, Tab 3, Schedule 1, pg. 4

a) **Please provide a list of the specific "critical investments" which "would be deferred beyond 2024" if the M-Factor proposal were not approved by the OEB.**

b) **Please explain why Alectra believes the projects listed in a) would not be eligible for ICM or ACM form of regulatory (rate recovery) treatment.**

Response:

a) and b) Alectra Utilities cannot speculate on potential investment options without the full context of the OEB's decision.

2.0-VECC-3

Reference

Exhibit 2, Tab 1, page 5

Custom IR is not a rate setting option available to Alectra Utilities during the rebasing deferral period.

a) In the paragraphs above this quotation Alectra details how under the RRF the most appropriate rate methodology would be custom IR. Please explain why, rather than an M-Factor and other risk reducing variance accounts such as the EDCVA, Alectra is not seeking to rebase its costs and establish a custom IR plan? That is why does Alectra believe *“custom IR is not a rate setting option”*?

Response:

Please see Alectra Utilities’ response to G-Staff-16 b).

2.0-VECC-4

Reference

EB-2018-0016 Decision and Order, pg. 8 &

In its Decision and Order EB-2018-0016 the Board made the following finding: *"The OEB has not found any of the planned capital spending imprudent. The question is whether each project is eligible for incremental funding while rates are being set through an IRM mechanism."*

a) Please explain whether under an M-Factor mechanism the question as to whether capital projects are eligible for incremental funding while rates are set through an IR mechanism remains a relevant consideration of the Board. And if not, why not?

Response:

As set out in Table 1 of Exhibit 2, Tab 1, Schedule 3, the proposed M-factor mechanism is closely aligned with the established ICM mechanism in a number of ways. However, one key difference between the M-factor and the ICM is that the M-Factor would fund capital investments on an envelope basis rather than on an individual project basis; this is to provide Alectra Utilities with the flexibility that it needs to enable specific projects to be replaced, modified or shifted between years depending on system needs and priorities over the DSP period,

The basis for incremental funding is the capital need established in the DSP that is in excess of that which is funded by base rates. The questions of whether a necessary investment is a "project" or "program" and "whether each project is eligible for incremental funding" in the context of the IRM framework are not relevant considerations for the Board with respect to the proposed M-factor.

2.0-VECC-5

Reference

Exhibit 2, Tab 1, Schedule 3

Alectra proposes a means test of 300 basis points above the OEB approved equity return for which it would not be eligible for M-Factor funding.

a) Please clarify if the means test applies to potential M-Factor funding in a year subsequent to any overearnings or retroactively to projects funded by the M-factor in the year of earning.

b) Is the OEB ROE factor fixed at the start of the introduction of the M-Factor period or does it change each year in conjunction with the Board sanctioned ROE for each year?

c) Why is a 300 basis point means test reasonable? That is, given the Utility has chosen to defer rebasing with the associated positive and negative risks that implies, why would it not be just as reasonable to apply a means test at or even below the Board approved ROE factor?

Response:

a) If Alectra Utilities' regulated return, as calculated in its most recent calculation (Reporting and Record Keeping Requirements ("RRR") 2.1.5.6), exceeds 300 basis points above the deemed return on equity ("ROE") embedded in its rates, M-factor funding will not be available in that year. This is consistent with the OEB's ICM policy. For example, in Alectra Utilities' 2019 EDR Application for 2019 ICM projects, the means test was based on Alectra Utilities' most recent RRR 2.1.5.6 ROE filing, which was its 2017 RRR ROE filing.

b) Alectra Utilities' deemed ROE is fixed each year.

c) Please refer to Table 1 in Exhibit 2, Tab 1, Schedule 3, which provides a comparison of the key elements of the M-factor to the ICM. Alectra Utilities proposed to apply the means test consistent with the OEB's ICM policy.

2.0-VECC-6

Reference

Exhibit 2, Tab 1, Schedule 3

…. The utility has proposed that a Capital Investment Variance Account ("CIVA") be established to track the difference between the capital funding provided through M-factor riders and the utility's actual capital investments during the term of the DSP. This account will operate symmetrically, such that customers will be refunded for overall under-investment and any prudent spending above the level funded through M-factor riders will be recovered by Alectra Utilities.

a) Please explain the reasoning for the proposed CIVA account to be symmetrical. That is, why should the Utility not be at risk for overspending on any approved M-Factor related projects?

Response:

Please see Alectra Utilities' responses to G-Staff-9 and SEC-49.

2.0-VECC-7

Reference

Exhibit 2, Tab 1, Schedule 4

….an Externally Driven Capital Variance Account ("EDCVA"), which would capture the difference between the revenue requirement in rates associated with externally-driven capital expenditures related to regional transit projects and capital works required by road authorities.

a) Please explain why, under the M-Factor plan, a separate account is desirable for externally driven projects and why other System Access projects, which are also externally driven are excluded from being captured in the proposed new variance account.

Response:

As explained in Exhibit 2, Tab 1, Schedule 4 pp. 4-7, externally driven capital projects are mandatory; the timing and scope of the work is not within Alectra Utilities' control; and the need may arise with little notice to the utility. Notwithstanding that the costs of such work are typically shared with the project proponent, material unplanned expenditures may be required by Alectra Utilities to respond to such externally-driven work.

2.0-VECC-8

Reference

Exhibit 2, Tab 1, Schedule 3

a) In support of the M-Factor Alectra argues that is faces unique circumstances due to the deferred rebasing granted as part of its merger approval as well as the integration of a number of former utilities. However, these circumstances also provide Alectra the opportunity to create efficiencies through the synergies of amalgamation (as argued by the Applicant in the merger proceeding). Conversely the Board has established for utilities without such opportunities and for whom only ICM and ACM funding mechanisms are available a stretch factor of 0.30%. Given the greater capability of Alectra to find efficiencies why is the stretch factor of 0.30% appropriate?

Response:

By referencing a stretch factor of 0.30%, Alectra Utilities assumes that the question is referring to the stretch factor applicable to middle cohort distributors, under the Price Cap IR formula. Under the Report of the Board – Rate Making Associated with Distributor Consolidations (EB-2014-0138) (the "MAADs Policy"), the existence of the deferral period and the synergies derived during that period are independent of the Price Cap Formula that would apply during the deferral period.

At no time did the OEB intend for the stretch factor (derived on rebasing based on total factor productivity analysis) to be altered because of the opportunity to seek synergies during the rebasing deferral period, as specified in the MAADs Policy.

The premise to the question is incorrect and the stretch factor applicable to Alectra Utilities' rate zones should remain unaltered during the rebasing deferral period, notwithstanding the opportunity to seek synergies during that period to address transition and transaction costs.

2.0-VECC-9

Reference

Exhibit 2, Tab 1, Schedule 3, page 16-

a) **Please articulate the methodological difference in the calculation of the M-Factor rate rider as compared to an ICM or ACM rate rider. Specifically if the Board were to approve an ICM of $265.0 million (i.e. equal to the M-Factor request) to be recovered over the same 2020-204 period would this result in a different rate rider in any of the rate years or in the total amount to be collected from ratepayers?**

Response:

a) There is no difference in the calculation of M-factor rate riders as compared to ICM rate riders.

2.0-VECC-10

Reference

Exhibit 2, Tab 1, Schedule 4, pgs. 8-

a) Please explain what, if any, relationship exists as between the M-Factor and the proposed Customer Service Rules-related Lost Revenue Variance Account (CSELRVA).

b) Was this account or a similar type of account sought at the time of the merger (i.e. in EB-2016-0025) or in any prior application of Alectra?

c) If no prior application was made for such and account and since it is obvious that that during a prolonged period (like the 10 year deferral period chosen by Alectra) regulatory, rule and policies would evolve and change why did Alectra did not apply for a similar account as part of its merger proceeding? Why are the customer service rules changes more relevant than other changes which have occurred and will continue to occur during the deferred rebasing period.

d) For each amount in Table 18 (E2/T1/S4) please show how the detailed calculation of the estimated impact.

e) What are the off-ramp provisions of Alectra's current rate plan?

f) Under the Board's rate filing requirements what is Alectra's materiality threshold?

Response:

a) Alectra Utilities' request for the establishment of the Customer Service Rules Lost Revenue Variance Account is separate and distinct from its request for M-factor funding.

b) This account was not requested prior to this Application.

c) As provided in detail in Exhibit 2, Tab 1, Schedule 4, subsequent to the merger, the OEB amended the customer service rules applicable to Alectra Utilities, imposing material financial consequences that are not addressed in the utility's base rates. Specifically, the OEB imposed a disconnection ban for residential customers during the winter months, as well as amendments to customer service rules relating to billing, disconnections, and service charges for non-payment. These changes result in material additional costs for the utility that are not included in base rates and were not contemplated when the OEB approved the utility's creation in the MAADs Application. Further, the OEB acknowledged that the elimination of the charges relating to non-payment of accounts may have an impact on some distributors, and although it will not establish deferral/variance accounts for all distributors, any distributor can apply for a deferral account with evidence demonstrating that such an account would meet the eligibility requirements set out in the OEB's Filing Requirements for Electricity Distribution Rate Applications.

d) Please see Alectra Utilities' response to G-Staff-4, filed on August 16, 2019, as part of its IRM-related interrogatory responses.

e) All of Alectra Utilities' rate zones are on the Price Cap IR rate-setting plan. As provided in Section 3.3.5 *Off-ramps,* in the OEB's Chapter 3 Filing Requirements (July 12, 2018), "*for each of the OEB's three rate-setting options, a regulatory review may be triggered if a distributor's earnings are outside of a dead band of +/- 300 basis points from the OEB-approved return on equity. The OEB monitors results filed by distributors as part of their reporting and record-keeping requirements and determines if a regulatory review is warranted. Any such review will be prospective, and could result in modifications, termination or the continuation of the respective Price Cap IR or Annual IR Index plan for that distributor.*"

f) Alectra Utilities' materiality threshold as defined in section 2.0.8 of the OEB's Chapter 2 Filing Requirements, is $1MM.

3.0-VECC-11

Reference

Exhibit 3, Tab 1, Schedule 2

a) Please provide the return on equity for Alectra for 2017 and 2018.

b) Please provide all 2018 and 2019 Alectra debt rating reports.

Response:

a) Alectra Utilities filed its 2018 annual Reporting and Record Keeping Requirements ("RRRs") on April 30, 2019. RRR data for all measures were filed for Alectra Utilities, and not individually, by rate zone. The 2018 RRR filing excludes the Guelph RZ which became part of Alectra Utilities effective January 1, 2019. Alectra Utilities' 2018 ROE was calculated to be 7.66%, 128 basis points below a calculated ROE for Alectra of 8.94%. Alectra Utilities calculated a consolidated deemed ROE percentage using the weighted average of the OEB-approved rate base amounts for each rate zone, from the most recent OEB-approved rebasing application for each of the predecessor companies. The 2018 ROE for Alectra Utilities' predecessor, Guelph Hydro, was calculated to be 8.18%, 101 basis points below its approved 2018 ROE of 9.19%.

Alectra Utilities filed its 2017 annual Reporting and Record Keeping Requirements ("RRRs") on April 30, 2018. Alectra Utilities' 2017 ROE was calculated to be 8.43%, 47 basis points below a calculated ROE for Alectra of 8.90%. Alectra Utilities calculated a consolidated deemed ROE percentage using the weighted average of the OEB-approved rate base amounts for each rate zone, from the most recent OEB-approved rebasing application for each of the predecessor companies. The 2017 ROE for Alectra Utilities' predecessor, Guelph Hydro, was calculated to be 9.70%, 51 basis points above its approved 2018 ROE of 9.19%.

b) Please find attached the following debt rating reports. Please note that these attachments contain information that Alectra Utilities considers to be confidential. The relevant information has been redacted and a request for confidential treatment of the redacted information, along with confidential unredacted versions, will be filed under separate cover.

i. 3.0-VECC-11_Attach 1_S&P Global Ratings Report dated April 26, 2019;
ii. 3.0-VECC-11_Attach 2_S&P Global Ratings Report dated October 26, 2018;
iii. 3.0-VECC-11_Attach 3_S&P Global Ratings Report dated January 24, 2018;
iv. 3.0-VECC-11_Attach 4_DBRS Ratings Report dated June 27, 2019;
v. 3.0-VECC-11_Attach 5_DBRS Ratings Report dated June 29, 2018;
vi. 3.0-VECC-11_Attach 6_DBRS Ratings Report dated January 11, 2018;
vii. 3.0-VECC-11_Attach 7_DBRS press release of Assignment of R1(low) for Commercial Paper Program dated October 2, 2018.

3.0-VECC-11

ATTACH 1- S&P Global Ratings Report Dated April 26, 2019

S&P Global
Ratings

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Alectra Inc.

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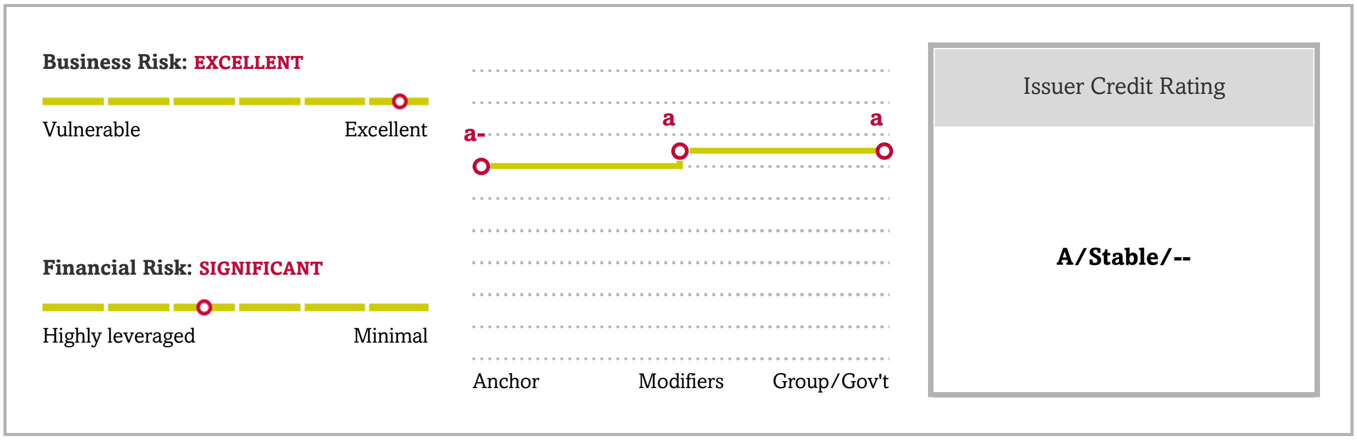
Table Of Contents

Table Of Contents (cont.)

Alectra Inc.



Credit Highlights

Overview

Key Strengths	Key Risks
Majority of cash flows from low-risk regulated electricity distribution operations	Continued acquisitions could stress credit metrics
Credit-supportive regulatory environment	Limited geographic and regulatory diversity
Mostly residential customer base with minimal customer concentration risk	Negative discretionary cash flow indicating external funding needs

Merger with Guelph Hydro Electric Systems Inc. (GHESI) is a positive credit factor.

Alectra closed its noncash merger with GHESI in exchange for the addition of GHESI's rate base to Alectra's total consolidated rate base. Alectra assumed all of GHESI's debt. The merger marginally enhanced Alectra's business risk profile through a greater regulated footprint in the constructive regulatory environment of Ontario and increased customer base.

Continued growth through tuck-in acquisitions.

Alectra plans to continue its strategy of nonorganic growth through tuck-in acquisitions and investments in nonregulated renewable energy market. If the acquisitions or investments are debt financed, financial measures could weaken.

The Ontario Electric Board (OEB) provides a supportive and constructive regulatory environment.

We believe the OEB, the regulator for the Province of Ontario, provides a transparent, consistent, and independent regulatory framework that supports stable and predictable cash flows for the company, which we view as a key credit strength.

Outlook: Stable

The stable outlook reflects S&P Global Ratings' assessment of Alectra's predictable and stable cash flows from the company's low-risk, regulated distribution business. We expect adjusted funds from operations (FFO) to debt to be in the 12%-13% range through 2021. The outlook also reflects our expectation that management will continue to focus on integrating the amalgamated companies and its core regulated business electricity distribution over our two-year outlook horizon.

Downside scenario

We could downgrade the company over the next two years if adjusted FFO to debt declines below 12%. This would indicate very minimal cushion at the current rating level and could happen if the company cannot achieve the required synergies, costs significantly increase during the company's deferred rate rebasing period, or there is an adverse regulatory decision that materially limits cost recovery.

Upside scenario

Although less likely, we could raise the rating within the next two years if Alectra's adjusted FFO to debt to approaches 20%. However, based on our financial forecast and the company's capital programs, we believe the prospect of a positive rating action is highly unlikely during our outlook horizon.

Our Base-Case Scenario

Assumptions

- Continued costs recovered through annual filings and incremental capital module riders;
- Modest customer growth in Ontario;
- Incremental cash inflows from GHESI merger starting 2019;
- Total annual capital spending of about C$300 million–C$400 million over 2019-2021;
- Dividend payments averaging about C$85 million annually;
- Negative discretionary cash flows indicate external funding needs; and
- All debt maturities are refinanced.

Key Metrics

	2019E	2020E	2021E
FFO to debt (%)	12-14	12-14	12-14
Debt to EBITDA (x)	5.5-6	5.5-6	5.5-6
FFO cash interest coverage (x)	4-6	4-6	4-6

A--Actual. E—Estimate. FFO—Funds from operations.

Company Description

Alectra is a municipality-owned electric distribution utility operating in Ontario, Canada.

Business Risk: Excellent

Our assessment of Alectra's business risk profile reflects its fully regulated electric distribution operations in the supportive regulatory environment in the Province of Ontario and a large customer base that is partially offset by its limited regulatory and business diversity. Alectra's larger customer base of about one million customers in Ontario, including those of GHESI, are mostly residential (over 90%) and commercial, providing additional stability to cash flows as exposure to industry cyclicality is limited.

We believe the OEB provides a transparent, consistent, and independent regulatory framework that supports stable and predictable cash flows for the company, which we view as a credit strength. This includes limiting commodity risk exposure since electricity costs are passed through to ratepayers. The tariff structure allows the operator to recover prudently spent operating costs, capital expenditures, or other unexpected material losses in a timely manner. These positive aspects are partially offset by our expectation that the company is allowed to defer rebasing rates for the next decade and its operations under a single regulator.

Alectra's limited riskier non-regulated utility operations include non-regulated solar generation and energy services businesses. These operations modestly offset the low-risk regulated operations.

Financial Risk: Significant

Alectra's financial risk profile reflects our base-case scenario that includes adjusted FFO to debt in the 12%-13% range through 2021 after incorporating capital spending averaging about C$350 million-C$400 million, regular recoveries through a capital rate surcharge, and modest customer growth. We expect FFO to debt to average about 12%-13% for Alectra, consistent with the higher range for its financial risk profile category. We expect the supplemental ratio of adjusted FFO cash interest coverage to be in the 5x-6x range and the debt leverage to be relatively aggressive for a regulated utility.

We base our assessment on our low-volatility financial benchmarks, which are the most relaxed when compared to those for a typical corporate issuer. This reflects the company's focus on low-risk regulated natural gas distribution operations and strong management of regulatory risk.

Liquidity: Adequate

We assess the company's liquidity as adequate because we believe its liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and meet cash outflows even with a 10% decline in EBITDA. The assessment also reflects the company's generally prudent risk management, sound relationship with banks, and a generally satisfactory standing in credit markets.

Principal Liquidity Sources	Principal Liquidity Uses
• Estimated cash FFO of about C$290 million • Credit facility availability of C$500 million	• Debt maturities of C$220 million • Capital spending of about C$345 million • Dividend payments of about C$80 million

Other Credit Considerations

We have applied a one-notch positive adjustment to the anchor score based on our comparative rating analysis to reflect the company's adjusted FFO-to-debt metrics being at the stronger end of the significant category.

Environmental, Social, And Governance
The most significant environmental concern for Alectra is the maintenance and upgrading of its distribution infrastructure in order to ensure continued safety of its employees and the public. Social and governance factors are neutral to our ESG assessment and Alectra's governance practices are consistent with what we see across the industry for other publicly traded utilities.

Government Influence

We believe there is a low likelihood that the utility's owners would provide timely and sufficient extraordinary support in the unlikely event of financial distress. In our view, Alectra has a role of limited importance to the cities, given that the province, not the cities, has oversight of electricity regulation licensing, and that a private enterprise could provide the utility's services. We believe there is a limited link between Alectra and the cities, given our belief that, in a stress scenario, although the cities might provide some temporary liquidity support, they would be unlikely to support the utility with taxpayer dollars.

Issue Ratings - Subordination Risk Analysis

Capital structure

Alectra's capital structure consists of about C$1.9 billion of unsecured debt.

Analytical conclusions

We rate Alectra's senior unsecured debt the same as the issuer credit rating because the debt issue is not structurally subordinated in the absence of any other tranche.

Ratings Score Snapshot

Issuer Credit Rating

A/Stable/--

Business risk: Excellent

- **Country risk:** Very low
- **Industry risk:** Very low
- **Competitive position:** Strong

Financial risk: Significant

- **Cash flow/Leverage:** Significant

Anchor: a-

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Positive (+1 notch)

Stand-alone credit profile : a

- **Related government rating:** AA-
- **Likelihood of government support:** Low (no impact)

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013

- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	**a-**	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of April 26, 2019)*

Alectra Inc.	
Issuer Credit Rating	A/Stable/--
Senior Unsecured	A
Issuer Credit Ratings History	
26-Jan-2017	A/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

3.0-VECC-11

ATTACH 2- S&P Global Ratings Report Dated October 26, 2018

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Research Update:

Alectra Inc. Ratings Affirmed On Approval Of Guelph Hydro Electric Systems Merger; Outlook Stable

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Table Of Contents

Research Update:

Alectra Inc. Ratings Affirmed On Approval Of Guelph Hydro Electric Systems Merger; Outlook Stable

Overview

- Alectra Inc. (Alectra) subsidiary Alectra Utilities Corp. and Guelph Hydro Electric Systems Inc. (GHESI) are in the process of closing on their approved amalgamation agreement, which has no acquisition premium and whereby Alectra only assumes GHESI's debt. Post-closing, the City of Guelph, the GHESI owner, will receive an estimated 4.63% ownership interest in Alectra and one permanent seat on Alectra's board of directors.
- The combined company will now have a greater regulated footprint in Ontario, which marginally enhances its business risk profile.
- We are affirming our 'A' issuer credit rating on Alectra.
- The stable outlook reflects our base-case scenario that the combined entity's regulated utility operations will continue to generate sufficient cash flow to consistently achieve financial measures that support adjusted FFO to debt of 12%-13% from 2019 through 2021.

Rating Action

On Oct. 26, 2018, S&P Global Ratings affirmed its 'A' issuer credit rating on Ontario-based Alectra Inc. The outlook is stable. At the same time, we affirmed the 'A' issue-level rating on Alectra's senior unsecured debt.

Rationale

Alectra is in the final stages of completing its amalgamation of Guelph Hydro Electric Systems Inc. (GHESI). There is no cash involved in this transaction, because the merger will happen on the contribution of GHESI to Alectra's total consolidated rate base. Alectra will assume GHESI's debt. Also, the City of Guelph, the owner of GHESI, will receive about 4.63% ownership in Alectra when the transaction closes and a seat on the board of directors.

The affirmation on Alectra reflects our view that the amalgamated company will have a marginally enhanced business risk profile, reflecting a greater regulated footprint in Ontario. GHESI and Alectra's regulated electric utility operations benefit from a generally constructive regulatory framework under the Ontario Energy Board (OEB). In addition, the combined company will benefit from a larger customer base, serving around 1,045,000 customers, largely in the region surrounding Toronto. When the merger is complete, the combined entity will be the largest municipally owned electricity distribution company in Ontario. These factors should further strengthen Alectra's business risk profile.

Our assessment of Alectra's business risk also reflects our view of the supportive Ontario regulatory regime. We believe the OEB, the regulator for the Province of Ontario, provides a transparent, consistent, and independent regulatory framework that supports stable and predictable cash flows for the company, which we view as a key credit strength. This includes limiting commodity risk exposure since electricity costs are passed through to ratepayers. The tariff structure allows the operator to recover prudently spent operating costs, capital expenditures, or other unexpected material losses in a timely manner. These positive aspects are partially offset by our expectation that the company is allowed to defer rebasing rates for the next decade.

We expect that the combined company's adjusted funds from operations (FFO) to debt will be 12%-13% over 2019-2021. However, this indicates only very minimal financial cushion at the current rating level. As structured, the merger includes no acquisition goodwill and no acquisition debt, helping maintain credit-supportive financial measures after the transaction. Our financial assessment incorporates post-closing operational savings of C$20 million-C$25 million, ongoing capital spending, the steady recovery of costs through regulatory mechanisms, and maintaining a balanced capital structure.

We applied a one-notch positive adjustment to the anchor score based on our comparative rating analysis because the company's adjusted FFO (AFFO) to debt is at the higher-end of the range for its financial risk profile category.

Liquidity

We assess Alectra's liquidity as adequate because we believe its liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and meet cash outflows even if EBITDA declines 10%. The assessment also reflects the company's generally prudent risk management, sound relationships with banks, and a generally satisfactory standing in credit markets. Alectra exhibits sound ability to absorb high-impact, low probability events with limited need for refinancing.

Principal liquidity sources include:

- Estimated FFO of about C$275 million-C$300 million annually;
- Available credit facility of about C$485 million; and
- Cash on hand of about C$2 million.

Principal liquidity uses include:

- Debt maturities (both short- and long-term) of about C$176 million;

- Capital spending of C$270 million-C$300 million;
- Dividend payments of about C$80 million; and
- Working capital outflows of about C$40 million.

Outlook

The stable outlook reflects S&P Global Ratings' assessment of Alectra's predictable and stable cash flows from the company's low-risk, regulated distribution business. We expect AFFO to debt to be above 12% in 2018. The outlook also reflects our expectation that management will continue to focus on integrating the amalgamated companies and its core regulated business electricity distribution over our two-year outlook horizon.

Downside scenario

We could downgrade the company over the next two years if AFFO to debt declines below 12%. This would indicate very minimal cushion at the current rating level and could happen if the company cannot achieve the required synergies, costs significantly increase during the company's deferred rate rebasing period, or there is an adverse regulatory decision that materially limits cost recovery.

Upside scenario

Although less likely, we could raise the rating within the next two years if Alectra's AFFO to debt to approaches 20%. However, based on our financial forecast and the company's capital programs, we believe the prospect of a positive rating action is highly unlikely during our outlook horizon.

Ratings Score Snapshot

Issuer credit rating: A/Stable/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/leverage: Significant

Anchor: a-

Modifiers

- Diversification/portfolio effect: Neutral (no impact)

- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Positive (+1 notch)

Stand-alone credit profile: a
- Likelihood of government support: Low (no impact)

Issue Ratings--Subordination Risk Analysis

Capital structure

Alectra's capital structure consists of C$1.7 billion-C$1.9 billion of unsecured debt, all at the parent level.

Analytical conclusions

The debt at the Alectra level is not structurally subordinated. In addition, there is only one tranche of debt, the senior unsecured bonds. Therefore, we do not notch the debt at the Alectra level. We rate the senior unsecured debt 'A', the same as our long-term issuer credit rating on the company.

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Ratings Affirmed

Alectra Inc.	
Issuer Credit Rating	A/Stable/--
Alectra Inc.	
Senior Unsecured	A

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

3.0-VECC-11

ATTACH 3- S&P Global Ratings Report Dated January 24, 2018

S&P Global
Ratings

RatingsDirect®

Summary:
Alectra Inc.

Primary Credit Analyst:
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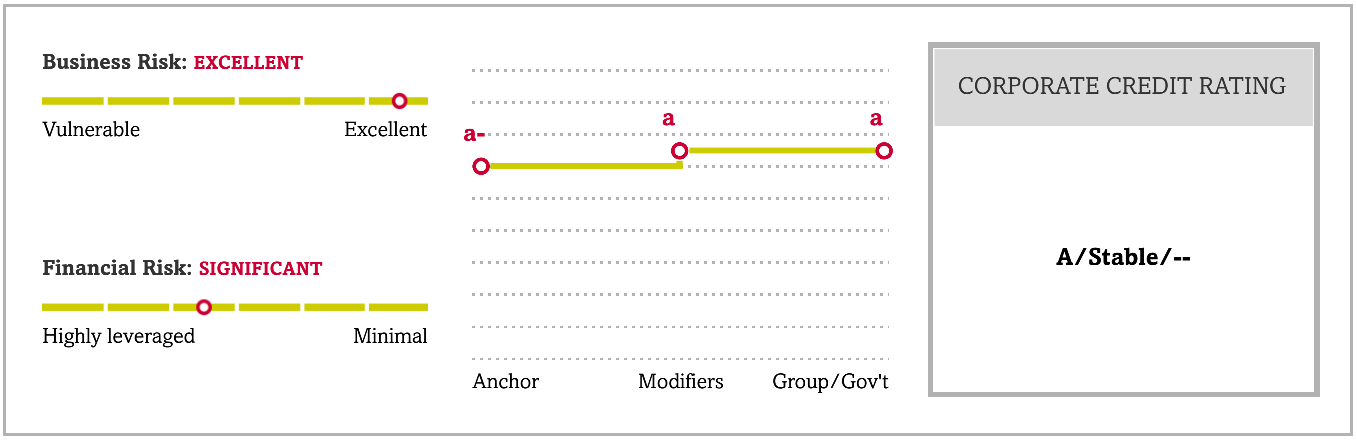
Table Of Contents

Summary:

Alectra Inc.



Rationale

Business Risk: Excellent	Financial Risk: Significant
• Low-risk, rate-regulated electricity distribution operations contributing to the majority of cash flows, providing credit strength • A transparent, predictable, and stable regulatory regime • A tariff that includes a pass-through mechanism for major expenses such as commodity cost, effectively shielding Alectra Inc. from input cost risk • Alectra's status as the second-largest municipally owned electric utility by customer base in North America and largest municipally owned distribution company in Ontario. This monopolistic position limits Alectra's competitive risk • Large and diverse customer base with minimal customer concentration risk	• Stable regulated cash flow • Stable financial measures in line with a significant financial risk profile • Transparent financial policies

Outlook: Stable

The stable outlook reflects S&P Global Ratings' assessment of Alectra's predictable and stable cash flows from the company's low-risk, regulated distribution business. We expect adjusted funds from operations (AFFO)-to-debt to be above 12% in 2017. The outlook also reflects our expectation that management will continue to focus on integrating the amalgamated companies and its core regulated business electricity distribution during our two-year outlook horizon.

Downside scenario

Although we don't expect it, a material adverse regulatory ruling or a significant increase in leverage leading to sustained deterioration in forecast AFFO-to-debt of below 11% could lead to a downgrade. This could happen if the company cannot achieve the required synergies or following material adverse regulatory decisions. In the event of a cash-flow shortfall, we expect Alectra will decrease its capital spending or suspend dividend payments to preserve credit metrics.

Upside scenario

We could raise the rating within our outlook horizon if we forecast Alectra's AFFO-to-debt to approach 23% consistently, all else being equal. However, based on our financial forecast and the company's capital programs, we believe the prospect of a positive rating action is highly unlikely during our outlook horizon.

Our Base-Case Scenario

Assumptions	Key Metrics
- The regulatory regime will be relatively stable, and Alectra will not experience any material, adverse regulatory decisions - Economic conditions in the service territories will be stable - The company will maintain its regulatory capital structure and earned returns will remain at or near authorized levels - There will be continued capital investment and rate base growth - Regulatory adjustments will not affect the net income - Cost of electricity will remain as a pass-through to customers - Average annual capital expenditure will remain near C$335 million - Annual dividends will average C$75 million in the forecast period	See table below

	2016A	2017E	2018E
FFO/total debt (%)	N/A	11.5%-12.5%	12.5% -13.5%

Fiscal year ended Dec. 31. Alectra's first year of operation was 2017. FFO--Funds from operations. A--Actual. E--Estimate. N/A--Not applicable.

Company Description

Alectra was created through the amalgamation of PowerStream Holdings Inc., Enersource Holdings Inc., and Horizon Holdings Inc. Jan. 31, 2017. On Feb. 28, 2017, it acquired all of the shares of Hydro One Brampton Networks Inc.

The company operates two business segments:

- Regulated electricity distribution operations in Ontario that serve over 980,000 customers
- Nonregulated businesses, consisting of principally solar generation assets and a submetering business

Business Risk: Excellent

We view Alectra's business risk profile as excellent, largely reflecting our assessment of the Ontario Energy Board's (OEB) regulatory framework as strong. We view the regulatory process as transparent, consistent, and predictable. The board publishes details of all hearings and the rationale supporting its decisions. Supporting consistency and predictability are the use of standard methodology applied to all utilities in its jurisdiction, including a transparent formula for allowed returns, and a consistent deemed capital structure that has not changed for many years. In addition, during times of change, the regulator follows a public process of study and consultation that allows management to adjust to new regulatory or market developments.

Rates are typically determined in a timely fashion and allow for the recovery of prudently incurred costs and the opportunity to earn a modest return. Furthermore, several mechanisms support timely recovery of material and unexpected capital costs, including rate riders, specific adjustments under incentive ratemaking, and (in some circumstances) an ability to request a rate-reset hearing.

In Ontario, distribution companies including Alectra, have no obligation to ensure an adequate supply of electricity and are not burdened with the procurement process or power purchase agreements, further supporting the utility's ability to earn its allowed return. Moreover, commodity costs flow through rates, limiting Alectra's exposure to commodity risk and associated cash flow volatility. Further supporting the excellent business risk profile is the company's monopoly position in its service territory and the asset-intensive nature of electricity distribution that limit competitive risk.

We expect Alectra's customer profile to be stable, with about 65% of distribution revenues coming from residential and small business customers, who are less sensitive to macroeconomic stresses and business cycles. Net revenue can fluctuate modestly due to weather-driven changes in demand for electricity in the residential-based customer class, but we do not believe these will strain credit metrics. Also, the company benefits from less customer concentration risk, further supporting credit strength. In our opinion, Alectra's unregulated cash flow from solar generation assets under long-term contracts and street lighting service is immaterial to the rating.

Guelph City Council voted in favor of Guelph Hydro Electric Systems Inc. (GHESI) merging with Alectra Inc. GHESI is a regulated electricity distribution company that delivers electricity safely and reliably to more than 55,000 homes and businesses in the City of Guelph, Ont. There is no cash involved in this transaction, because the merger will happen on the contribution of the entities to the total consolidated rate base. Alectra will file a mergers, acquisitions, amalgamations, and divestitures application with the OEB. The approval process will ensure the merger does not have an adverse effect on ratepayers based on the board's no-harm test. Overall, we do not expect the business risk to change because both companies operate under the same regulatory framework.

Financial Risk: Significant

We assess Alectra's financial risk profile as significant. We assess the company's financial measures against our most permissive leverage benchmarks because the vast majority of cash flow comes from the low end of the utility risk spectrum in electricity distribution under a supportive regulatory framework. Under our base-case scenario, we expect that Alectra's core credit ratios will be 12%-13% in 2017 and 2018. We believe the core ratio will increase in the forecast period. After 2018, we expect the ratio will be in the intermediate financial risk profile category.

Furthermore, we expect annual capital spending for the next few years to be about C$335 million annually based on the various system related renewals, service plants and infrastructure along with dividend payments, which will result in negative discretionary cash flows for the forecast period. We expect the company will require external funding sources coupled with steady cost recovery through regulatory mechanisms to maintain cash flow coverage measures.

Absent any major acquisitions from 2018, S&P Global Ratings expects Alectra's capital structure will be stable in the medium term, because the company will partially fund growth in the regulated business with debt. We base this on Alectra's track record of managing the utility's balance sheets in line with the regulator-established deemed capital structure and earning in line with approved return on equity.

Liquidity: Adequate

We assess Alectra's liquidity as adequate. Based on our criteria, we expect that liquidity sources will be sufficient to cover uses more than 1.1x in the next 12 months. We expect that, in the event of a 10% decline in EBITDA, the company's sources of funds would still exceed its uses. In our view, Alectra has sound relationships with its banks and generally prudent financial risk management. In the unlikely event of unexpected financial stress, we believe the company would scale back its capital expenditures and has the flexibility to suspend dividend payments to preserve credit metrics.

Principal Liquidity Sources	Principal Liquidity Uses
• FFO of about C$250 million-C$300 million over the next 12 months • Available credit facility of about C$380 million over the next 12 months • Cash on hand of about C$105 million as of Sept. 30, 2017	• Debt maturities (both short- and long-term) of about C$178 million over the next 12 months • Capital spending of C$300 million-$350 million over the next 12 months • Dividend payments of C$60 million-C$70 million over the next 12 months • Working capital outflows of about C$32 million over the next 12 months

Other Credit Considerations

We have applied a one-notch positive adjustment to the anchor score based on our comparative rating analysis. This is because of the company's AFFO-to-debt metric, which is at the stronger end of the significant category.

Government Influence

We believe there is a low likelihood that the utility's owners would provide timely and sufficient extraordinary support in the unlikely event of financial distress. In our view, Alectra has a role of limited importance to the cities, given that the province has oversight of electricity regulation licensing, not the cities, and that a private enterprise could provide the utility's services. We think there is a limited link between Alectra and the cities, given our belief that, in a stress scenario, although the cities might provide some temporary liquidity support, they would be unlikely to support the utility with taxpayer dollars.

Ratings Score Snapshot

Corporate Credit Rating

A/Stable/--

Business risk: Excellent

- **Country risk:** Very low
- **Industry risk:** Very low
- **Competitive position:** Strong

Financial risk: Significant

- **Cash flow/Leverage:** Significant

Anchor: a-

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Positive (+1 notch)

Stand-alone credit profile : a

- **Likelihood of government support:** Low (no impact)

Issue Ratings

Subordination risk analysis

Capital structure

Alectra's capital structure consists of C$1.7 billion-C$1.9 billion of unsecured debt, all at the parent level.

Analytical conclusions

The debt at the Alectra level is not structurally subordinated. In addition, there is only one tranche of debt, namely the senior unsecured bonds. Therefore, we do not notch the debt at the Alectra level. We rate the senior unsecured debentures 'A', the same as our long-term corporate credit rating on the company.

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, Sept. 21, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013

- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	**a-**	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

3.0-VECC-11

ATTACH 4- DBRS Ratings Report Dated June 27, 2019

Rating Report

Alectra Inc.

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DBRS

Insight beyond the rating.

Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A	Confirmed	Stable
Senior Unsecured Debentures	A	Confirmed	Stable
Commercial Paper	R-1 (low)	Confirmed	Stable

Rating Update

On June 27, 2019, DBRS Limited (DBRS) confirmed the ratings of Alectra Inc. (Alectra or the Company) as listed above. This reflects Alectra's stable business risk profile following the merger with Guelph Hydro Electric Systems Inc. (Guelph Hydro; the Merger) in January 2019 and solid credit metrics. The stability and low risk of the Company's electricity distribution business (96% of earnings in 2018) is underpinned by a reasonable and supportive regulatory regime in Ontario, which is regulated by the Ontario Energy Board (OEB). The Stable trends incorporate DBRS's expectation that the Company's key credit metrics will likely remain in line with the current ratings.

In January 2019, Alectra merged with Guelph Hydro in which the City of Guelph holds approximately 4.6% ownership in the merged entity (being Alectra). The Merger will likely not materially affect Alectra's credit profile as (1) Guelph Hydro operates under the same regulatory framework as the Horizon, Brampton, Enersource and PowerStream rate zones; (2) no incremental debt was issued for the Merger; and (3) Guelph Hydro's financial risk profile was in line with Alectra's. The integration risk should be manageable; the Company is already merging the systems of the four predecessor utilities, and Guelph Hydro will then adopt Alectra's systems and processes.

Alectra's financial profile remains consistent with the current ratings; its credit metrics for 2018 and the last 12 months ended March 31, 2019 (LTM 2019) were solid despite the 70% debt financing for the acquisition of Hydro One Brampton Networks Inc. (HOBNI) in 2017. Since the HOBNI acquisition, Alectra's credit ratios have been supported by strong cash flow through its solid financial performance and earlier-than-expected synergy realization.

Capex for 2019 is expected to be approximately $272 million (net of contributions). A majority of capex will be spent on system renewal and access projects. Alectra is expected to finance capex through debt and cash flow surplus. In 2017 and 2018, significant cash flow surplus was retained as the dividend payout as a percentage of cash flow was relatively low, which should continue. Thus, Alectra's credit metrics should remain stable and supportive of the current ratings over the medium term. However, although unlikely, a negative rating action could occur if the cash flow-to-debt and debt-to-capital ratios weaken to below 12.5% and above 65.0%, respectively, on a sustained basis.

Financial Information

	12 mos. to Mar. 31	For the year ended December 31	
	2019	**2018**	**2017**
Total debt in capital structure 1 2	60.2%	60.9%	61.2%
Cash flow/Total debt 2	14.5%	15.6%	13.6%
EBIT gross interest coverage (times) 2	3.07	3.02	3.08

1 Equity excludes goodwill resulting from the amalgamation of PowerStream, Horizon and Enersource. 2 Adjusted for operating leases.

Issuer Description

Alectra is the largest municipally owned electricity distribution company in Ontario, with over 1 million customers. Its service franchise areas include Mississauga, Markham, Richmond Hill, Vaughan, Barrie, St. Catharines, Hamilton, Brampton and Guelph.

Rating Considerations

Strengths

1. Stability from regulated business
Approximately 96.5% of the Company's assets is in the regulated distribution business, which generates stable cash flow. The regulated electricity distribution business operates under a reasonable regulatory framework in Ontario.

2. Strong franchise area with good growth
Alectra's franchise area is one of the strongest in Ontario, with above-average customer growth that has helped to offset energy conservation pressure on consumption volumes. The customer mix is also favourable, with residential customers accounting for approximately 90% of total customers. Residential customers reduce the Company's exposure to cyclicality.

3. Solid financial profile
Alectra's key credit metrics are solid for the current rating category. The Company's cash flow-to-total debt and debt-to-capital ratios (14.5% and 60.2%, respectively, for LTM 2019) were in line with the "A" ratings, while the EBIT-interest coverage ratio was strong at 3.07 times.

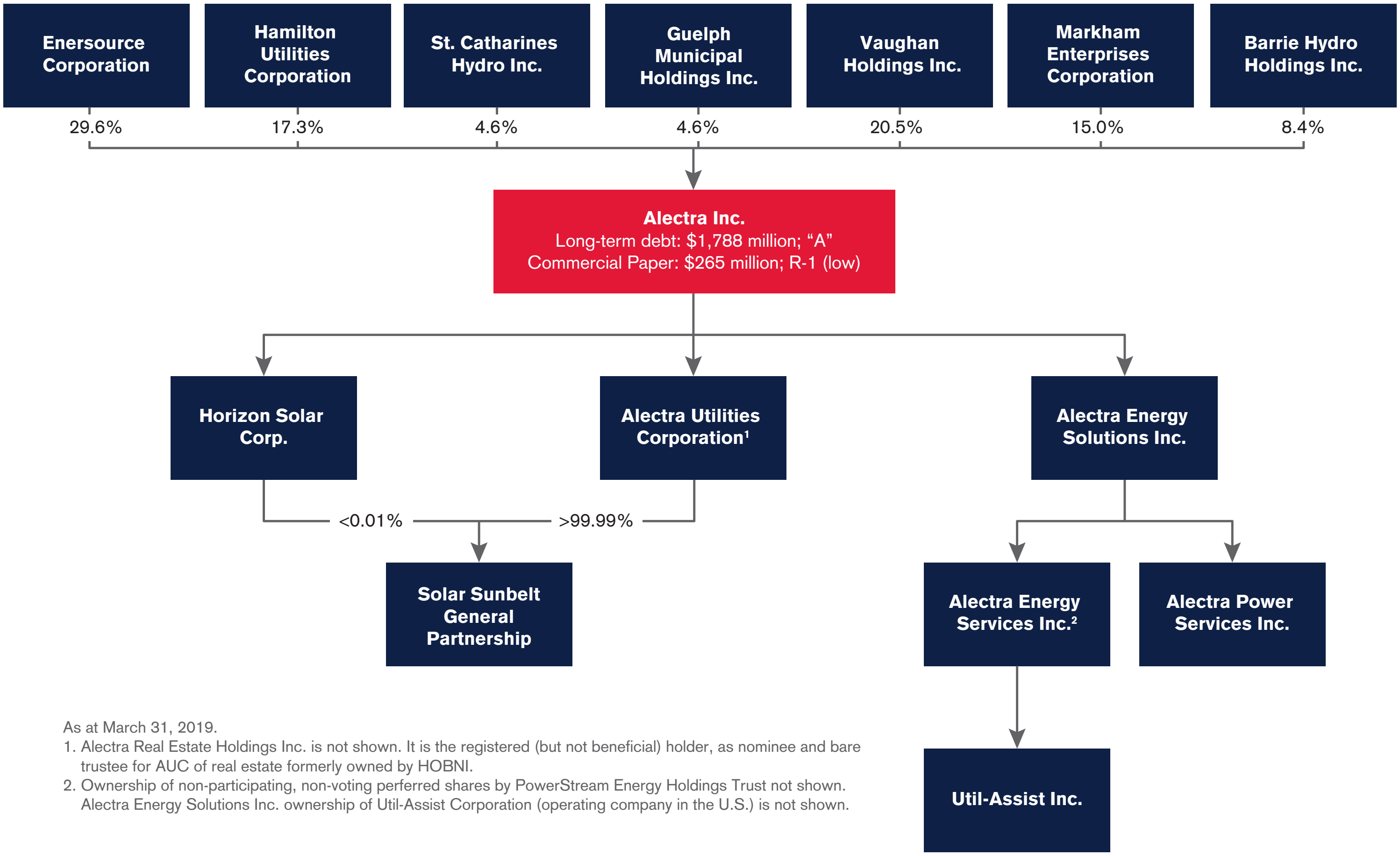
Challenges

1. Operational challenges and performance pressure under IR
Under performance-based regulation, Alectra must forecast its operating, maintenance and administrative expenses and capital investment for a specified time period. As a result, earnings and cash flows could be negatively affected by large unforeseen discrepancies between forecast and actual costs. Additionally, under the Price Cap Incentive Rate-Setting (IR) method, the Enersource, PowerStream, Brampton, Horizon and Guelph rate zones' annual rate increases are based on a regulatory formula that includes inflation, a productivity factor and a stretch factor. Alectra Utilities Corporation (AUC), the regulated utility, must achieve productivity at least equal to the regulatory productivity and stretch factor in order to achieve the allowed return on equity (ROE). However, DBRS views earnings pressure as manageable given that the rate adjustment parameters for the productivity and stretch factors for 2018 and 2019 were reasonable, at 0.0% and 0.3%, respectively.

2. Exposure to higher-risk non-regulated business
DBRS considers the non-regulated business to be higher risk than Alectra's core regulated electricity distribution business. This is largely because of the greater volume risk associated with non-regulated operations. Non-regulated operations for the Company include solar generation and a sub-metering business. DBRS notes that although commodity price risk for the generation business has been mitigated through long-term contracts with the Independent Electricity System Operator (IESO; rated A (high) with a Stable trend by DBRS), increasing exposure to the non-regulated segment could result in greater volatility in Alectra's earnings and cash flows. In 2018, non-regulated operations accounted for approximately 4% of total EBITDA. Should earnings from the non-regulated business exceed the 20% threshold on a sustained basis, the Company's business risk assessment could be negatively affected.

3. Limited access to equity capital market
Alectra's ownership structure (owned largely by several municipalities) limits its ability to directly access the equity market. As a result, free cash flow deficits have been largely financed through revolving credit facilities and debt issuances. However, DBRS notes that the Company's dividend/cash flow ratio has been low in the last few years, resulting in significant cash flow surpluses being used to partially fund capex.

Simplified Ownership Structure



As at March 31, 2019.
1. Alectra Real Estate Holdings Inc. is not shown. It is the registered (but not beneficial) holder, as nominee and bare trustee for AUC of real estate formerly owned by HOBNI.
2. Ownership of non-participating, non-voting perferred shares by PowerStream Energy Holdings Trust not shown. Alectra Energy Solutions Inc. ownership of Util-Assist Corporation (operating company in the U.S.) is not shown.

- Alectra was created though the amalgamation of Enersource Holdings Inc., Horizon Holdings Inc. and PowerStream Holdings Inc. on January 31, 2017.
  - Alectra is indirectly owned by municipalities; the only non-municipal owner is Enersource Corporation, which is 90% owned by the City of Mississauga and 10% owned by BPC Energy Corporation, a wholly owned indirect subsidiary of the Ontario Municipal Employees' Retirement System.
- AUC was created through the amalgamation of the predecessor local distribution companies (LDCs): PowerStream Inc., Enersource Hydro Mississauga Inc. and Horizon Utilities Corporation (Horizon Utilities) on January 31, 2017. On February 28, 2017, AUC acquired all shares of HOBNI.
  - On January 1, 2019, Guelph Hydro merged with AUC. The City of Guelph, through its wholly owned subsidiary Guelph Municipal Holdings Inc., holds approximately 4.6% of shares in Alectra.
  - AUC is the second-largest municipally owned electric utility by customer base in North America and the largest municipally owned LDC in Ontario, serving over 1.0 million customers.
- Alectra Energy Solutions Inc. holds the large majority of the non-regulated business, managing total assets of approximately $172 million, mainly consisting of solar generation assets under long-term contract with the IESO and a sub-metering business.

Earnings and Outlook

	12 mos. to Mar. 31	For the year ended December 31	
(CAD millions where applicable)	2019	2018	2017
Net Sales	621	602	546
EBITDA	354	345	304
EBIT	220	214	184
Gross interest expense	72	70	59
Net income before non-recurring items	137	133	110
Reported net income	91	109	74
Return on equity	10.6%	10.7%	9.9%
Rate base 1	N/A	2,886	2,731
Deemed common equity	40.0%	40.0%	40.0%
Allowed ROE 2	N/A	8.9%	8.9%
Achieved regulatory ROE	N/A	7.7%	8.4%

Note: Alectra IFRS financial results have been adjusted by DBRS; values do not reflect Modified IFRS reporting required by the OEB.
1 Rate base amounts are management estimate and differ from approved OEB rate base; and excludes Guelph's rate base.
2 Based on weighted-average of last OEB-approved rate base.

2018 Summary

- Alectra benefits from predictable earnings underpinned by its regulated assets in Ontario.
  - Regulated activities accounted for over 96% of earnings in 2018.
  - Earnings from the non-regulated segment largely consist of solar generation assets under long-term Feed-In Tariff contracts with the IESO.
- Earnings increased in 2018 because of (1) a full year's operations (2017 results consist of 11 months of operations, with only ten months with Brampton); (2) distribution rate increases for the rate zones; and (3) lower transition costs related to the amalgamation.
  - This was partly offset by higher interest costs from the increase in debt load and higher depreciation from the growing rate base.
- Reported net income included $14 million of incentives from conservation and demand management programs, transition costs, a $6 million gain on the disposal of Collus PowerStream and DBRS regulatory adjustments.

2019 Summary and Outlook

- Earnings for LTM 2019 increased compared with 2018 because of (1) rate increases for the four rate zones and (2) the amalgamation with Guelph Hydro effective January 1, 2019.
  - Reported net income includes loss on disposal of property, plant and equipment, as well as DBRS regulatory adjustments.
- DBRS expects earnings in 2019 to remain relatively stable.
  - Alectra's earnings for the year should benefit from the addition of Guelph Hydro and from synergies realized from the mergers.
  - Rates for the Brampton, Enersource and PowerStream rate zones increased by the Price Cap adjustment of 1.2% effective January 1, 2019. The OEB also approved incremental capital modules (ICM) funding of $7.5 million for the Enersource rate zone and $18.8 million for the PowerStream rate zone.
  - Earnings for the Horizon Utilities rate zone should see a modest increase during the Custom IR term, tracking annual growth in the rate base.
  - These increases are expected to be partly offset by continuing transition costs and merger costs with Guelph Hydro.

Financial Profile

	12 mos. to Mar. 31	For the year ended December 31	
(CAD millions where applicable)	2019	2018	2017
Net income before non-recurring items	137	133	110
Depreciation & amortization	144	140	124
Deferred income taxes and other	25	37	2
Cash flow from operations	**306**	**310**	**236**
Dividends	(81)	(69)	(36)
Capital expenditures	(294)	(289)	(234)
Free cash flow (bef. working cap. changes)	**(69)**	**(48)**	**(34)**
Changes in non-cash work. cap. items	(99)	(112)	193
Regulatory assets/Liabilities	(53)	(30)	(8)
Net free cash flow	**(221)**	**(190)**	**151**
Acquisitions & long-term investments	0	0	(615)
Proceeds on asset sales	17	17	0
Net equity change	(5)	(5)	46
Net debt change	188	73	385
Other investing and financing	13	(1)	0
Change in cash	**(9)**	**(106)**	**(33)**
Total debt	2,114	1,984	1,892
Total debt in capital structure 1 2	60.2%	60.9%	61.2%
Cash flow/Total debt 2	14.5%	15.6%	13.6%
EBIT gross interest coverage (times) 2	3.07	3.02	3.08
Dividend payout ratio	59.1%	51.7%	32.7%

1 Equity excludes goodwill resulting form the amalgamation of PowerStream, Horizon and Enersource.
2 Adjusted for operating leases.

2018 Summary

- Alectra's key credit metrics for 2018 strengthened modestly because of the stronger earnings and cash flows for the year.
- Capex (net of contributions) of approximately $289 million in 2018 was largely for connecting new customers, including for transit projects and the replacement and rehabilitation of aging infrastructure and merger and transition costs.
- Dividends of $69 million were in line with the Company's policy to pay up to 60% of its net income, excluding Ring-Fenced Solar Projects (previously PowerStream Solar), as dividends.
- Alectra had a net free cash flow deficit of $190 million in 2018 because of the large capex program. The Company funded this with cash on hand and through its Commercial Paper program.

2019 Summary and Outlook

- Alectra's key credit metrics were relatively steady in LTM 2019.
  - The increase in total debt largely represents $95 million of Guelph Hydro Senior Unsecured Debentures absorbed through the Merger.
- Cash flow from operations was modestly lower in LTM 2019.
- Alectra has planned net capex (net of contributions) of around $272 million for the year, with the majority for renewing aging infrastructure or to connect new customers ($51.4 million spent as of March 31, 2019).
- DBRS expects any net free cash flow deficits from the ongoing capex program to be funded through cash on hand and debt issuances.
  - DBRS expects the Company to manage its capex and dividends in a prudent manner to maintain its key credit metrics in line with the "A" rating category.

Debt and Liquidity

Credit Facilities as at Mar. 31., 2019

(CAD millions)	Amount	Drawn/LOC	Available	Maturity
364-day committed revolving credit facility	500.0	335.7	164.3	Oct. 2020
Uncommitted credit facility	100.0	0.0	100.0	-
Secured demand facility	1.0	0.0	1.0	-

- Alectra has a 364-day committed revolving credit facility of $500 million. This facility backstops the Company's $300 million Commercial Paper program ($265 million outstanding as at March 31, 2019).
- The Company also has an uncommitted credit facility of $100 million and a secured demand facility of $1 million (both undrawn as at March 31, 2019).

Long-Term Debt Maturity as at Mar. 31, 2019

(CAD millions)	Amount	Rate	Maturity
Senior Unsecured Debentures Series A	40	4.770%	Jul. 2020
Series A Senior Unsecured Debentures	110	4.521%	Apr. 2021
Senior Unsecured Debentures Series B	150	3.033%	Apr. 2022
Series B Senior Unsecured Debentures	150	3.239%	Nov. 2024
Series A Senior Unsecured Debentures	675	2.488%	May 2027
Series B Senior Unsecured Debentures	210	5.297%	Apr. 2041
Series A Senior Unsecured Debentures	200	3.958%	Jul. 2042
Series A Senior Unsecured Debentures	65	5.264%	Dec. 2030
Series B Senior Unsecured Debentures	30	4.121%	Sep. 2045
Promissory note issued to the City of Vaughan	78	4.410%	May 2024
Promissory note issued to the City of Markham	68	4.410%	May 2024
Promissory note issued to the City of Barrie	20	4.410%	May 2024
Total	**1,796**		
Unamortized issuance costs	(8)		
Total long-term debt	**1,788**		

- Alectra's long-term debt maturity is relatively well spread out, with a modest amount of debt maturing within the next five years.
- The Company's long-term debt consists of the following:
  - Senior Unsecured Debentures totalling $1,630 million and
  - Subordinate debt to shareholders (promissory notes) totalling $166.1 million. The three promissory notes are repayable as of 366 days following demand from its owners. The owners have an option to extend the term of the notes based on market conditions at the original maturity date.
- In April 2019, the Company issued $200 million of 3.458% Series 2019-1 Senior Unsecured Debentures due April 2049.
- Covenants on Alectra's trust indenture and credit facilities include restrictions of the ability of the Company to issue priority debt and merge or dispose of assets as well as to maintain a ratio of funded debt-to-capitalization ratio of not greater than 75% (in compliance as at March 31, 2019).

Regulation

- AUC, a subsidiary of Alectra, is regulated by the OEB under the *Ontario Electricity Act, 1998*.
- In April 2016, the predecessor utilities filed a Mergers, Acquisitions, Amalgamations and Divestitures (MAADs) application with the OEB. The OEB approved the application in December 2016 with the following:
  - AUC can defer rebasing for ten years following the closing of the Merger. This will allow AUC to keep all efficiency gains for five years before being subject to an earnings-sharing mechanism of any returns in excess of 300 basis points (bps) above the allowed ROE for the latter five years.
  - During the deferral period, the predecessor utilities' distribution rates and franchise areas will remain as separate rate zones. As well, rate zones that were operating under Price Cap IR (Brampton, Enersource and PowerStream) would continue to have their rates adjusted annually by the Price Cap adjustment mechanism. Rate zones that operate under Custom IR (Horizon Utilities) will transition to a Price Cap IR following the expiry of its Custom IR term.
- In October 2018, the OEB approved AUC's MAADs application to merge with Guelph Hydro.
  - Similar to the other rate zones, AUC is allowed to defer rebasing for the Guelph Hydro rate zone for ten years, with an earnings-sharing mechanism of any returns in excess of 300 bps above the allowed ROE for the latter five years.

Brampton, Enersource, PowerStream and Guelph Rate Zones

- The Brampton rate zone (formerly HOBNI) comprises the City of Brampton.
- The Enersource rate zone (formerly Enersource Hydro Mississauga Inc.) comprises the City of Mississauga.
- The PowerStream rate zone (formerly PowerStream Inc.) comprises the Cities of Barrie, Markham and Vaughan and the Towns of Aurora, Richmond Hill, Alliston, Beeton, Bradford, West Gwillimbury, Penetanguishene, Thornton and Tottenham.
- The Guelph rate zone (formerly Guelph Hydro Electric Systems Inc.) comprises the City of Guelph and the Village of Rockwood.
- The Brampton, Enersource, PowerStream and Guelph rate zones operate under a Price Cap IR, where rates are subject to a formula price cap that allows for an annual increase in distribution rates based on inflation less productivity and a utility-specific stretch factor that can be reset annually.
- Under a Price Cap IR, AUC could file an ICM for each rate zone to request funding for incremental capital investment needs during the Price Cap IR term.
- In its 2018 Electricity Distribution Rate (EDR) application, AUC requested a Price Cap adjustment of 0.9% (based on an inflation factor of 1.2%, productivity factor of 0.0% and stretch factor of 0.3%) for each of the Brampton, Enersource and PowerStream rate zones.
  - In April 2018, the OEB approved the 0.9% rate increases effective January 1, 2018.
  - The OEB approved $28.8 million of the requested $56.2 million in ICM funding. The disallowance was largely because the OEB used a project-specific materiality threshold based on the consolidated AUC level rather than at the applied-for individual rate zone level. Alectra does not plan to undertake the capex that was disallowed in its ICM application.
  - The OEB also approved the disposal of balances in the deferral and variance accounts. Brampton, Enersource and PowerStream will return, respectively, $5.7 million, $7.4 million and $22.2 million to customers.
- In December 2017, the OEB approved Guelph Hydro's application to increase rates by 0.9% effective January 1, 2018.
- In its 2019 EDR application, AUC requested a Price Cap adjustment of 1.2% (based on an inflation factor of 1.5%, productivity factor of 0.0% and stretch factor of 0.3%) for each of the Brampton, Enersource and PowerStream rate zones.
  - In December 2018, the OEB approved the 1.2% rate increases effective January 1, 2019.
  - The OEB also approved the disposal of balances in the deferral and variance accounts. Brampton and PowerStream will return, respectively, $2.1 million and $7.5 million to customers, while Enersource will collect $4.8 million from customers.
  - In January 2019, the OEB approved $26.3 million of the requested $31.6 million in ICM funding.
- In December 2018, the OEB approved Guelph Hydro's application to increase rates by 1.2% effective January 1, 2019, and to dispose of balances in the deferral and variance accounts to collect $6.2 million from customers.

Horizon Utilities Rate Zone

- The Horizon Utilities rate zone (formerly Horizon Utilities Corporation) comprises the Cities of Hamilton and St. Catharines.
- In October 2014, the OEB had approved a Custom IR settlement proposal for Horizon Utilities Corporation that had set its revenue requirement for each year from 2015 to 2019, subject to annual adjustments.
- In its 2018 EDR application, AUC applied for the year-four update of the Horizon Utilities rate plan under a Custom IR.
- In April 2018, the OEB approved the 2018 revenue requirement of approximately $120.7 million for the Horizon Utilities rate

Regulation (CONTINUED)

zone, based on an allowed ROE of 9.00%. The OEB also approved AUC disposing of balances in the Horizon Utilities rate zone deferral and variance accounts, including returning approximately $7.4 million to its ratepayers. The Horizon Utilities rate zone will also return earnings sharing of $0.7 million to ratepayers.

- In its 2019 EDR application, AUC applied for the year-five update of the Horizon Utilities rate plan under Custom IR.
  - In December 2018, the OEB approved the 2019 revenue requirement of approximately $124.2 million for the Horizon Utilities rate zone, based on an allowed ROE of 8.98%. The OEB also approved for AUC to dispose balances in the Horizon Utilities rate zone deferral and variance accounts, including returning approximately $7.3 million to ratepayers. The Horizon Utilities rate zone will also return earnings sharing of $0.8 million to ratepayers.
- For rates effective 2020, the Horizon Utilities rate zone will transition to a Price Cap IR.

Alectra Inc.

(CAD millions)	March 31	Dec. 31			March 31	Dec. 31	
Assets	**2019**	**2018**	**2017**	**Liabilities & Equity**	**2019**	**2018**	**2017**
Cash & equivalents	0	16	122	S.T. borrowings	290	274	182
Accounts receivable	607	596	523	Accounts payable	367	368	414
Inventories	23	21	21	Current portion L.T.D.	2	1	1
Prepaid expenses & other	32	30	36	Other current liab.	161	145	142
Total current assets	**662**	**663**	**702**	**Total current liab.**	**819**	**788**	**739**
Net fixed assets	3,219	3,052	2,892	Long-term debt	1,823	1,709	1,709
Future income tax assets	3	3	4	Deferred income taxes	38	45	15
Goodwill & intangibles	989	936	879	Other L.T. liab.	464	424	370
Investments & others	34	1	4	Shareholders' equity	1,763	1,689	1,648
Total assets	**4,908**	**4,655**	**4,481**	**Total liab. & SE**	**4,908**	**4,655**	**4,481**

	12 mos. to Mar. 31	For the year ended December 31	
Balance Sheet & Liquidity & Capital Ratios	**2019**	**2018**	**2017**
Current ratio	0.81	0.84	0.95
Total debt in capital structure	54.5%	54.0%	53.4%
Total debt in capital structure 1 2	60.2%	60.9%	61.2%
Cash flow/Total debt	14.5%	15.6%	13.6%
Cash flow/Total debt 2	14.5%	15.6%	13.6%
(Cash flow - dividends)/Capex	0.77	0.83	0.85
Dividend payout ratio	59.1%	51.7%	32.7%
Coverage Ratios (times)			
EBIT gross interest coverage	3.07	3.05	3.12
EBIT gross interest coverage 2	3.07	3.02	3.08
EBITDA gross interest coverage	4.95	4.93	5.15
Fixed-charges coverage	3.07	3.02	3.08
Profitability Ratios			
EBITDA margin	57.0%	57.3%	55.7%
EBIT margin	35.4%	35.5%	33.7%
Profit margin	22.1%	22.2%	20.1%
Return on equity	10.6%	10.7%	9.9%

1 Equity excludes goodwill resulting from the amalgamation of PowerStream, Horizon and Enersource.
2 Adjusted for operating leases.

Rating History

	Current	2018	2017	2016	2015
Issuer Rating	A	A	A	NR	NR
Senior Unsecured Debentures	A	A	A	NR	NR
Commercial Paper	R-1 (low)	R-1 (low)	NR	NR	NR

Commercial Paper Limit

- $300 million.

Previous Actions

- "DBRS Assigns Rating of R-1 (low) with a Stable Trend to Alectra Inc.'s Proposed Commercial Paper Program," October 2, 2018.
- "DBRS Confirms Alectra Inc. at 'A' with Stable Trends," June 29, 2018.

Related Research

- "DBRS Assigns a Rating of 'A' to Alectra Inc.'s $200 Million Senior Unsecured Debentures," April 11, 2019.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate). For more information on regulatory registrations, recognitions and approvals, please see: http://www.dbrs.com/research/highlights.pdf.

3.0-VECC-11

ATTACH 5- DBRS Ratings Report Dated June 29, 2018

Rating Report

Alectra Inc.

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Insight beyond the rating.

Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A	Confirmed	Stable
Senior Unsecured Debentures	A	Confirmed	Stable

Rating Update

On June 29, 2018, DBRS Limited (DBRS) confirmed the ratings of Alectra Inc. (Alectra or the Company) as listed above and updated the report to reflect the results of the fiscal year ended 2017, and of the three-month period ended March 31, 2018. The ratings of Alectra are underpinned by the Company's stable regulated electricity distribution business in a strong franchise area. The confirmation reflects Alectra's financial performance over the twelve months ended March 31, 2018 (LTM 2018), which has been solid and in line with DBRS's expectations.

Alectra's key credit metrics for 2017 and LTM 2018 remained supportive of the current ratings. DBRS had noted that the Company's cash flow-to-debt and debt-to-capital ratios may be under pressure over the near term as a result of financing the Hydro One Brampton Networks Inc. (HOBNI) acquisition through 70% debt. For LTM 2018, Alectra's debt-to-capital and cash flow-to-debt ratios improved because of a lower debt load. Going forward, DBRS expects the Company to manage its capital expenditures (capex) and dividends in a prudent manner in order to maintain these ratios within the "A" rating category. A negative rating action could occur should these two ratios weaken to a level no longer commensurate with the current rating category for a sustained period (cash flow-to-debt below 12.5% and debt-to-capital above 65%), potentially due to weaker-than-expected or a lack of synergies.

The ratings of Alectra continue to be supported by the Company's stable regulated electricity distribution business in Ontario. DBRS views regulation for Alectra's regulated subsidiary, Alectra Utilities Corporation (AUC; approximately 93% of LTM 2018 EBIT), under the Ontario Energy Board (OEB) as reasonable for the current ratings. AUC should benefit from being able to defer rebasing for up to ten years following the merger in order to retain any operating synergies. However, DBRS notes that this is partly offset by integration risk as well as early rebasing risk which could result in synergetic benefits being less than projected. On April 5, 2018, AUC received its first Electricity Distribution Rate (EDR) decision, for rates effective January 1, 2018. The OEB approved rates for the Brampton, Enersource and PowerStream rate zones, which operate under

Continued on P.2

Financial Information

(CAD millions where applicable)	12 mos. to Mar. 31, 2018	For 11 mos. ended Dec. 31, 2017	For the year ended Dec. 31, 2016			
	Alectra Inc.		Enersource	Horizon	HOBNI	PowerStream
Total debt	1,787	1,891	428	196	192	762
Total debt in capital structure 1, 2	59.9%	61.2%	59.0%	42.5%	47.7%	62.9%
Cash flow/Total debt 2	14.3%	13.6%	12.9%	33.3%	21.9%	13.6%
EBIT gross interest coverage (times) 2	3.06	3.21	2.46	7.16	2.30	1.89
Net income before non-recurring items	119	109	24	34	14	34
Cash flow from operations	256	237	55	65	42	104

1 Excludes FMV adjustment for the deemed acquisition of Horizon and Enersource by PowerStream. 2 Adjusted for operating leases.

Issuer Description

Alectra Inc. is the largest municipally owned electricity distribution company in Ontario, with over 990,000 customers. Its service franchise areas include Barrie, Markham, Richmond Hill, Vaughan and other communities located north of Toronto and in Central Ontario.

Rating Update (CONTINUED)

the Price Cap Incentive Rate (IR) setting method, to increase by 0.9% (inflation factor of 1.2% less a productivity factor of 0% and stretch factor of 0.3%). The Horizon Utilities rate zone, which remains under Custom IR, saw rates increase as per a settlement proposal that had set the revenue requirement for each year from 2015 to 2019.

In March 2018, Alectra filed a Mergers, Acquisitions, Amalgamations and Divestitures (MAADs) application with the OEB requesting to merge with Guelph Hydro Electric Systems Inc. (Guelph Hydro; the Merger). If approved, the City of Guelph will receive an ownership interest of approximately 4.63% in Alectra and one permanent seat on its Board of Directors. DBRS does not expect the Merger to have a material impact on the Company's credit profile as (1) Guelph Hydro operates under Price Cap IR, (2) Alectra will not have to issue incremental debt for the Merger and (3) Guelph Hydro has adhered to the regulatory capital structure of 60% debt and its earnings have been in line with the allowed return on equity (ROE) of around 9%. A decision from the OEB is expected later this year, with the Merger targeted to close on January 1, 2019.

Rating Considerations

Strengths

1. Stability from regulated business
Approximately 99% of the Company's cash flow from operations are contributed by its low-risk regulated electricity distribution business that operates under a reasonable regulatory framework.

2. Strong franchise area with good growth
Alectra's franchise area is one of the strongest in Ontario, with above-average customer growth that has helped to offset energy conservation pressure on consumption volumes. The customer mix is also favourable, with residential customers accounting for approximately 90% of total customers, which reduces the Company's exposure to cyclicality.

3. Reasonable financial profile
Alectra's key credit metrics are reasonable for the current rating category. DBRS notes, however, the cash flow-to-total debt and debt-to-capital ratios (14.3% and 59.9%, respectively, for LTM 2018) may be pressured in the near term as a result of financing the acquisition of HOBNI with 70% debt. The Company's EBIT-interest coverage ratio was strong for the ratings at 3.06 times.

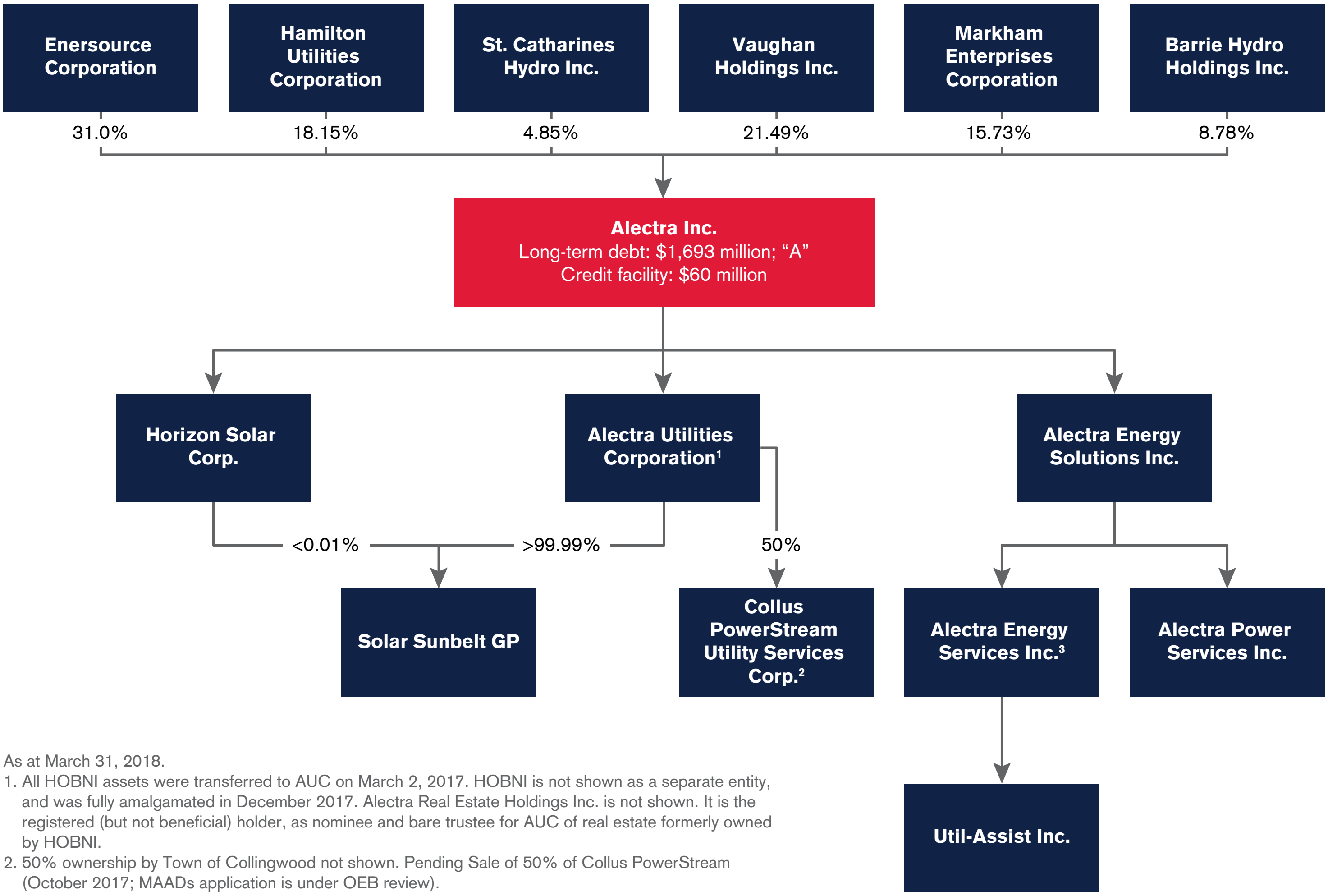
Challenges

1. Operational challenges and performance pressure under IR
Under performance-based regulation, Alectra must forecast its operations, maintenance and administrative (OM&A) expenses and capital investment for a specified time period. As a result, earnings and cash flows could be negatively impacted by large unforeseen discrepancies between forecast and actual costs. Additionally, under Price Cap IR, the Enersource, PowerStream and Brampton rate zones' annual rate increases are limited by a regulatory formula that includes inflation, a productivity factor and a stretch factor. AUC must achieve productivity at least equal to the regulatory productivity and stretch factor in order to achieve the allowed ROE. However, DBRS views earnings pressure to be manageable, given that the rate adjustment parameters for the productivity and stretch factors for 2017 and 2018 were reasonable, at 0% and 0.3%, respectively.

2. Exposure to higher-risk non-regulated business
DBRS considers the non-regulated business as higher risk than Alectra's core regulated electricity distribution business. This is largely because of the greater volume risk associated with non-regulated operations. Non-regulated operations for the Company include solar generation and a sub-metering business. DBRS notes that although commodity price risk for the generation business has been mitigated through long-term contracts with the Independent Electricity System Operator (IESO; rated A (high) with a Stable trend by DBRS), increasing exposure to the non-regulated segment could result in greater volatility in Alectra's earnings and cash flows. Should earnings from the non-regulated business exceed the 20% threshold (approximately 7% for 2017), the Company's business risk assessment could be negatively affected.

3. Limited access to equity capital market
Alectra's ownership structure (owned largely by several municipalities) limits its ability to directly access the equity market. As a result, free cash flow deficits for the predecessor utilities have been largely financed through revolving credit facilities and debt issuances.

Simplified Ownership Structure



As at March 31, 2018.

1. All HOBNI assets were transferred to AUC on March 2, 2017. HOBNI is not shown as a separate entity, and was fully amalgamated in December 2017. Alectra Real Estate Holdings Inc. is not shown. It is the registered (but not beneficial) holder, as nominee and bare trustee for AUC of real estate formerly owned by HOBNI.
2. 50% ownership by Town of Collingwood not shown. Pending Sale of 50% of Collus PowerStream (October 2017; MAADs application is under OEB review).
3. Ownership of non-participating, non-voting preferred shares by PowerStream Energy Holdings Trust not shown. Alectra Energy Solutions Inc. ownership of Util-Assist Corporation (operating company in the U.S.) is not shown.

- Alectra was created though the amalgamation of Enersource Holdings Inc., Horizon Holdings Inc. (Horizon) and PowerStream Holdings Inc. (PowerStream) on January 31, 2017.
  - Alectra is indirectly owned by municipalities; the only non-municipal owner is Enersource Corporation (Enersource), which is 90% owned by the City of Mississauga and 10% owned by BPC Energy Corporation, a wholly owned indirect subsidiary of Ontario Municipal Employees Retirement System.
- AUC was created through the amalgamation of the predecessor local distribution companies (LDC): PowerStream Inc., Enersource Hydro Mississauga Inc. and Horizon Utilities Corporation (collectively, the Former Utilities) on January 31, 2017. On February 28, 2017, AUC acquired all shares of HOBNI.
  - AUC is the second-largest municipally owned electric utility by customer base in North America and the largest municipally owned LDC in Ontario, serving over 990,000 customers and with a rate base of approximately $2.8 billion.
  - In November 2017, Alectra announced that it will sell its 50% share in Collus PowerStream Utility Services Corp. to the Town of Collingwood. This decision followed a "buy-sell" notice received from the town in October 2017. The sale is not expected to have a material impact on the Company.
  - In December 2017, the City of Guelph approved to merge its wholly owned LDC, Guelph Hydro, with AUC. AUC filed a MAADs application with the OEB on March 7, 2018. The Merger is expected to close on January 1, 2019. Following the Merger, the City of Guelph, through its wholly owned subsidiary Guelph Municipal Holdings Inc., will hold approximately 4.63% of shares in Alectra.
- Alectra Energy Solutions Inc. holds the large majority of the non-regulated business, managing total assets of approximately $150 million, mainly consisting of solar generation assets under long-term contract with the IESO and a sub-metering business.

Earnings and Outlook

(CAD millions where applicable)	12 mos. to Mar. 31, 2018	For 11 mos. ended Dec. 31, 2017	For the year ended Dec. 31, 2016			
	Alectra Inc.		Enersource	Horizon	HOBNI	PowerStream
Net Sales	600	546	169	146	76	210
EBITDA	332	304	77	79	45	109
EBIT	201	185	44	54	27	54
Gross interest expense	65	57	18	8	12	28
Net income before non-recurring items	119	109	24	34	14	34
Reported net income	61	74	29	33	14	24
Return on equity	9.6%	9.9%	8.1%	13.4%	8.1%	7.4%
Rate base 1	2,803	2,803	740	507	428	1,006
Deemed common equity	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Allowed ROE	8.78% to 9.30%	8.78% to 9.30%	8.93%	9.19%	9.30%	8.93%
Achieved regulatory ROE	N/A	8.43%	6.13%	9.85%	7.30%	7.89%

Note: Alectra, Enersource, HOBNI and PowerStream IFRS financial results have been adjusted by DBRS; values do not reflect Modified IFRS reporting required by the OEB. Horizon results have not been adjusted for regulatory accounting.
1 Rate base amounts presented are management estimates and differ from the previously approved OEB rate base.

2017 Summary

- DBRS has included adjusted 2016 results for Enersource, Horizon, HOBNI and PowerStream for historical purposes.
  - DBRS notes that as Horizon's financials have not been adjusted for regulatory accounting, it is not fully comparable.
- Alectra benefits from predictable earnings underpinned by its regulated assets in Ontario.
  - Regulated activities accounted for over 90% of earnings in 2017.
  - Earnings from the non-regulated segment largely consists of solar generation assets under long-term Feed-In Tariff contracts with the IESO.
- The Company's earnings for 11 months in 2017 have been in line with DBRS's expectations.
- Reported net income included severance and transition operating expenses and DBRS regulatory adjustments.
  - The achieved regulatory ROE of 8.43% was slightly below the allowed ROEs of the predecessor utilities because of the severance and transition operating expenses.

2018 Outlook

- Earnings for LTM 2018 increased compared to 2017, largely because of the additional month.
  - Reported net income includes severance and transition operating expenses, loss on disposal of property, plant and equipment, and DBRS regulatory adjustments.
- DBRS expects earnings in 2018 to increase, benefiting from the additional month compared with fiscal 2017.
  - Alectra's earnings should also benefit from synergies realized from the merger and acquisition. As per its 2018 financial plan, the Company expects to realize OM&A synergies of $30.8 million in 2018 (compared to consolidated stand-alone OM&A expenses).
- Alectra has applied to the OEB for rates effective January 1, 2019.
  - Rates for the Brampton, Enersource and PowerStream rate zones are expected to increase by the Price Cap adjustment, which should offset cost inflation. The Company is also expected to request for the recovery of incremental capex through incremental capital modules (ICM).
  - Earnings for the Horizon Utilities rate zone should see a modest increase during the Custom IR term, tracking annual growth in the rate base.
- The potential Merger with Guelph Hydro is expected to close on January 1, 2019. Alectra's earnings in 2019 should see a corresponding increase following the closing of the Merger.

Financial Profile

(CAD millions where applicable)	12 mos. to Mar. 31, 2018	For 11 mos. ended Dec. 31, 2017	For the year ended Dec. 31, 2016			
	Alectra Inc.		Enersource	Horizon	HOBNI	PowerStream
Net income before non-recurring items	119	109	24	34	14	34
Depreciation & amortization	137	124	34	25	18	58
Deferred income taxes and other	0	4	(3)	6	11	13
Cash flow from operations	**256**	**237**	**55**	**65**	**42**	**104**
Dividends	(60)	(36)	(14)	(11)	0	(24)
Capital expenditures	(214)	(234)	(74)	(44)	(18)	(112)
Free cash flow (bef. working cap. changes)	**(18)**	**(33)**	**(33)**	**10**	**24**	**(32)**
Changes in non-cash work. cap. items	300	193	(32)	(9)	(11)	(30)
Regulatory assets/Liabilities	(35)	(9)	15	0	2	(9)
Net free cash flow	**247**	**151**	**(51)**	**1**	**15**	**(71)**
Acquisitions & long-term investments	(237)	(615)	0	0	0	(4)
Proceeds on asset sales	0	0	0	1	0	0
Net equity change	44	46	0	0	0	0
Net debt change	(174)	385	46	6	0	83
Other investing and financing	(35)	0	4	(8)	0	0
Change in cash	**(155)**	**(33)**	**(0)**	**0**	**15**	**8**
Total debt	1,787	1,891	428	196	192	762
Total debt in capital structure 1, 2	59.9%	61.2%	59.0%	42.5%	47.7%	62.9%
Cash flow/Total debt 2	14.3%	13.6%	12.9%	33.3%	21.9%	13.6%
EBIT gross interest coverage (times) 2	3.06	3.21	2.46	7.16	2.30	1.89
Dividend payout ratio	50.6%	32.9%	58.8%	33.4%	0.0%	71.7%

1 Excludes FMV adjustment for the deemed acquisition of Horizon and Enersource by PowerStream. 2 Adjusted for operating leases.

2017 Summary

- Alectra's key credit metrics for 2017 were largely in line with DBRS's expectations and within the "A" rating category.
  - DBRS noted that, as a result of the acquisition of HOBNI, the Company would have limited financial flexibility with its key credit metrics (specifically, with the cash flow-to-debt and debt-to-capital ratios) at the lower end for the "A" rating.
- Capex of $234.0 million was largely for the replacement and rehabilitation of aging infrastructure.
- Acquisitions & long-term investments of $614.6 million represent the acquisition of HOBNI in February 2017. This was funded with 70% debt (largely through drawing on a $625 million term facility) and through equity contributions of $180.6 million from shareholders.

2018 Outlook

- Alectra's cash flow-to-debt and debt-to-capital ratios saw modest improvement in LTM 2018 because of the lower debt load. The EBIT-interest coverage ratio weakened but remained supportive of the current ratings.
  - DBRS does not expect the potential merger with Guelph Hydro to materially impact the Company's key credit metrics as (1) Alectra will not have to issue incremental debt for the Merger and (2) Guelph Hydro has adhered to the regulatory capital structure of 60% debt and its earnings have been in line with the allowed ROE of around 9%.
- Cash flow from operations increased in LTM 2018, largely because of the additional month.
  - DBRS expects cash flow to weaken modestly in 2018, from transition spending for the merger and acquisition.
- Alectra has planned net capex of around $300 million in 2018, with the majority for renewing aging infrastructure or to connect new customers ($48.7 million spent as of March 31, 2018).
- DBRS expects Alectra to pay up to 60% of its net income, excluding Ring-Fenced Solar Projects (previously PowerStream Solar), as dividends. Any free cash flow deficits will likely be funded by drawing on its credit facility.
  - DBRS expects the Company to manage its capex and dividends in a prudent manner in order to maintain its key credit metrics in line with the "A" rating category.

Debt and Liquidity

Credit Facilities as at Mar. 31, 2018

(CAD millions)	Amount	Drawn/LOC	Available	Maturity
364-day committed revolving credit facility	500	100	**400**	Jan. 2019
Uncommitted credit facility	100	-	**100**	

- Alectra has a 364-day committed revolving credit facility of $500 million. As at March 31, 2018, $400 million was available.
- The Company also has an uncommitted credit facility of $100 million.

Long-Term Debt Maturity as at Mar. 31, 2018

(CAD millions)	Amount	Rate	Maturity
4.77% Senior Unsecured Debentures Series A	40	4.770%	Jul. 2020
4.521% Series A Senior Unsecured Debentures	110	4.521%	Apr. 2021
3.033% Senior Unsecured Debentures Series B	150	3.033%	Apr. 2022
3.239% Series B Senior Unsecured Debentures	150	3.239%	Nov. 2024
2.488% Series A Senior Unsecured Debentures	675	2.488%	May 2027
5.297% Series B Senior Unsecured Debentures	210	5.297%	Apr. 2041
3.958% Series A Senior Unsecured Debentures	200	3.958%	Jul. 2042
Promissory note issued to the City of Vaughan	78	4.410%	May 2024
Promissory note issued to the City of Markham	68	4.410%	May 2024
Promissory note issued to the City of Barrie	20	4.410%	May 2024
Total	**1,701**		
Deferred interest on promissory notes	16		
Total long-term debt	**1,717**		

- Alectra's long-term debt maturity is relatively well spread out, with a modest amount of debt maturing within the next five years.
- The Company's long-term debt currently consists of the following:
  - Senior Unsecured Debentures totalling $1,535 million; and
  - Subordinate debt to shareholders (promissory notes) totalling $166.1 million. The three promissory notes are repayable as of 366 days following demand from its owners. The owners have an option to extend the term of the notes based on market conditions at the original maturity date.
- Covenants on Alectra's trust indenture and credit facilities include restrictions of the ability of the Company to issue priority debt, merge or dispose of assets and a ratio of funded debt to capitalization ratio of not greater than 75% (in compliance as at March 31, 2018).

Regulation

- AUC, a subsidiary of Alectra, is regulated by the OEB under Ontario's *Electricity Act, 1998*.
- In April 2016, the Former Utilities filed a MAADs application with the OEB. The OEB approved the application in December 2016 with the following:
  - AUC can defer rebasing for up to ten years following the closing of the merger. This will allow AUC to keep all efficiency gains for five years before being subject to an earnings sharing mechanism of any returns in excess of 300 basis points (bps) above the allowed ROE for the latter five years.
  - During the deferral period, the Former Utilities' and HOBNI's rates and franchise areas will remain as separate rate zones. As well, rate zones that were operating under Price Cap IR (Brampton, Enersource and PowerStream) would continue to have their rates adjusted annually by the Price Cap adjustment mechanism. Rate zones that operate under Custom IR (Horizon Utilities) will transition to Price Cap IR following the expiry of its Custom IR term.
- On July 7, 2017, AUC filed its first EDR application, for rates effective January 1, 2018. The OEB issued its decision on April 5, 2018.
  - AUC filed its 2019 EDR application on June 7, 2018.
- On March 7, 2018, AUC filed a MAADs application with the OEB requesting a merger with Guelph Hydro. A decision is expected by the end of the year, with a target closing date of January 1, 2019.
  - Similar to the other rate zones, AUC has applied to defer rebasing for the Guelph Hydro rate zone for up to ten years, with a earnings sharing mechanism of any returns in excess of 300 bps above the allowed ROE for the latter five years.

Brampton, Enersource and PowerStream Rate Zones:

- The Brampton rate zone (formerly HOBNI) is comprised of the City of Brampton.
- The Enersource rate zone (formerly Enersource Hydro Mississauga Inc.) is comprised of the City of Mississauga.
- The PowerStream rate zone (formerly PowerStream Inc.) is comprised of the Cities of Barrie, Markham and Vaughan and the Towns of Aurora, Richmond Hill, Alliston, Beeton, Bradford, West Gwillimbury, Penetanguishene, Thornton and Tottenham.
- The Brampton, Enersource and PowerStream rate zones operate under Price Cap IR, where rates are subject to a formula price cap that allows for an annual increase in distribution rates based on inflation less productivity and a utility-specific stretch factor that can be reset annually.
- Under Price Cap IR, AUC could file an ICM for each rate zone to request funding for incremental capital investment needs during the Price Cap IR term.
- In its 2018 EDR application, AUC requested a Price Cap adjustment of 0.9% (based on an inflation factor of 1.2%, productivity factor of 0% and stretch factor of 0.3%) for each of the Brampton, Enersource and PowerStream rate zones.
  - In April 5, 2018, the OEB approved the 0.9% rate increase effective January 1, 2018.
  - The OEB approved $28.8 million of the requested $56.2 million in ICM funding. The disallowance was largely because the OEB used a project-specific materiality threshold based on the consolidated AUC level rather than at the applied-for individual rate zone level. Alectra does not plan to undertake the capex that was disallowed in its ICM application.
  - The OEB also approved for the disposal of balances in the deferral and variance accounts. Brampton, Enersource and PowerStream will return $5.7 million, $7.4 million and $22.2 million, respectively, to customers.

Horizon Utilities Rate Zone:

- The Horizon Utilities rate zone (formerly Horizon Utilities Corporation) is comprised of the Cities of Hamilton and St. Catharines.
- In its 2018 EDR application, AUC applied for the year four update of the Horizon Utilities rate plan under Custom IR.
  - In October 2014, the OEB had approved a Custom IR settlement proposal for Horizon Utilities Corporation that had set its revenue requirement for each year from 2015 to 2019, subject to annual adjustments.
  - On April 5, 2018, the OEB approved the 2018 revenue requirement of approximately $120.7 million for the Horizon Utilities rate zone, based on an allowed ROE of 9.00%. The OEB also approved for AUC to dispose balances in the Horizon Utilities rate zone deferral and variance accounts, including returning approximately $7.4 million to its ratepayers. The Horizon Utilities rate zone will also return earnings sharing of $0.7 million to ratepayers.

Regulation (CONTINUED)

The chart below reflects DBRS's assessment of the regulatory environment for Alectra based on DBRS's methodology guideline.

Criteria	Score	Analysis
1. Deemed Equity Ratio	Excellent Good **Satisfactory** Below Average Poor	AUC had a deemed equity component of capital structure of 40% in 2018, which is consistent with the other electricity distribution companies in Ontario.
2. Allowed ROE	Excellent Good **Satisfactory** Below Average Poor	AUC's deemed ROE for 2018 ranged from 8.78% to 9.30% (Enersource rate zone 8.93%, Horizon Utilities rate zone 9.00%, Brampton rate zone 9.30% and PowerStream rate zone 8.78%).
3. Energy Cost Recovery	**Excellent** Good Satisfactory Below Average Poor	There is no power price risk for AUC as it is not responsible for purchasing power from generation facilities or the wholesale market. Power costs are passed on to ratepayers at rates set by the OEB and AUC collects the payments from its customers on a monthly basis.
4. Capital and Operating Cost Recoveries	Excellent **Good** Satisfactory Below Average Poor	Major capital and operating costs are pre-approved by the OEB and recovered through distribution rates. Future test years are used, reducing regulatory lag. As well, beginning 2015, the portion of rates for AUC that are fixed versus variable has increased, with all residential customers to be charged a fully fixed monthly fee for distribution services by 2019, significantly reducing volume risk.
5. COS versus IRM	Excellent Good **Satisfactory** Below Average Poor	The Brampton, Enersource and PowerStream rate zones operate under Price Cap IR, with four years in between rebasing years. In between rebasing years under Price Cap IR, AUC can file ICM or advanced capital modules for significant and prudent capital needs. The Horizon Utilities rate zone operates under Custom IR, which offers the ability to rebase capex in a timely manner and start earning a return on these investments. Under both Price Cap IR and Custom IR, AUC has the ability to initiate a regulatory review if actual ROE falls 300 bps below the approved ROE. DBRS notes that AUC's efficiency targets have been reasonable.
6. Political Interference	Excellent Good Satisfactory **Below Average** Poor	The government of Ontario plays a significant role in the electricity sector in Ontario, given that the majority of the utilities are government-owned (AUC is 97% owned by municipalities). Further, stakeholders, such as the IESO, are also government owned. As a result, the government has direct and indirect influence on Ontario's electricity industry.
7. Stranded Cost Recovery	Excellent **Good** Satisfactory Below Average Poor	LDCs in Ontario have a limited history of stranded costs. Most prudently incurred or budgeted capex are approved by the OEB.
8. Rate Freeze	Excellent Good **Satisfactory** Below Average Poor	From 2002 to 2005, as a result of rising rates during Ontario's utility deregulation phase, a province-wide distribution rate freeze was imposed. There have been no subsequent province-wide rate freezes.

(CAD millions)	Mar. 31, 2018	Dec. 31, 2017	Dec. 31, 2016			
Assets	**Alectra Inc.**		**Enersource**	**Horizon**	**HOBNI**	**PowerStream**
Cash & equivalents	9	122	0	0	55	15
Accounts receivable	262	272	94	123	89	118
Inventories	20	21	5	9	1	4
Prepaid expenses & other	246	287	121	3	0	137
Total current assets	**538**	**702**	**220**	**135**	**145**	**273**
Net fixed assets	2,894	2,892	646	465	376	1,203
Future income tax assets	4	4	0	9	0	0
Goodwill & intangibles	893	879	54	39	21	117
Investments & others	4	4	2	0	12	10
Total assets	**4,333**	**4,481**	**922**	**648**	**554**	**1,603**
Liabilities & Equity						
S.T. borrowings	76	176	50	6	0	140
Accounts payable	355	414	120	92	72	129
Current portion L.T.D.	2	6	60	0	0	71
Other current liab.	148	143	29	34	22	61
Total current liab.	**582**	**739**	**259**	**132**	**94**	**401**
Long-term debt	1,708	1,709	318	190	192	551
Deferred income taxes	23	15	0	0	3	9
Other L.T. liab.	374	370	31	66	51	179
Shareholders' equity	1,646	1,648	312	260	213	463
Total liab. & SE	**4,333**	**4,481**	**922**	**648**	**554**	**1,603**

Balance Sheet & Liquidity & Capital Ratios	12 mos. to Mar. 31, 2018	For 11 mos. ended Dec. 31, 2017	For the year ended Dec. 31, 2016			
	Alectra Inc.		**Enersource**	**Horizon**	**HOBNI**	**PowerStream**
Current ratio	0.92	0.95	0.85	1.02	1.54	0.68
Total debt in capital structure	52.1%	53.4%	58.9%	42.5%	47.7%	62.2%
Total debt in capital structure 1, 2	59.9%	61.2%	59.0%	42.5%	47.7%	62.9%
Cash flow/Total debt	14.3%	13.7%	12.9%	33.3%	21.9%	13.7%
Cash flow/Total debt 2	14.3%	13.6%	12.9%	33.3%	21.9%	13.6%
(Cash flow - dividends)/Capex	0.92	0.86	0.55	1.23	2.29	0.72
Dividend payout ratio	50.6%	32.9%	58.8%	33.4%	0.0%	71.7%
Coverage Ratios (times)						
EBIT gross interest coverage	3.10	3.24	2.46	7.16	2.30	1.93
EBIT gross interest coverage 2	3.06	3.21	2.46	7.16	2.30	1.89
EBITDA gross interest coverage	5.12	5.33	4.35	10.52	3.76	3.93
Fixed-charges coverage	3.06	3.21	2.46	7.16	2.30	1.89
Profitability Ratios						
EBITDA margin	55.4%	55.7%	45.7%	54.0%	58.6%	52.0%
EBIT margin	33.5%	33.9%	25.9%	36.7%	35.8%	25.5%
Profit margin	19.8%	20.0%	14.3%	23.3%	18.0%	16.1%
Return on equity	9.6%	9.9%	8.1%	13.4%	8.1%	7.4%
Return on capital	4.9%	4.8%	5.2%	8.8%	5.5%	3.3%

1 Excludes FMV adjustment for the deemed acquisition of Horizon and Enersource by PowerStream. 2 Adjusted for operating leases.

Rating History

	Current	2017	2016	2015	2014
Issuer Rating	A	A	NR	NR	NR
Senior Unsecured Debentures	A	A	NR	NR	NR

Previous Action

- "DBRS Confirms Alectra Inc. at 'A,' Stable Trends," January 11, 2018.

Related Research

- *DBRS Assigns Rating of 'A,' Stable, to Alectra Inc.'s Offering of Senior Unsecured Notes*, May 17, 2017.
- *DBRS Comments on Alectra Inc.'s Proposed Offering of Senior Unsecured Notes*, May 2, 2017.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales) (CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited was registered as an NRSRO affiliate on July 14, 2017. For more information on regulatory registrations, recognitions and approvals, please see: http://www.dbrs.com/research/225752/highlights.pdf.

3.0-VECC-11

ATTACH 6- DBRS Ratings Report Dated January 11, 2018

Rating Report

Alectra Inc.

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DBRS

Insight beyond the rating.

Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A	Confirmed	Stable
Senior Unsecured Debentures	A	Confirmed	Stable

Rating Update

On January 11, 2018, DBRS Limited (DBRS) confirmed Alectra Inc.'s (Alectra or the Company) Issuer Rating and Senior Unsecured Debentures rating at "A." All trends remain Stable. The confirmation reflects Alectra's financial performance over the eight months ended September 30, 2017 (8M 2017; unaudited), which has been solid and in line with DBRS expectations. The ratings of Alectra are underpinned by the Company's stable regulated electricity distribution business in a strong franchise area.

Alectra was formed following the merger of Enersource Holdings Inc. (Enersource), PowerStream Holdings Inc. (PowerStream) and Horizon Holdings Inc. (Horizon) in January 2017 in order to acquire Hydro One Brampton Networks Inc. (HOBNI). DBRS views regulation for Alectra's flagship subsidiary, Alectra Utilities Corporation (AUC; approximately 93% of 8M 2017 cash flows), under the Ontario Energy Board (OEB) as reasonable for the current ratings. AUC should benefit from being able to defer rebasing for up to ten years following the merger in order to retain any operating synergies. However, DBRS notes that this is partly offset by integration risk as well as early rebasing risk which could result in synergetic benefits being less than projected. In July 2017, AUC filed its first Electricity Distribution Rate (EDR) application for rates effective January 1, 2018. For the time being, AUC will continue to operate four separate rate zones, with the Brampton, Enersource and PowerStream rate zones operating under the Price Cap Incentive Rate (IR) setting method while the Horizon Utilities rate zone will remain under Custom IR before transitioning to Price Cap IR in 2020 (see the Regulation section for more details). DBRS notes that under Price Cap IR, AUC will have to achieve productivity at least equal to the regulatory productivity and stretch factors in order to achieve the allowed return on equity (ROE). However, DBRS views earnings pressure to be manageable given that the rate adjustment parameters for the productivity and stretch factors for 2018 remain reasonable at 0% and 0.3%, respectively.

DBRS notes that on December 14, 2017, the City of Guelph voted in favour of a merger between Guelph Hydro Electric Systems Inc. (Guelph Hydro) and Alectra (the Merger). Following the

Continued on P.2

Financial Information

(CAD millions where applicable)	8 mos. September 30, 2017	For the year ended December 31, 2016			
		Enersource	Horizon	HOBNI	PowerStream
Total debt	1,904	428	196	192	762
Total debt in capital structure 1, 2	61.1%	59.0%	42.5%	47.7%	62.9%
Cash flow/Total debt 2	13.7%	12.9%	33.3%	21.9%	13.6%
EBIT gross interest coverage (times) 2	3.63	2.46	7.16	2.30	1.89
Net income before non-recurring items	98	24	34	14	34
Cash flow from operations	174	55	65	42	104

1 Excludes FMV adjustment for the deemed acquisition of Horizon and Enersource by PowerStream. 2 Adjusted for operating leases.

Issuer Description

Alectra Inc. is the largest municipally owned electricity distribution company in Ontario, with over 980,000 customers. Its service franchise areas include Barrie, Markham, Richmond Hill, Vaughan and other communities located north of Toronto and in Central Ontario.

Rating Update (CONTINUED)

Merger, the City of Guelph will receive an ownership interest of approximately 4.63% in Alectra and one permanent seat on its Board of Directors. A merger application is expected to be submitted to the OEB in early 2018 for the Merger to close by the end of the year. DBRS does not expect the Merger to have a material impact on the Company's credit profile as (1) Guelph Hydro operates under Price Cap IR, (2) Alectra will not have to issue incremental debt for the Merger and (3) Guelph Hydro has adhered to the regulatory capital structure of 60% debt and its earnings have been in line with the allowed ROE of around 9%.

Given the current regulatory environment in Ontario, DBRS views a rating upgrade for Alectra as unlikely. Additionally, DBRS expects Alectra's cash flow-to-debt and debt-to-capital ratios to remain under pressure over the near term as a result of financing the HOBNI acquisition through 70% debt, limiting financial flexibility for the Company. A negative rating action could occur should these two ratios weaken to a level no longer commensurate with the current rating category for a sustained period (cash flow-to-debt below 12.5% and debt-to-capital above 65%), potentially due to weaker-than-expected or a lack of synergies.

Rating Considerations

Strengths

1. Stability from regulated business
Approximately 93% of the Company's cash flow from operations are contributed by its low-risk regulated electricity distribution business that operates under a reasonable regulatory framework.

2. Strong franchise area with good growth
Alectra's franchise area is one of the strongest in Ontario, with above-average customer growth that has helped to offset energy conservation pressure on consumption volumes. The customer mix is also favourable, with residential customers accounting for approximately 90% of total customers. This reduces the Company's exposure to cyclicality.

3. Reasonable financial profile
Alectra's key credit metrics are reasonable for the current rating category. DBRS notes, however, the cash flow-to-total debt and debt-to-capital ratios (13.7% and 61.2%, respectively, for 8M 2017), may continue to be pressured in the near term as a result of financing the acquisition of HOBNI with 70% debt. The Company's EBIT interest coverage was strong for the ratings at 3.63 times for 8M 2017.

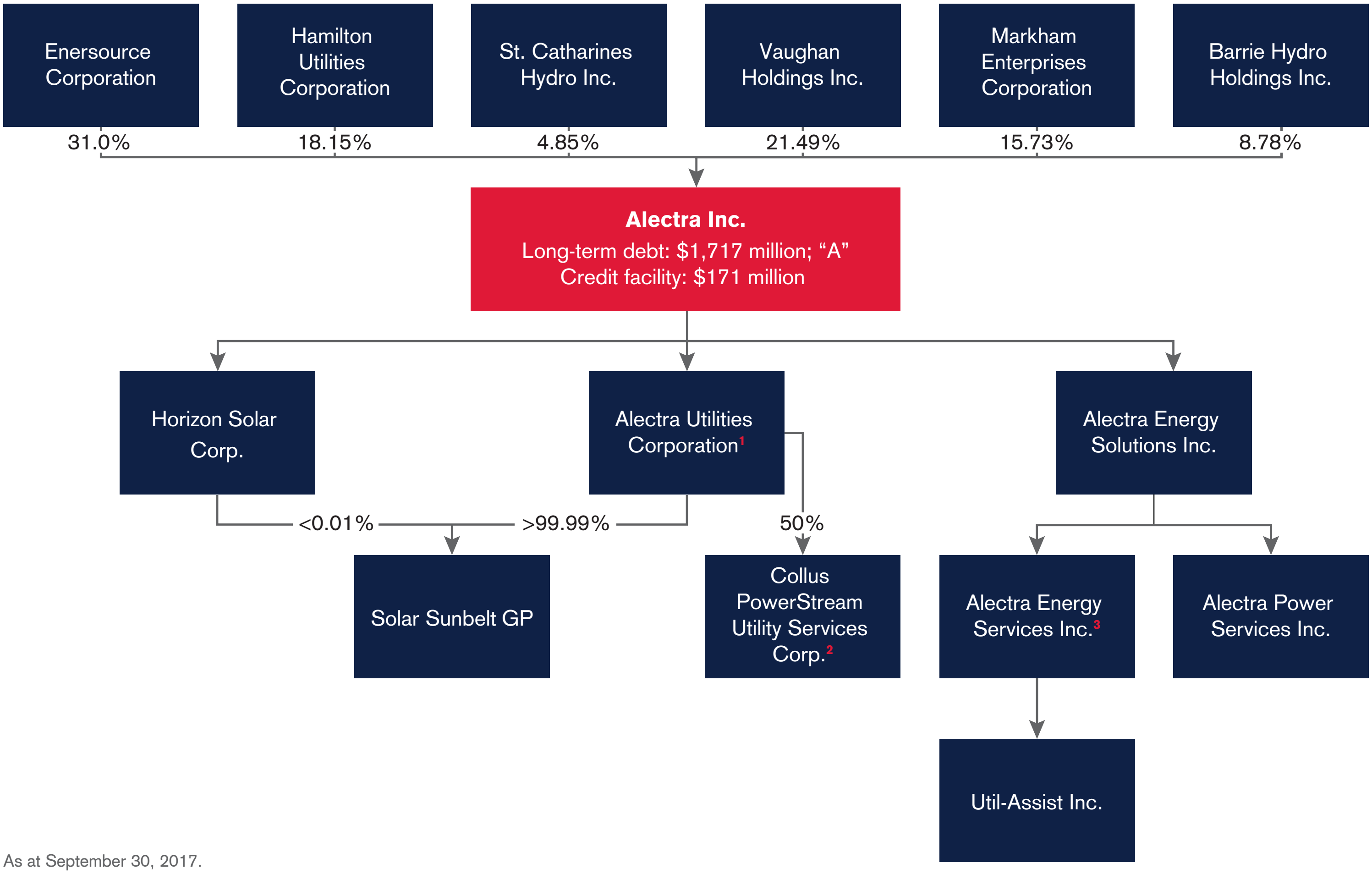
Challenges

1. Operational challenges and performance pressure under IR
Under performance-based regulation, Alectra must forecast its operations, maintenance and administrative (OM&A) expenses and capital investment for a specified time period. As a result, earnings and cash flows could be negatively impacted by large unforeseen discrepancies between forecast and actual costs. Additionally, under Price Cap IR, the Enersource, PowerStream and Brampton rate zones' annual rate increases are limited by a regulatory formula that includes inflation, a productivity factor and a stretch factor. AUC must achieve productivity at least equal to the regulatory productivity and stretch factor in order to achieve the allowed ROE. However, DBRS views earnings pressure to be manageable, given that the rate adjustment parameters for the productivity and stretch factors for 2017 and 2018 were reasonable, at 0% and 0.3%, respectively.

2. Exposure to higher-risk non-regulated business
DBRS considers the non-regulated business as higher risk than Alectra's core regulated electricity distribution business. This is largely because of the greater volume risk associated with non-regulated operations. Non-regulated operations for the Company include solar generation and a sub-metering business. DBRS notes that although commodity price risk for the generation business has been mitigated through long-term contracts with the Independent Electricity System Operator (IESO; rated A (high) with a Stable trend by DBRS), increasing exposure to the non-regulated segment could result in greater volatility in Alectra's earnings and cash flows. Should earnings from the non-regulated business exceed the 20% threshold, the Company's business risk assessment could be negatively affected.

3. Limited access to equity capital market
Alectra's ownership structure (owned largely by several municipalities) limits its ability to directly access the equity market. As a result, free cash flow deficits have been largely financed through its revolving credit facilities and debt issuances.

Simplified Ownership Structure



As at September 30, 2017.

1 All HOBNI assets were transferred to AUC on March 2, 2017. HOBNI is not shown as a separate entity, and was fully amalgamated in December 2017. Alectra Real Estate Holdings Inc. is not shown. It is the registered (but not beneficial) holder, as nominee and bare trustee for AUC of real estate formerly owned by HOBNI.
2 50% ownership by Town of Collingwood not shown. Collus subsidiaries also not shown.
3 Ownership of non-participating, non-voting preferred shares by PowerStream Energy Holdings Trust not shown. Alectra Energy Solutions Inc. ownership of Util-Assist Corporation (operating company in the U.S.) is not shown.

- Alectra Inc. was created though the amalgamation of Enersource, Horizon and PowerStream on January 31, 2017.
  - Alectra is indirectly owned by municipalities; the only non-municipal owner is Enersource Corporation, which is 90% owned by the City of Mississauga and 10% owned by BPC Energy Corporation, a wholly owned indirect subsidiary of Ontario Municipal Employees Retirement System.
- Alectra Utilities Corporation (AUC) was created through the amalgamation of the predecessor local distribution companies (LDC): PowerStream Inc., Enersource Hydro Mississauga Inc. and Horizon Utilities Corporation (collectively, the Former Utilities) on January 31, 2017. On February 28, 2017, AUC acquired all shares of HOBNI.
  - AUC is the second-largest municipally owned electric utility by customer base in North America and the largest municipally-owned LDC in Ontario, serving over 980,000 customers and with a rate base of approximately $2.8 billion.
  - In November 2017, Alectra announced that it will sell its 50% share in Collus PowerStream Utility Services Corp. to the Town of Collingwood. This decision followed a "buy-sell" notice received from the town in October 2017. The sale is not expected to have a material impact on the Company.
  - In December 2017, the City of Guelph approved to merge its wholly owned LDC, Guelph Hydro, with AUC. AUC plans to file a Mergers, Acquisitions, Amalgamations and Divestitures (MAADs) application to the OEB in early 2018. The Merger is expected to close by the end of 2018. Following the Merger, the City of Guelph, through its wholly owned subsidiary Guelph Municipal Holdings Inc., will hold approximately 4.63% of shares in Alectra.
- Alectra Energy Solutions Inc. holds the large majority of the non-regulated business, with total assets at approximately $150 million, mainly consisting of solar generation assets under long-term contract with the IESO and a sub-metering business.

Earnings and Outlook

(CAD millions where applicable)	8 mos. September 30, 2017	For the year ended December 31, 2016 Enersource	Horizon	HOBNI	PowerStream
Net sales	392	169	146	76	210
EBITDA	242	77	79	45	109
EBIT	160	44	54	27	54
Gross interest expense	44	18	8	12	28
Net income before non-recurring items	98	24	34	14	34
Reported net income	60	29	33	14	24
Return on equity	8.9%	8.1%	13.4%	8.1%	7.4%
Rate base 1	2,800	740	507	428	1,006
Deemed common equity	40.0%	40.0%	40.0%	40.0%	40.0%
Allowed ROE	8.93% to 9.30%	8.93%	9.19%	9.30%	8.93%
Achieved regulatory ROE	N/A	6.13%	9.85%	7.30%	7.89%

Note: Alectra, Enersource, HOBNI and PowerStream IFRS financial results have been adjusted by DBRS; values do not reflect Modified IFRS reporting required by the OEB. Horizon results have not been adjusted for regulatory accounting.
1 Rate base amounts presented are management estimates and differ from the previously approved OEB rate base.

2017 Summary

- DBRS has included adjusted 2016 results for Enersource Corporation, Horizon, HOBNI and PowerStream for historical purposes.
  - DBRS notes that as Horizon's financials have not been adjusted for regulatory accounting, it is not fully comparable to Enersource Corporation, HOBNI and PowerStream.
- Alectra benefits from predictable earnings underpinned by its regulated assets in Ontario.
  - Regulated activities accounted for over 90% of earnings in 8M 2017.
  - Earnings from the non-regulated segment largely consists of solar generation assets under long-term Feed-In Tariff contracts with the IESO.
- The Company's earnings in 8M 2017 have been in line with DBRS expectations.
- Reported net income includes severance and transition operating expenses of $29.9 million, and DBRS regulatory adjustments of $11 million.

2018 Outlook

- DBRS expects earnings in 2018 to remain relatively steady, benefiting from the stable regulated electricity distribution operations.
  - Alectra's earnings should also benefit from synergies realized from the merger and acquisition. As per its MAADs application, the Company expects to realize OM&A synergies of $23.5 million in 2018 (compared to consolidated stand-alone OM&A expenses).
- Alectra has applied to the OEB for rates effective January 1, 2018.
  - Rates for the Brampton, Enersource and PowerStream rate zones are expected to increase by the price cap adjustment of 0.9%, which should offset cost inflation. The Company has also applied for the recovery of incremental capital expenditures (capex) through incremental capital modules (ICM).
  - Earnings for the Horizon Utilities rate zone should see a modest increase during the Custom IR term, tracking annual growth in the rate base.
- The potential merger with Guelph Hydro is expected to close in late 2018 and is not expected to have a material impact on the Company's earnings in 2018.

Financial Profile

(CAD millions where applicable)	8 mos. September 30, 2017	For the year ended December 31, 2016 Enersource	Horizon	HOBNI	PowerStream
Net income before non-recurring items	98	24	34	14	34
Depreciation & amortization	86	34	25	18	58
Deferred income taxes and other	(10)	(3)	6	11	13
Cash Flow from Operations	**174**	**55**	**65**	**42**	**104**
Dividends	(24)	(14)	(11)	0	(24)
Capital expenditures	(204)	(74)	(44)	(18)	(112)
Free Cash Flow (Bef. Working Cap. Changes)	**(54)**	**(33)**	**10**	**24**	**(32)**
Changes in non-cash work. cap. items	(14)	(32)	(9)	(11)	(30)
Regulatory assets/Liabilities	(11)	15	0	2	(9)
Net Free Cash Flow	**(79)**	**(51)**	**1**	**15**	**(71)**
Acquisitions & long-term investments	(615)	0	0	0	(4)
Proceeds on asset sales	0	0	1	0	0
Net equity change	6	0	0	0	0
Net debt change	595	46	6	0	83
Other investing and financing	41	4	(8)	0	0
Change in Cash	**(51)**	**(0)**	**0**	**15**	**8**
Total debt	1,904	428	196	192	762
Total debt in capital structure 1, 2	61.1%	59.0%	42.5%	47.7%	62.9%
Cash flow/Total debt 2	13.7%	12.9%	33.3%	21.9%	13.6%
EBIT gross interest coverage (times) 2	3.63	2.46	7.16	2.30	1.89
Dividend payout ratio	24.4%	58.8%	33.4%	0.0%	71.7%

1 Excludes FMV adjustment for the deemed acquisition of Horizon and Enersource by PowerStream.
2 Adjusted for operating leases.

2017 Summary

- Alectra's key credit metrics for 8M 2017 were largely in line with DBRS expectations and within the "A" rating category.
  - DBRS had noted that, as a result of the acquisition of HOBNI, the Company would have limited financial flexibility with key credit metrics (cash flow-to-debt and debt-to-capital ratios) at the lower end for the "A" rating.
- Capex of $204 million was largely for the replacement and rehabilitation of aging infrastructure.
- Alectra is expected to pay dividends up to 60% of its net income, excluding ring-fenced solar projects.
- The Company acquired HOBNI in February 2017 for $614.6 million. This was funded with 70% debt (largely through drawing on a $625 million term facility) and through equity contributions of $180.6 million from shareholders.
- Alectra issued $675 million of ten-year Senior Unsecured Debentures in May 2017 to fully repay the $625 million term facility and loans from Infrastructure Ontario that were used by PowerStream to finance its investments in solar projects.

2018 Outlook

- Cash flow from operations is expected to remain stable, supported by the Company's largely regulated business.
- Alectra has planned capex of around $286 million in 2018, with the majority for renewing aging infrastructure or to connect new customers.
  - Capex includes $38 million for the Brampton rate zone, $73 million for the Enersource rate zone, $47 million for the Horizon Utilities rate zone and $110 million for the PowerStream rate zone.
- DBRS expects Alectra to fund any free cash flow deficits through debt issuance or by drawing on its credit facility.
- DBRS does not expect the potential merger with Guelph Hydro to materially impact the Company's key credit metrics.

Debt and Liquidity

Credit Facilities as at September 30, 2017

(CAD millions)	Amount	Drawn/LOC	Available	Maturity
364-day committed revolving credit facility	500	211	289	Jan. 2019

- Alectra has a 364-day committed revolving credit facility of $500 million. As at September 30, 2017, $289 million was available.
- A $625 million non-revolving term loan facility that was used to finance the HOBNI acquisition was fully repaid in May 2017.

Long-Term Debt Maturity as at September 30, 2017

(CAD millions)	Amount	Rate	Maturity
4.77% Senior Unsecured Debentures Series A	40	4.770%	Jul. 2020
4.521% Series A Senior Unsecured Debentures	110	4.521%	Apr. 2021
3.033% Senior Unsecured Debentures Series B	150	3.033%	Apr. 2022
3.239% Series B Senior Unsecured Debentures	150	3.239%	Nov. 2024
2.488% Series A Senior Unsecured Debentures	675	2.488%	May. 2027
5.297% Series B Senior Unsecured Debentures	210	5.297%	Apr. 2041
3.958% Series A Senior Unsecured Debentures	200	3.958%	Jul. 2042
Promissory note issued to the City of Vaughan	78	4.410%	May. 2024
Promissory note issued to the City of Markham	68	4.410%	May. 2024
Promissory note issued to the City of Barrie	20	4.410%	May. 2024
Total	**1,701**		
Deferred interest on promissory notes	16		
Total Long-Term Debt	**1,717**		

- Alectra's long-term debt maturity is relatively well spread out, with a modest amount of debt maturing within the next five years.
- The Company's long-term debt currently consists of the following:
  - Senior Unsecured Debentures totalling $1,535 million; and
  - Subordinate debt to shareholders (promissory notes) totalling $166.1 million. The three promissory notes are repayable as of 365 days following demand from its owners. The owners have an option to extend the term of the notes based on market conditions at the original maturity date.
- In May 2017, the Company repaid its outstanding Infrastructure Ontario debt of approximately $74.6 million.
- Covenants on Alectra's trust indenture and credit facilities include restrictions of the ability of the Company to issue priority debt, merge or dispose of assets, and a ratio of funded debt to capitalization ratio of not greater than 75% (in compliance as at September 30, 2017).

Regulation

- AUC, a subsidiary of Alectra, is regulated by the OEB under the *Ontario Electricity Act*, 1998.
- In April 2016, the Former Utilities filed a MAADs application with the OEB. The OEB approved the application in December 2016 with the following:
  - AUC can defer rebasing for up to ten years following the closing of the merger. This will allow AUC to keep all efficiency gains for five years before being subject to an earnings-sharing mechanism of any returns in excess of 300 basis points (bps) above the allowed ROE for the latter five years.
  - During the deferral period, the Former Utilities' and HOBNI's rates and franchise areas will remain as separate rate zones. As well, rate zones that were operating under Price Cap IR (Brampton, Enersource and PowerStream) would continue to have their rates adjusted annually by the Price Cap adjustment mechanism. Rate zones that operate under Custom IR (Horizon Utilities) will transition to Price Cap IR following the expiry of its Custom IR term.
- On July 7, 2017, AUC filed its first EDR application for rates effective January 1, 2018.

Brampton, Enersource and PowerStream Rate Zones:

- The Brampton rate zone (formerly HOBNI) is comprised of the City of Brampton.
- The Enersource rate zone (formerly Enersource Hydro Mississauga Inc.) is comprised of the City of Mississauga.
- The PowerStream rate zone (formerly PowerStream Inc.) is comprised of the Cities of Barrie, Markham and Vaughan, and the Towns of Aurora, Richmond Hill, Alliston, Beeton, Bradford, West Gwillimbury, Penetanguishene, Thornton and Tottenham.
- The Brampton, Enersource and PowerStream rate zones operate under Price Cap IR, where rates are subject to a formula price cap that allows for an annual increase in distribution rates based on inflation less productivity and a utility-specific stretch factor that can be reset annually.
- Under Price Cap IR, AUC could file an ICM for each rate zone to request funding for incremental capital investment needs during the Price Cap IR term.
- In its 2018 EDR application, AUC requested a price cap adjustment of 0.9% (based on inflation factor of 1.2%, productivity factor of 0% and stretch factor of 0.3%) for each of the Brampton, Enersource and PowerStream rate zones.
  - For the Brampton rate zone, AUC also applied for ICM of $0.7 million in revenue requirement related to $6.8 million of capex, and to return balances in its deferral and variance accounts of $5.7 million to ratepayers.
  - For the Enersource rate zone, AUC also applied for ICM of $2.0 million in revenue requirement related to $24.2 million of capex, and to return balances in its deferral and variance accounts of $9.1 million to ratepayers.
  - For the PowerStream rate zone, AUC also applied for ICM of $1.8 million in revenue requirement related to $25.1 million of capex, and to return balances in its deferral and variance accounts of $25.6 million to ratepayers.

Horizon Utilities Rate Zone:

- The Horizon Utilities rate zone (formerly Horizon Utilities Corporation) is comprised of the Cities of Hamilton and St. Catharines.
- In its 2018 EDR application, AUC applied for the year four update of the Horizon Utilities rate zone under Custom IR.
  - In October 2014, the OEB had approved a Custom IR settlement proposal for Horizon Utilities Corporation that had set its revenue requirement for each year from 2015 to 2019, subject to annual adjustments.
  - AUC has requested 2018 revenue requirement of approximately $119.8 million for the Horizon Utilities rate zone, based on an allowed ROE of 9.00%.
  - AUC has also requested to dispose balances in the Horizon Utilities rate zone deferral and variance accounts, including returning approximately $7.4 million to its ratepayers. The Horizon Utilities rate zone will also return earnings sharing of $0.7 million to ratepayers.

Regulation (CONTINUED)

The chart below reflects DBRS's assessment of the regulatory environment for Alectra based on DBRS's methodology guideline.

Criteria	Score	Analysis
1. Deemed Equity Ratio	Excellent Good **Satisfactory** Below Average Poor	AUC had a deemed equity component of capital structure of 40% in 2017, which is consistent with the other electricity distribution companies in Ontario.
2. Allowed ROE	Excellent Good **Satisfactory** Below Average Poor	AUC's deemed ROE for 2017 ranged from 8.78% to 9.30% (Enersource rate zone 8.93%, Horizon Utilities rate zone 8.78%, Brampton rate zone 9.30% and PowerStream rate zone 8.78%).
3. Energy Cost Recovery	**Excellent** Good Satisfactory Below Average Poor	There is no power price risk for AUC as it is not responsible for purchasing power from generation facilities or the wholesale market. Power costs are passed on to ratepayers at rates set by the OEB and AUC collects the payments from its customers on a monthly basis.
4. Capital and Operating Cost Recoveries	Excellent **Good** Satisfactory Below Average Poor	Major capital and operating costs are pre-approved by the OEB and recovered through distribution rates. Future test years are used, reducing regulatory lag. As well, beginning 2015, the portion of rates for AUC that are fixed versus variable has increased, with all residential customers to be charged a fully fixed monthly fee for distribution services by 2019, significantly reducing volume risk.
5. COS versus IRM	Excellent Good **Satisfactory** Below Average Poor	The Brampton, Enersource and PowerStream rate zones operate under Price Cap IR, with four years in between rebasing years. In between rebasing years under Price Cap IR, AUC can file ICM or advanced capital modules for significant and prudent capital needs. The Horizon Utilities rate zone operates under Custom IR, which offers the ability to rebase capex in a timely manner and start earning a return on these investments. Under both Price Cap IR and Custom IR, AUC has the ability to initiate a regulatory review if actual ROE falls 300 bps below the approved ROE. DBRS notes that AUC's efficiency targets have been reasonable.
6. Political Interference	Excellent Good Satisfactory **Below Average** Poor	The government of Ontario plays a significant role in the electricity sector in Ontario, given that the majority of the utilities are government-owned (AUC is 97% owned by municipalities). Further, stakeholders, such as the IESO, are also government owned. As a result, the government has direct and indirect influence on Ontario's electricity industry.
7. Stranded Cost Recovery	Excellent **Good** Satisfactory Below Average Poor	LDCs in Ontario have a limited history of stranded costs. Most prudently incurred or budgeted capex are approved by the OEB.
8. Rate Freeze	Excellent Good **Satisfactory** Below Average Poor	From 2002 to 2005, as a result of rising rates during Ontario's utility deregulation phase, a province-wide distribution rate freeze was imposed. There have been no subsequent province-wide rate freezes.

Alectra Inc.

(CAD millions)	September 30, 2017	December 31, 2016			
Assets		**Enersource**	**Horizon**	**HOBNI**	**PowerStream**
Cash & equivalents	106	0	0	55	15
Accounts receivable	295	94	123	89	118
Inventories	19	5	9	1	4
Prepaid expenses & other	279	121	3	0	137
Total Current Assets	**699**	**220**	**135**	**145**	**273**
Net fixed assets	2,667	646	465	376	1,203
Future income tax assets	13	0	9	0	0
Goodwill & intangibles	916	54	39	21	117
Investments & others	10	2	0	12	10
Total Assets	**4,305**	**922**	**648**	**554**	**1,603**
Liabilities & Equity					
S.T. borrowings	171	50	6	0	140
Accounts payable	377	120	92	72	129
Current portion L.T.D.	7	60	0	0	71
Other current liab.	132	29	34	22	61
Total Current Liab.	**687**	**259**	**132**	**94**	**401**
Long-term debt	1,726	318	190	192	551
Deferred income taxes	28	0	0	3	9
Other L.T. liab.	204	31	66	51	179
Shareholders' equity	1,660	312	260	213	463
Total Liab. & SE	**4,305**	**922**	**648**	**554**	**1,603**

	8 mos. September 30, 2017	For the year ended December 31, 2016			
		Enersource	**Horizon**	**HOBNI**	**PowerStream**
Balance Sheet & Liquidity & Capital Ratios					
Current ratio	1.02	0.85	1.02	1.54	0.68
Total debt in capital structure	53.4%	58.9%	42.5%	47.7%	62.2%
Total debt in capital structure 1, 2	61.1%	59.0%	42.5%	47.7%	62.9%
Cash flow/Total debt	13.7%	12.9%	33.3%	21.9%	13.7%
Cash flow/Total debt 2	13.7%	12.9%	33.3%	21.9%	13.6%
(Cash flow - dividends)/Capex	0.73	0.55	1.23	2.29	0.72
Dividend payout ratio	24.4%	58.8%	33.4%	0.0%	71.7%
Coverage Ratios (times)					
EBIT gross interest coverage	3.63	2.46	7.16	2.30	1.93
EBIT gross interest coverage 2	3.63	2.46	7.16	2.30	1.89
EBITDA gross interest coverage	5.51	4.35	10.52	3.76	3.93
Fixed-charges coverage	3.63	2.46	7.16	2.30	1.89
Profitability Ratios					
EBITDA margin	61.8%	45.7%	54.0%	58.6%	52.0%
EBIT margin	40.7%	25.9%	36.7%	35.8%	25.5%
Profit margin	25.1%	14.3%	23.3%	18.0%	16.1%
Return on equity	8.9%	8.1%	13.4%	8.1%	7.4%
Return on capital	5.7%	5.2%	8.8%	5.5%	3.3%

1 Excludes FMV adjustment for the deemed acquisition of Horizon and Enersource by PowerStream. 2 Adjusted for operating leases.

Rating History

	Current	2017	2016	2015	2014
Issuer Rating	A	A	NR	NR	NR
Senior Unsecured Debentures	A	A	NR	NR	NR

Previous Actions

- "DBRS Removes Enersource Corporation and PowerStream Inc. Ratings from Under Review with Developing Implications, Discontinues All Ratings; Finalizes Alectra Inc. Ratings at "A", Stable," January 31, 2017.
- "DBRS Assigns Provisional Ratings to Alectra Inc.," January 23, 2017.

Related Research

- "DBRS Assigns Rating of "A," Stable, to Alectra Inc.'s Offering of Senior Unsecured Notes," May 17, 2017.
- "DBRS Comments on Alectra Inc.'s Proposed Offering of Senior Unsecured Notes," May 2, 2017.
- "DBRS Places PowerStream and Enersource Under Review with Developing Implications Following Shareholder Approval on Proposed Merger," November 20, 2015.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited was registered as an NRSRO affiliate on July 14, 2017. For more information on regulatory registrations, recognitions and approvals, please see: http://www.dbrs.com/research/225752/highlights.pdf.

3.0-VECC-11

ATTACH 7- DBRS press release of R1(low) for Commercial Paper Program

Dated October 2, 2018

Date of Release: October 2, 2018

DBRS Assigns Rating of R-1 (low) with a Stable Trend to Alectra Inc.'s Proposed Commercial Paper Program

Web: DBRS Assigns Rating of R-1 (low), Stable, to Alectra Inc.'s Proposed Commercial Paper Program
Bloomberg: DBRS Assigns R-1 (low) Rating to Alectra Inc.'s CP Program
Industry Group: Corporate Finance
Sub-Industry: Utilities & Independent Power
Region: Canada
Originator: n/a

DBRS Limited (DBRS) assigned a Commercial Paper (CP) rating of R-1 (low) with a Stable trend to Alectra Inc. (Alectra or the Company). The Company has set a CP limit of $300 million. The rating is based on Alectra's adequate liquidity available to manage the refinancing risk associated with the CP program. The CP program will be fully backed by a $500 million committed operating credit facility in place with sufficient same-day liquidity.

Notes:

All figures are in Canadian dollars unless otherwise noted.

The principal methodologies are Rating Companies in the Regulated Electric, Natural Gas and Water Utilities Industry (September 2018) and DBRS Criteria: Commercial Paper Liquidity Support for Non-Bank Issuers (April 2018), which can be found on dbrs.com under Methodologies.

The related regulatory disclosures pursuant to the National Instrument 25-101 *Designated Rating Organizations* are hereby incorporated by reference and can be found by clicking on the link under Related Documents or by contacting us at info@dbrs.com.

The rated entity or its related entities did participate in the rating process for this rating action. DBRS had access to the accounts and other relevant internal documents of the rated entity or its related entities in connection with this rating action.

For more information on this credit or on this industry, visit www.dbrs.com or contact us at info@dbrs.com.

Issuer	Debt Rated	Rating Action	Rating	Trend
Alectra Inc.	Commercial Paper	New Rating	R-1 (low)	Stable

Contacts

Tom Li

Biao Gong

3.0-VECC-12

Reference

a) Please provide the Alectra Inc. June 14, 2019 Annual General Meeting presentation (2018 Alectra Inc. Report to Shareholders - . https://alectrautilities.com/about-alectra/investor-relations/)

b) Please confirm (or correct) that in 2018 and projected for 2019 Alectra has increased its dividend payout by over 60%.

Response:

a) Please refer to Alectra Utilities' response to DRC-3 for a copy of the Alectra Inc. June 14, 2019 Annual General Meeting ("AGM") Presentation (2018 Alectra Inc. Report to Shareholders).

b) In reference to slide 23 of the AGM presentation, the increase in dividends from 2017 to 2019 is $29MM or 64%. The delivery of dividends within the first three years is consistent with the dividend forecast presented in the merger business case. The increase in dividends is a result of the retention of the merger savings during the rebasing deferral period, as permitted by the Report of the Board – Rate Making Associated with Distributor Consolidations (EB-2014-0138) (the "MAADs Policy").

4.0-VECC-13

Reference

Exhibit 4, Tab 1, Schedule 1, pg. 104

a) Using Figure 5.2.3-1 Distribution Asset Health Index Summary, please show the project health index at the end of the 2024 DSP period.

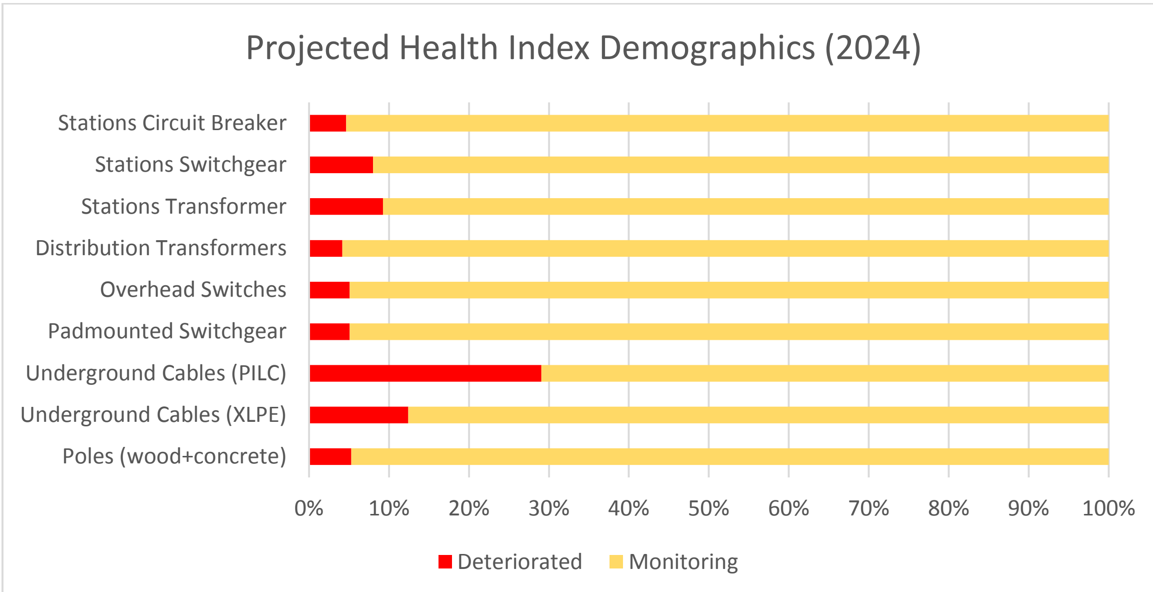
b) For each of the asset categories shown in Figure 5.2.3-1 please show the number of assets projected to be in each of the 5 asset condition categories in each of the years 2019 through 2024.

Response:

a) Alectra Utilities' Asset Condition Assessment ("ACA") is condition-based and conducted at a specific point in time based on: asset inspections; asset records; and asset testing data. Alectra Utilities' ACA has a substantial emphasis on condition factors. At this point, Alectra Utilities does not have the capability to predict Health Index scores (i.e., predictive analytics) into the future.

Alectra Utilities provides Figure 1 illustrating the percentage of assets projected to be in need of renewal (poor and very poor condition) by the the end of 2024. Alectra Utilities does not have information on the number of assets that would be assessed in the fair, good or very good conditions.

Figure 1 - Forecast Health Index Demographics (2024)



b) As discussed in a), Alectra Utilities does not have the capability to predict future Health Index values. As a result, Alectra Utilities is unable to provide the requested information.

4.0-VECC-14

Reference

Exhibit 4, Tab 1, Schedule 1, pg.1

a) **At the above reference Alectra states that "[A]*t present, defective equipment accounts for 45% of controllable outages in Alectra Utilities' system…*" What accounts for the other 55% of controllable outages?**

Response:

Based on Alectra Utilities' five-year average hours of interruption due to controllable cause codes, the remaining causes of outages include adverse weather (33%), Tree Contacts (10%), Animal Contacts (9%), Unknown/Other (2%) and Human Element (1%). Please refer to slide 16 of Exhibit No. KP1.1 – Presentation Slide Deck for the corresponding graph.

4.0-VECC-15

Reference

Exhibit 4, Tab 1, Schedule 1, pgs. 120-

a) For each of the defective equipment categories please show number of interruptions for each year 2014 through 2018

b) Please show the same for each year for the number of customer hours of interruptions for each year.

c) Please show the projected number and hours (i.e. a) and b)) for the period 2019 through 2024.

Response:

a) Alectra Utilities has provided the number of interruptions for each of the defective equipment categories through 2014-2018 in Figures 1 to 4, below.

Figure 1: Alectra Utilities 2014-2018 Number of Interruptions by All Cable & Accessories

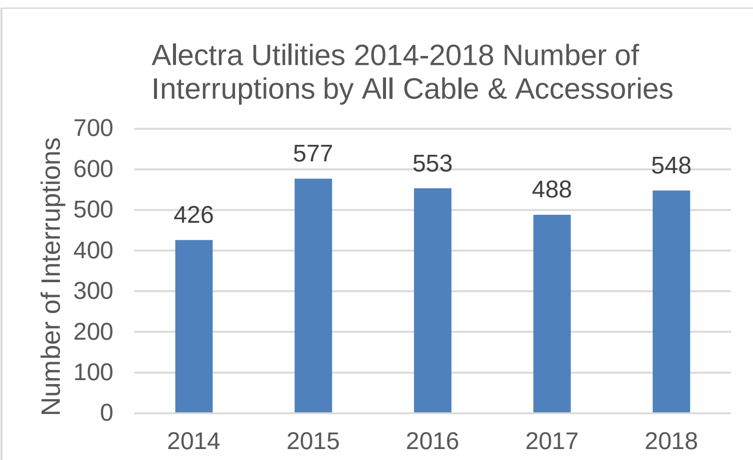


Figure 2: Alectra Utilities 2014-2018 Number of Interruptions by Switches & Switchgear

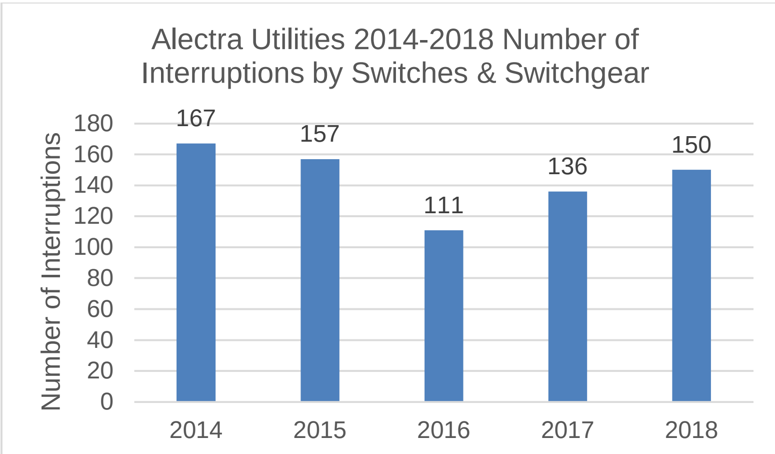


Figure 3: Alectra Utilities 2014-2018 Number of Interruptions by OH Line Hardware

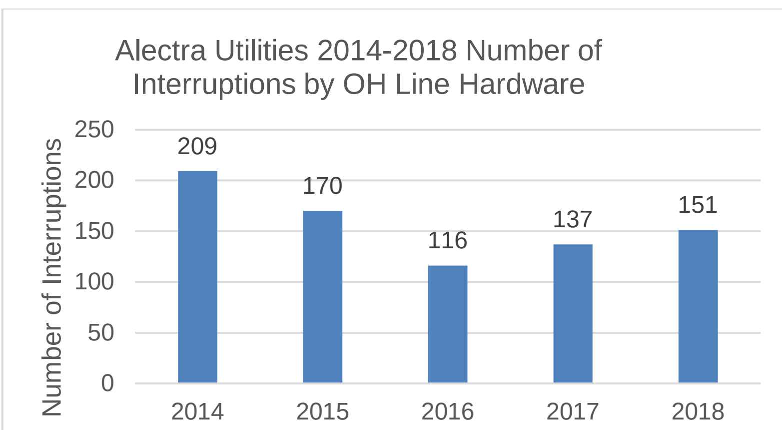
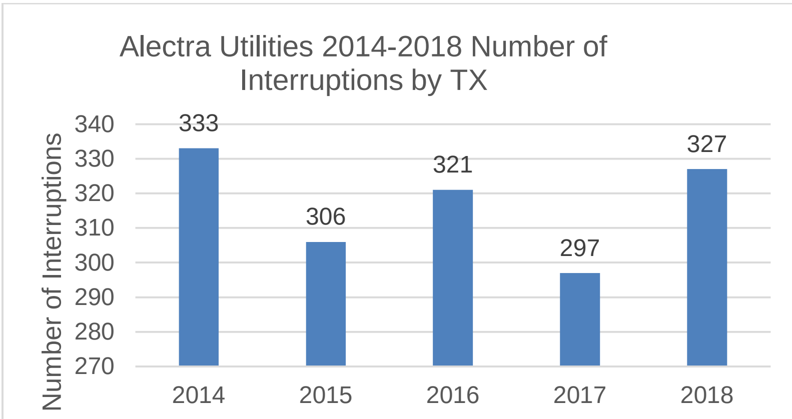


Figure 4: Alectra Utilities 2014-2018 Number of Interruptions by Transformer



b) Alectra Utilities has provided the Hours of interruptions for each of the defective equipment categories through 2014-2018 in Figures 5 to 8, below.

Figure 5: Alectra Utilities 2014-2018 Hours of Interruptions by All Cable & Accessories

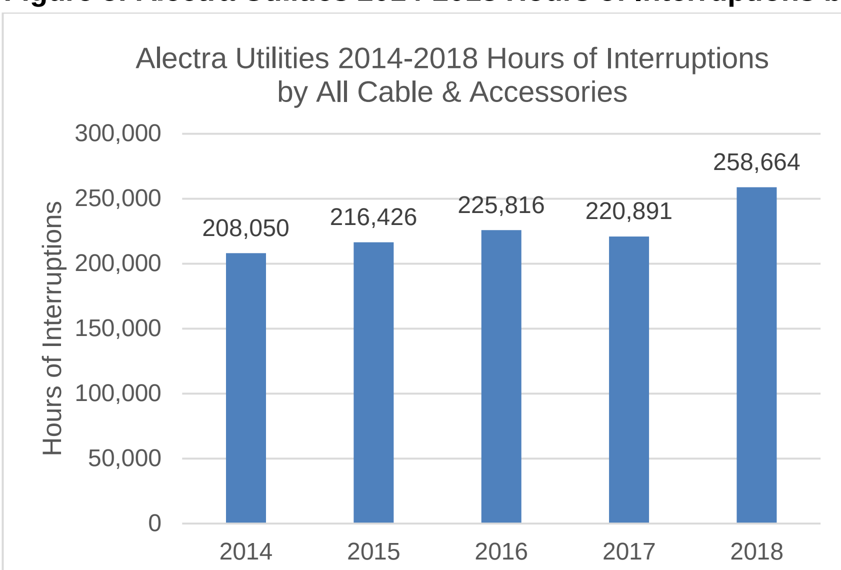


Figure 6: Alectra Utilities 2014-2018 Hours of Interruptions by Switches & Switchgear

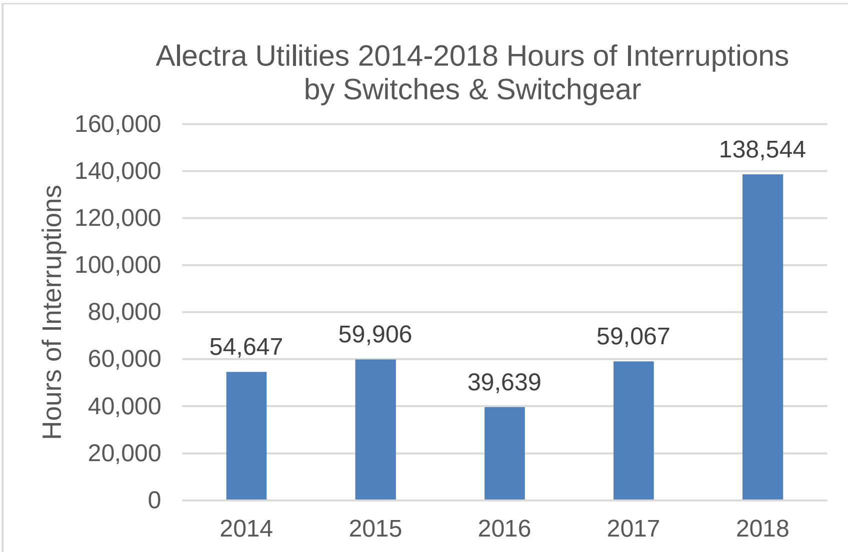


Figure 7: Alectra Utilities 2014-2018 Hours of Interruptions by OH Line Hardware

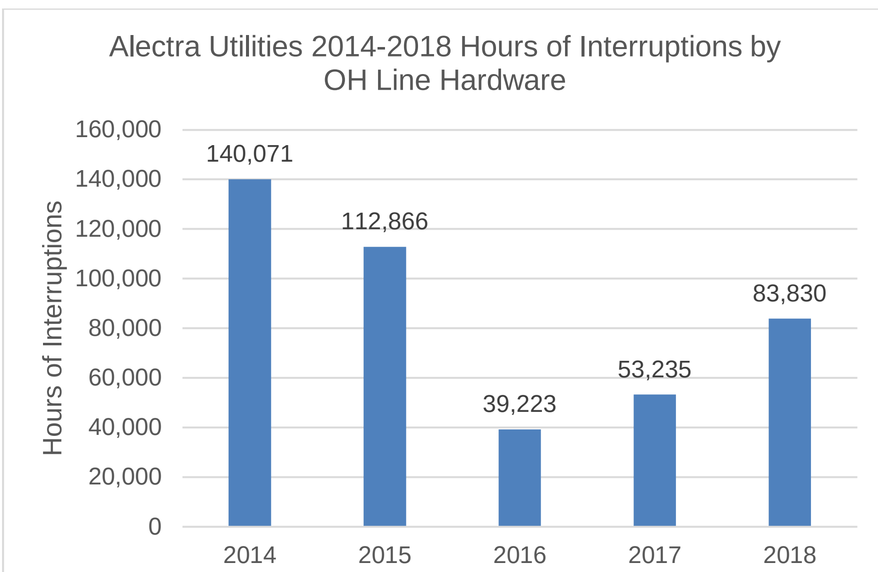
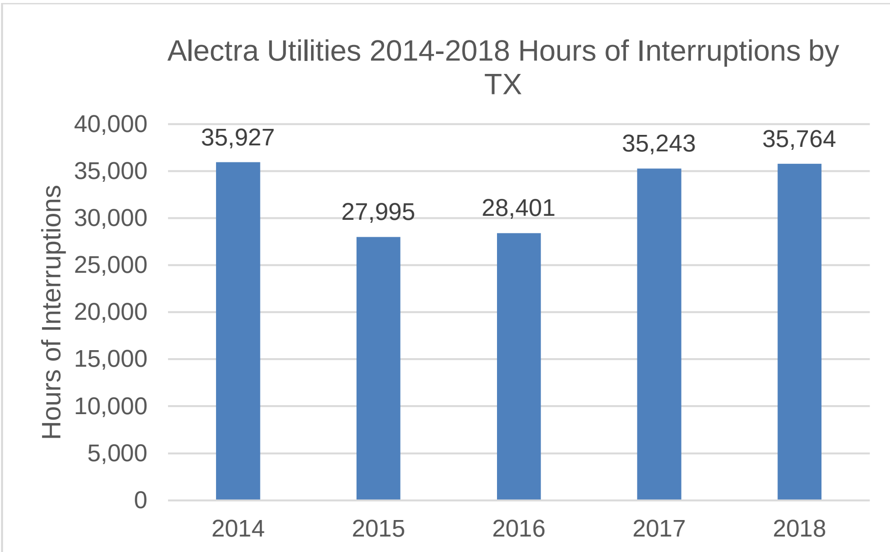


Figure 8: Alectra Utilities 2014-2018 Hours of Interruptions by Transformer



c) As provided in Section 5.2.3 of the DSP (Exhibit 4, Tab 1, Schedule 1, Page 109 and Page 111), Alectra Utilities' capital investment plan was developed with the objective to maintain reliability levels. In Table 5.2.3-6, Alectra Utilities projects that with the implementation of the plan as outlined in the DSP, Alectra Utilities will be able to maintain reliability levels to the 5-Year Historical Performance SAIDI (excluding MEDs) level of 0.98 hours. As presented in Table 5.2.3-8, Alectra Utilities will be able to maintain reliability levels to the 5-Year Historical Performance SAIFI (excluding MEDs) level of 1.34 interruptions. Alectra Utilities does not project the future number and hours of outages by cause code.

4.0-VECC-16

Reference

Exhibit 4, Tab 1, Schedule 1, pgs. 48-

a) If the Board were to grant ICM funding for the Underground Asset Renewal program(s) would Alectra still require the M-Factor? If yes, please explain what specific programs would go unfunded (unbuilt) in that alternative.

Response:

Alectra Utilities cannot speculate on OEB's decision in this application. Alectra Utilities cannot provide the list of specific critical investment which would go unfunded based on the above scenario.