

# Rating Report

## Alectra Inc.

### DBRS Morningstar

June 22, 2021

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#### Commercial Paper Limit

\$500 million

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### 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 21, 2021, DBRS Limited (DBRS Morningstar) confirmed the Issuer Rating and Senior Unsecured Debentures rating of Alectra Inc. (Alectra or the Company) at "A" and its Commercial Paper (CP) rating at R-1 (low). All trends are Stable. The confirmations are based on the stable nature of Alectra's regulated electricity distribution operations in Ontario. The Stable trends reflect the Company's key credit metrics that, despite some weakness in 2020, remain in line with the current rating category.

Alectra's business risk assessment continues to be underpinned by its reasonable regulation under the Ontario Energy Board (OEB). DBRS Morningstar notes that there were no material changes in the regulatory environment in 2020. Alectra continues to operate under the Price Cap Incentive Rate-Setting (IR) mechanism whereby rates increase annually by inflation less productivity and stretch factors (1.9% for 2021). DBRS Morningstar does not foresee any material changes to Alectra's business risk assessment in the medium term as the Company is allowed to defer rebasing until 2027, with productivity gains from the merger and acquisition of the predecessor utilities largely accruing to the shareholders.

In January 2021, Alectra acquired Holland Power Services Inc. (Holland Power), a power restoration services company, for share consideration of approximately \$52 million plus an additional \$28 million for working capital. DBRS Morningstar does not consider this acquisition to have a material impact on the Company's risk profile as regulated activities will continue to contribute more than 90% of earnings and cash flows. Alectra's debt-to-capital and cash flow-to-debt ratios weakened in 2020, however, as the funding for the acquisition, largely through commercial paper (CP), was issued in December 2020. Cash flows for the year were also weaker as the Company expensed expected credit losses of \$19 million and higher cleaning costs of \$4 million related to the ongoing Coronavirus Disease (COVID-19) pandemic. DBRS Morningstar expects Alectra's debt-to-capital and cash flow-to-debt ratios to recover to historical levels in 2021. However, should key credit metrics weaken further to a level no longer commensurate with the current ratings, a negative rating action could occur.

## Financial Information

	12 mos. ended March 31		For the year ended December 31		
	2021	2020	2019	2018	2017
Total debt in capital structure (%) <sup>1,2</sup>	61.8	62.2	60.9	60.9	61.2
Cash flow/Total debt (%) <sup>2</sup>	13.5	12.5	14.4	15.3	13.2
EBIT gross interest coverage (x) <sup>2</sup>	2.82	2.69	2.59	2.93	3.08

<sup>1</sup> Equity excludes goodwill resulting from the amalgamation of PowerStream, Horizon, and Enersource, and the acquisition of Guelph Hydro.

<sup>2</sup> Adjusted for operating leases.

## Issuer Description

Alectra is the largest municipally owned electricity distribution company in Ontario, with more than one 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 95% 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 cyclicalities.

#### 3. Reasonable financial profile

Alectra's key credit metrics have been reasonable for the current rating category. For the last 12 months ended March 31, 2021 (LTM 2021), all three of the Company's key credit metrics of cash flow-to-debt, debt-to-capital, and EBIT-interest coverage (13.5%, 61.8%, and 2.82 times (x), respectively) were in line with the "A" ratings. While Alectra's key credit metrics were weaker in 2020, they are expected to recover to historical levels in 2021.

## Challenges

#### 1. Operational challenges and performance pressure under IR

Under performance-based regulation, Alectra must forecast its operating, maintenance, and administrative expenses as well as its 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 IR method, 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 Morningstar views earnings pressure as manageable given that the rate adjustment parameters for the productivity and stretch factors for 2020 and 2021 were reasonable at 0.0% and 0.3%, respectively, in both years.

### *2. Exposure to higher-risk nonregulated business*

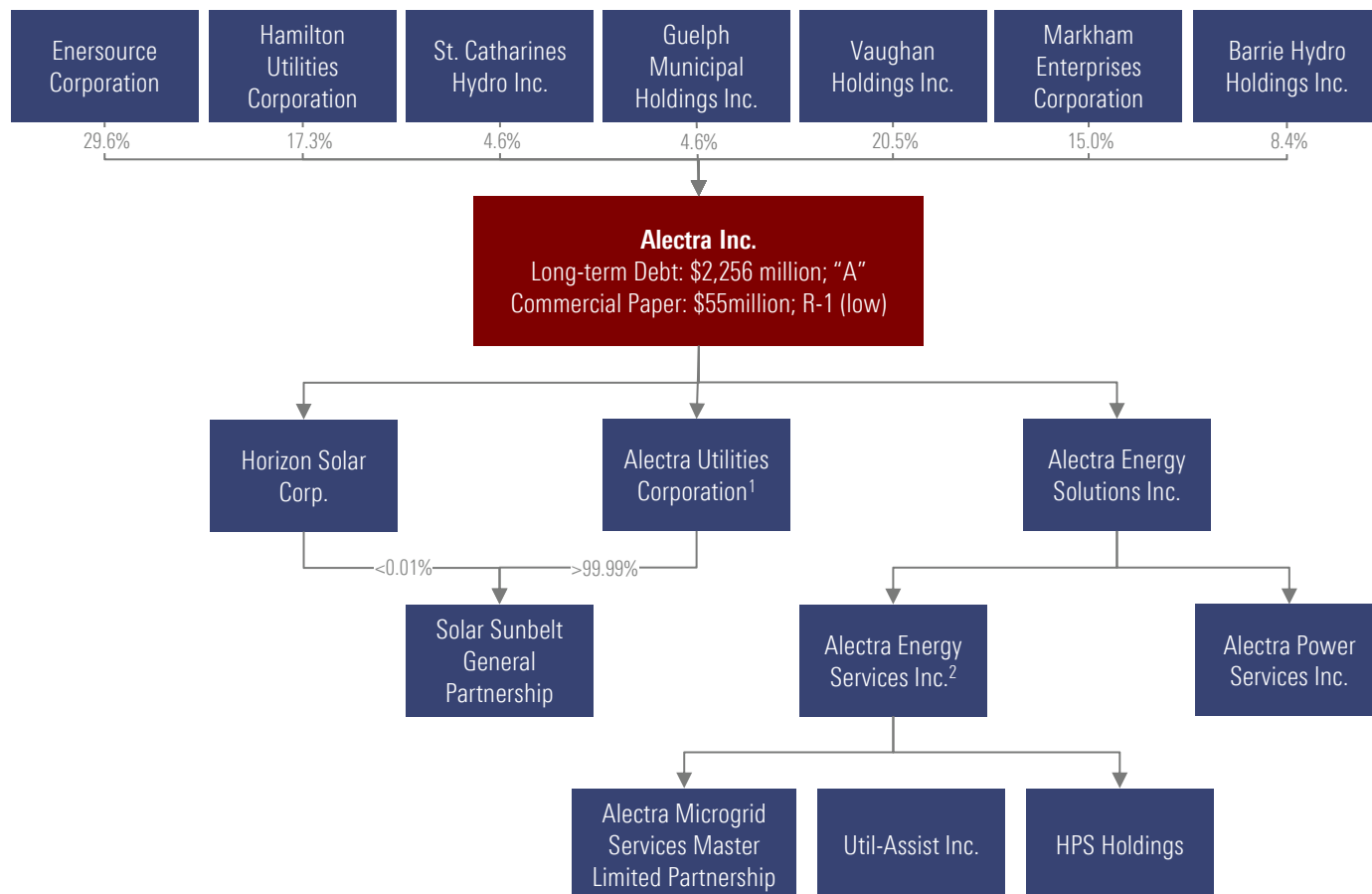
DBRS Morningstar considers the nonregulated business to be higher risk than Alectra's core regulated electricity distribution business. This is largely because of the greater volume risk associated with nonregulated operations. Nonregulated operations for the Company include solar generation, a submetering business, and Holland Power. DBRS Morningstar 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 Morningstar), increasing exposure to the nonregulated segment could result in greater volatility in Alectra's earnings and cash flows. In 2020, nonregulated operations accounted for approximately 6% of total EBITDA and is expected to increase to around 10% following the acquisition of Holland Power. Should earnings from the nonregulated 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.

**Corporate Structure**

**Simplified Organizational Structure**



As at March 31, 2021.

<sup>1</sup> 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.

<sup>2</sup> Ownership of nonparticipating, nonvoting 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. HPS Holdings owns 100% of Holland Power Services Inc.; ownership of Holland New England and NorthEast Line & Electrical Restoration are not shown.

Source: Alectra.

- Alectra was created through 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 nonmunicipal 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 on January 31, 2017. On February 28, 2017, AUC acquired all shares of Hydro One Brampton Networks Inc. (HOBNI).

- On January 1, 2019, Guelph Hydro Electric Systems Inc. (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 more than one million customers.
- Alectra Energy Solutions Inc. holds the large majority of the nonregulated business, managing total assets of approximately \$272 million, mainly consisting of solar-generation assets under long-term contracts with the IESO and a submetering business.
  - In January 2021, Alectra acquired Holland Power, which provides power restoration services along the eastern seaboard of the U.S. and Canada, for share consideration of approximately \$52 million plus an additional \$28 million for working capital.

## Earnings and Outlook

	12 mos. March 31	For the year ended December 31			
(CAD millions where applicable)	2021	2020	2019	2018	2017
Net Sales	691	671	653	596	546
EBITDA	385	371	356	339	304
EBIT	229	218	210	208	184
Gross interest expense	81	81	81	70	59
Net income before nonrecurring items	150	144	133	127	110
Reported net income	106	79	64	109	74
Return on equity (%)	10.6	10.0	9.9	10.2	9.9
Rate base <sup>1</sup>	N/A	3,362	3,212	2,886	2,731
Deemed common equity (%)	40.0	40.0	40.0	40.0	40.0
Allowed ROE (%) <sup>2</sup>	8.95	8.95	8.95	8.95	8.91
Achieved regulatory ROE (%)	N/A	4.80	7.21	7.69	8.49

<sup>1</sup> Rate base amounts are based on actual RRR filings; 2019 and 2020 amounts include Guelph Hydro.

<sup>2</sup> Based on weighted-average of last OEB-approved rate base.

## 2020 Summary

- Alectra's earnings remained stable in 2020, with revenues benefitting from the annual increases in distribution rates and higher streetlighting revenues from LED projects. This was partly offset by lower consumption and demand for the year, driven by the impact of the ongoing pandemic.
  - Regulated activities accounted for 94% of EBITDA for the year.
  - Earnings from the nonregulated segment largely consist of solar generation assets under long-term Feed-In Tariff contracts with the IESO.
- Reported net income included DBRS Morningstar regulatory adjustments of \$44 million, expected credit losses expense of \$19 million, and \$4 million of additional cleaning costs related to the pandemic.
  - DBRS Morningstar notes that Alectra's achieved regulatory ROE has been lower than the allowed ROE as the Company (per OEB direction) excludes merger savings in this calculation.

### 2021 Summary and Outlook

- Earnings for LTM 2021 increased from the annual adjustments to distribution rates and approval of incremental capital module (ICM) funding of around \$11 million.
- DBRS Morningstar expects Alectra's earnings to be lower in 2021 because of lower income from streetlighting and consulting projects, partly offset by contributions from Holland Power.
  - DBRS Morningstar notes that around 68% of Alectra's revenues are fixed, including all revenues from residential customers, which are fully decoupled. DBRS Morningstar also expects bad debt expenses to be much more manageable in 2021.
  - DBRS Morningstar notes that the OEB has approved all LDCs establishing deferral accounts related to the coronavirus pandemic, including one for lost revenues. Recovery of any amounts deferred will be subject to OEB approval.
  - Overall, DBRS Morningstar expects Alectra's earnings to increase modestly year over year in line with growth in the rate base.

### Financial Profile

	12 mos. ended March 31		For the year ended December 31		
(CAD millions where applicable)	2021	2020	2019	2018	2017
Net income before nonrecurring items	150	144	133	127	110
Depreciation & amortization	168	165	158	140	124
Deferred income taxes and other	(2)	(10)	26	38	(5)
<b>Cash flow from operations</b>	<b>316</b>	<b>299</b>	<b>317</b>	<b>305</b>	<b>229</b>
Dividends paid	(74)	(82)	(85)	(69)	(36)
Capital expenditures	(277)	(278)	(334)	(289)	(234)
<b>Free cash flow (before working capital changes)</b>	<b>(36)</b>	<b>(61)</b>	<b>(102)</b>	<b>(53)</b>	<b>(41)</b>
Changes in noncash working capital items	81	(125)	33	(108)	193
Regulatory assets/liabilities	(21)	(44)	(69)	(30)	(1)
<b>Net free cash flow</b>	<b>24</b>	<b>(230)</b>	<b>(138)</b>	<b>(191)</b>	<b>151</b>
Acquisitions & long-term investments	(81)	(7)	0	0	(615)
Proceeds on asset sales	32	33	17	17	0
Net equity change	(3)	(4)	(4)	(5)	46
Net debt change	(41)	193	127	73	385
Other investing & financing	83	7	11	0	0
<b>Change in cash</b>	<b>14</b>	<b>(8)</b>	<b>13</b>	<b>(106)</b>	<b>(33)</b>
Total debt	2,339	2,399	2,202	1,984	1,892
Total debt in capital structure (%) <sup>1,2</sup>	61.8	62.2	60.9	60.9	61.2
Cash flow/Total debt (%) <sup>2</sup>	13.5	12.5	14.4	15.3	13.2
EBIT gross interest coverage (x) <sup>2</sup>	2.82	2.69	2.59	2.93	3.08
Dividend payout ratio (%)	49.3	57.0	63.9	54.2	32.7

1 Equity excludes goodwill resulting from the amalgamation of PowerStream, Horizon and Enersource, and the acquisition of Guelph Hydro.

2 Adjusted for operating leases.

### 2020 Summary

- Alectra's key credit metrics weakened in 2020 because of a higher debt balance and lower cash flow from operations.
  - DBRS Morningstar notes that Alectra issued \$80 million of CP in December 2020 to fund the acquisition of Holland Power (completed in January 2021), which contributed to the weaker debt-to-capital and cash flow-to-debt metrics for the year.
  - Overall, the Company's key credit metrics remained in line with the "A" rating category.
- Cash flow from operations decreased because of the higher expected credit losses for the period.
- Net capital expenditures (capex) decreased compared with 2019, which included \$44 million for land purchased for a new operations centre.
- Dividends of \$82 million were in line with the Company's dividend policy.
- Alectra had a net free cash flow deficit of \$230 million in 2020 because of its large capex program and the timing of customer collections. The Company funded this deficit through its CP program.
  - Alectra also repaid \$40 million of debentures during the year.

### 2021 Summary and Outlook

- DBRS Morningstar expects the Company's key credit metrics to return to historical levels in 2021.
  - Alectra's key credit metrics strengthened in LTM 2021 because of higher cash flow from operations.
  - Overall, DBRS Morningstar 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.
- Alectra has forecast capex of around \$280 million for the year, with the increase largely for new customer connections and for transit projects.
- DBRS Morningstar expects any net free cash flow deficits from the ongoing capex program to be funded through debt issuances.
  - Alectra issued \$300 million of debentures in February 2021, with proceeds used to partly repay the outstanding CP balance.

### Debt and Liquidity

#### Liquidity

(CAD millions as at March 31, 2021)	Amount	Drawn/Letter of Credit	Available	Expiry
Cash & cash equivalents	31	0	31	N/A
364-day committed revolving credit facility	700	89	611	Oct. 2022
Uncommitted credit facility	100	0	100	Demand
<b>Total</b>	<b>831</b>	<b>89</b>	<b>742</b>	

- In May 2020, Alectra increased its 364-day committed revolving credit facility to \$700 million from the previous \$500 million.
  - This facility is used to backstop the Company's \$500 million CP program, which was increased from \$300 million in May 2020 (\$55 million outstanding as at March 31, 2021).
  - Additionally, this facility has an uncommitted accordion provision, which allows Alectra to request for a \$100 million increase in the revolving facility amount.

- The Company also has an uncommitted credit facility of \$100 million (undrawn as at March 31, 2021).

### Long-term Debt

(CAD millions as at March 31, 2021)	Amount	Rate (%)	Maturity
Series A Senior Unsecured Debentures	110	4.521	Apr. 2021
Senior Unsecured Debentures Series B	150	3.033	Jul. 2022
Series B Senior Unsecured Debentures	150	3.239	Nov. 2024
Series A Senior Unsecured Debentures	675	2.488	May. 2027
Series A Senior Unsecured Debentures	65	5.264	Dec. 2030
Series B Senior Unsecured Debentures	210	5.297	Apr. 2041
Series A Senior Unsecured Debentures	200	3.958	Jul. 2042
Series B Senior Unsecured Debentures	30	4.121	Sep. 2045
Series 2019-1 Senior Unsecured Debentures	200	3.458	Apr. 2049
Series 2021-1 Senior Unsecured Debentures	300	1.751	Feb. 2031
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
<b>Total</b>	<b>2,256</b>		
Unamortized debt issuance costs	(9)		
<b>Total long-term debt</b>	<b>2,247</b>		

- 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 \$2,090 million; and
  - Subordinate debt to shareholders (promissory notes) totalling \$166 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 February 2021, the Company issued \$300 million of 1.751% Series 2021-1 Senior Unsecured Debentures due February 2031.
- 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 not more than 75% (in compliance as at March 31, 2021).



### 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 10 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 (ESM) 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 a Custom IR (Horizon Utilities) will transition to the Price Cap IR following the expiry of its Custom IR term (in 2020).
- In October 2018, the OEB approved AUC's MAADs application to merge with Guelph Hydro.
  - As with the other rate zones, AUC is allowed to defer rebasing for the Guelph Hydro rate zone for 10 years, with an ESM of any returns in excess of 300 bps above the allowed ROE for the latter five years.

### Brampton, Enersource, Guelph, Horizon Utilities, and PowerStream 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 as well as 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 Horizon Utilities rate zone (formerly Horizon Utilities Corporation) comprises the Cities of Hamilton and St. Catharines.
- The Brampton, Enersource, Guelph, Horizon Utilities, and PowerStream rate zones operate under a Price Cap IR whereby 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 the Price Cap IR, AUC could file an ICM for each rate zone to request funding for incremental capital investment needs during the IR term.
- In its 2020 EDR application, AUC requested a Price Cap adjustment of 1.7% (based on an inflation factor of 2.0%, productivity factor of 0.0%, and stretch factor of 0.3%) for each of the Brampton, Enersource, Guelph, Horizon Utilities, and PowerStream rate zones.
  - In December 2019, the OEB approved the 1.7% rate increases effective January 1, 2020.
  - Additionally, the OEB approved AUC's proposed ESM based on a weighted-average allowed ROE for the consolidated entity rather than using the ROE for each individual rate zone.

- In January 2020, the OEB denied AUC's proposal for a MAADs factor (M-factor) to fund incremental capex of \$265 million over the latter five years of the deferral period.
  - The OEB indicated that AUC could instead file a cost-based application and terminate the deferral period or continue to request incremental funding under ICM.
  - In January 2020, AUC indicated that it would amend its 2020 EDR application to request ICM funding. However, AUC confirmed in April 2020 that, because of the ongoing coronavirus pandemic, it would re-evaluate capex requirements and not seek ICM funding for the year.
- In its 2021 EDR application, AUC requested a Price Cap adjustment of 1.9% (based on an inflation factor of 2.2%, productivity factor of 0.0%, and stretch factor of 0.3%) for each of the Brampton, Enersource, Guelph, Horizon Utilities, and PowerStream rate zones.
  - In December 2020, the OEB approved the 1.9% rate increases effective January 1, 2021.
  - Additionally, the OEB approved AUC's ICM funding for three projects totalling \$11 million.

## Assessment of Regulatory Framework

Criteria	Score	Analysis
<b>1. Deemed Equity</b>	Excellent Good <b>Satisfactory</b> Below Average Poor	AUC has deemed equity component of capital structure of 40% in 2021, which is consistent with the other electricity distribution companies in Ontario.
<b>2. Allowed ROE</b>	Excellent Good <b>Satisfactory</b> Below Average Poor	AUC's deemed ROE for 2021 ranges from 8.78% to 9.30% (Enersource rate zone 8.93%, Horizon Utilities rate zone 8.98%, Brampton rate zone 9.30%, PowerStream rate zone 8.78%, and Guelph rate zone 9.19%).
<b>3. Energy Cost Recovery</b>	<b>Excellent</b> 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.
<b>4. Capital and Operating Cost Recovery</b>	Excellent <b>Good</b> Satisfactory Below Average Poor	Major capital and operating costs are preapproved by the OEB and recovered through distribution rates. Future test years are used, reducing regulatory lag. As well, residential customers are charged a fully fixed monthly fee for distribution services, significantly reducing volume risk.
<b>5. COS versus Incentive Rate Mechanism</b>	Excellent Good <b>Satisfactory</b> Below Average Poor	The Brampton, Enersource, Guelph, Horizon Utilities, and PowerStream rate zones operate under Price Cap IR, which typically has four years in between rebasing years. In between rebasing years, AUC can file ICM or advanced capital modules for significant and prudent capital needs. AUC can initiate a regulatory review if actual ROE falls 300 bps below the approved ROE. DBRS Morningstar notes that AUC's efficiency targets (0.30%) have been reasonable.
<b>6. Political Interference</b>	Excellent Good Satisfactory <b>Below Average</b> 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.
<b>7. Stranded Cost Recovery</b>	Excellent <b>Good</b> 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.
<b>8. Rate Freeze</b>	Excellent Good <b>Satisfactory</b> 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.

<b>Balance Sheet</b>							
(CAD millions)	Mar. 31	Dec. 31	Dec. 31		Mar. 31	Dec. 31	Dec. 31
	2021	2020	2019	Liabilities & Equity	2021	2020	2019
<b>Assets</b>							
Cash & equivalents	31	21	29	Short-term borrowings	57	416	182
Accounts receivable	327	319	278	Accounts payable	370	384	374
Inventories	40	31	29	Current portion L.T.D.	114	114	42
Prepaid expenses & other	247	374	289	Other current liabilities	151	146	152
<b>Total current assets</b>	<b>645</b>	<b>745</b>	<b>625</b>	<b>Total current liabilities</b>	<b>692</b>	<b>1,060</b>	<b>750</b>
Net fixed assets	3,625	3,600	3,430	Long-term debt	2,168	1,869	1,978
Future income tax assets	3	3	3	Deferred income taxes	80	68	48
Goodwill & intangibles	794	761	761	Other long-term liabilities	624	617	533
Investments & others	235	241	237	Shareholders' equity	1,741	1,736	1,747
<b>Total assets</b>	<b>5,304</b>	<b>5,350</b>	<b>5,056</b>	<b>Total liabilities &amp; equity</b>	<b>5,304</b>	<b>5,350</b>	<b>5,056</b>

<b>Ratios</b>	12 mos. ended March 31			For the year ended December 31	
	2021	2020	2019	2018	2017
<b>Balance Sheet &amp; Liquidity &amp; Capital Ratios</b>					
Current ratio (x)	0.93	0.70	0.83	0.85	0.95
Total debt in capital structure (%)	57.3	58.0	55.8	54.0	53.4
Total debt in capital structure (%) <sup>1,2</sup>	61.8	62.2	60.9	60.9	61.2
Cash flow/Total debt (%)	13.5	12.5	14.4	15.4	13.2
Cash flow/Total debt (%) <sup>2</sup>	13.5	12.5	14.4	15.3	13.2
(Cash flow-dividends)/Capex (x)	0.87	0.78	0.69	0.82	0.82
Dividend payout ratio (%)	49.3	57.0	63.9	54.2	32.7
<b>Coverage Ratios (x)</b>					
EBIT gross interest coverage	2.82	2.69	2.59	2.97	3.12
EBIT gross interest coverage <sup>2</sup>	2.82	2.69	2.59	2.93	3.08
EBITDA gross interest coverage	4.73	4.58	4.40	4.84	5.15
Fixed-charge coverage	2.82	2.69	2.59	2.93	3.08
<b>Profitability Ratios (%)</b>					
EBITDA margin	55.7	55.3	54.5	56.8	55.7
EBIT margin	33.2	32.5	32.2	34.9	33.7
Profit margin	21.7	21.5	20.4	21.4	20.1
Return on equity <sup>1,2</sup>	10.6	10.0	9.9	10.2	9.9
Return on capital <sup>1,2</sup>	4.4	4.3	4.5	4.8	4.7

1 Equity excludes goodwill resulting from the amalgamation of PowerStream, Horizon, and Enersource, and the acquisition of Guelph Hydro.

2 Adjusted for operating leases.

### Rating History

	Current	2020	2019	2018	2017	2016
Issuer Rating	A	A	A	A	A	NR
Senior Unsecured Debentures	A	A	A	A	A	NR
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	NR	NR

### Previous Actions

"DBRS Morningstar Assigns Rating of "A" with a Stable Trend to Alectra Inc.'s \$300 Million Senior Unsecured Debentures," February 11, 2021.

- "DBRS Morningstar Confirms Alectra Inc. at "A" and R-1 (low), Stable Trends," June 29, 2020.

### Previous Report

- Alectra Inc.: Rating Report, July 9, 2020.

#### 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.dbrsmorningstar.com](http://www.dbrsmorningstar.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.

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