Rating Report

Alectra Inc.

DBRS Morningstar
June 27, 2023

Contents

Commercial Paper Limit
$700 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, 2023, DBRS Limited (DBRS Morningstar) confirmed Alectra Inc.'s (Alectra or the Company) Issuer Rating and Senior Unsecured Debentures rating at "A," and the Commercial Paper (CP) rating at R-1 (low). All trends are Stable. The ratings of Alectra are based on the Company's regulated electricity distribution business in Ontario (88% of 2022 EBITDA), which provides a predictable source of earnings and cash flows. The Stable trend reflects Alectra's financial risk assessment, which remains supportive of the current ratings.

There were no material changes to Alectra's business risk assessment in 2022, which continues to be supported by a reasonable regulatory framework under the Ontario Energy Board (OEB). There were no material changes in regulatory environment as the Company continues to operate under a 10-year deferral period until 2027, with rates increasing annually largely by inflation. Additionally, the proportion of earnings from nonregulated activities has stabilized with Alectra expecting nonregulated activities to remain around 10% to 15% of EBITDA over the medium term. While capital expenditures (capex) over the next five years will continue to focus on regulated activities (92% of planned capex), DBRS Morningstar notes nonregulated opportunities may arise (such as the Independent Electricity System Operator (IESO) request for proposals for additional generation or storage assets), which could accelerate growth in this segment. DBRS Morningstar will continue to monitor the Company's plans for its nonregulated businesses. Should earnings from the nonregulated business exceed the 20% threshold on a sustained basis, Alectra's business risk assessment could be negatively affected.

Alectra's financial risk assessment remains supportive of the "A" ratings. The Company's key credit metrics weakened in 2022 because of lower cash flows and a higher debt load due in part to the regulatory lag in recovery of flowthrough energy costs. DBRS Morningstar expects Alectra to continue to fund its distributions and capex program in a prudent manner in order to maintain leverage in line with the regulatory capital structure (60% debt) and its key credit metrics in line with the current rating category. However, should key credit metrics weaken 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			
	2023	**2022**	**2021**	**2020**	**2019**	**2018**
Total debt in capital structure[1, 2] (%)	61.5	61.5	60.5	62.2	60.9	60.9
Cash flow/total debt[2] (%)	12.2	11.7	13.8	12.5	14.4	15.3
EBIT gross interest coverage[2] (times)	2.79	2.85	2.97	2.69	2.59	2.93

1 Equity excludes goodwill resulting from the amalgamation of PowerStream Holdings Inc., Horizon Holdings Inc., and Enersource Holdings Inc., and the acquisition of Guelph Hydro Electric Systems Inc..
2 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 94% 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. Reasonable financial profile

Alectra's key credit metrics have been reasonable for the current rating category. For the last 12 months ended March 31, 2023 (LTM 2023), the Company's key credit metrics of cash flow-to-debt, debt-to-capital, and EBIT-interest coverage (12.2%, 61.5%, and 2.79 times (x), respectively) were overall supportive of the "A" ratings.

Challenges

1. Operational challenges and performance pressure under Incentive Rate-Setting (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 2022 and 2023 were reasonable at 0.0% and 0.3%, respectively, in both years.

2. Exposure to higher-risk nonregulated business

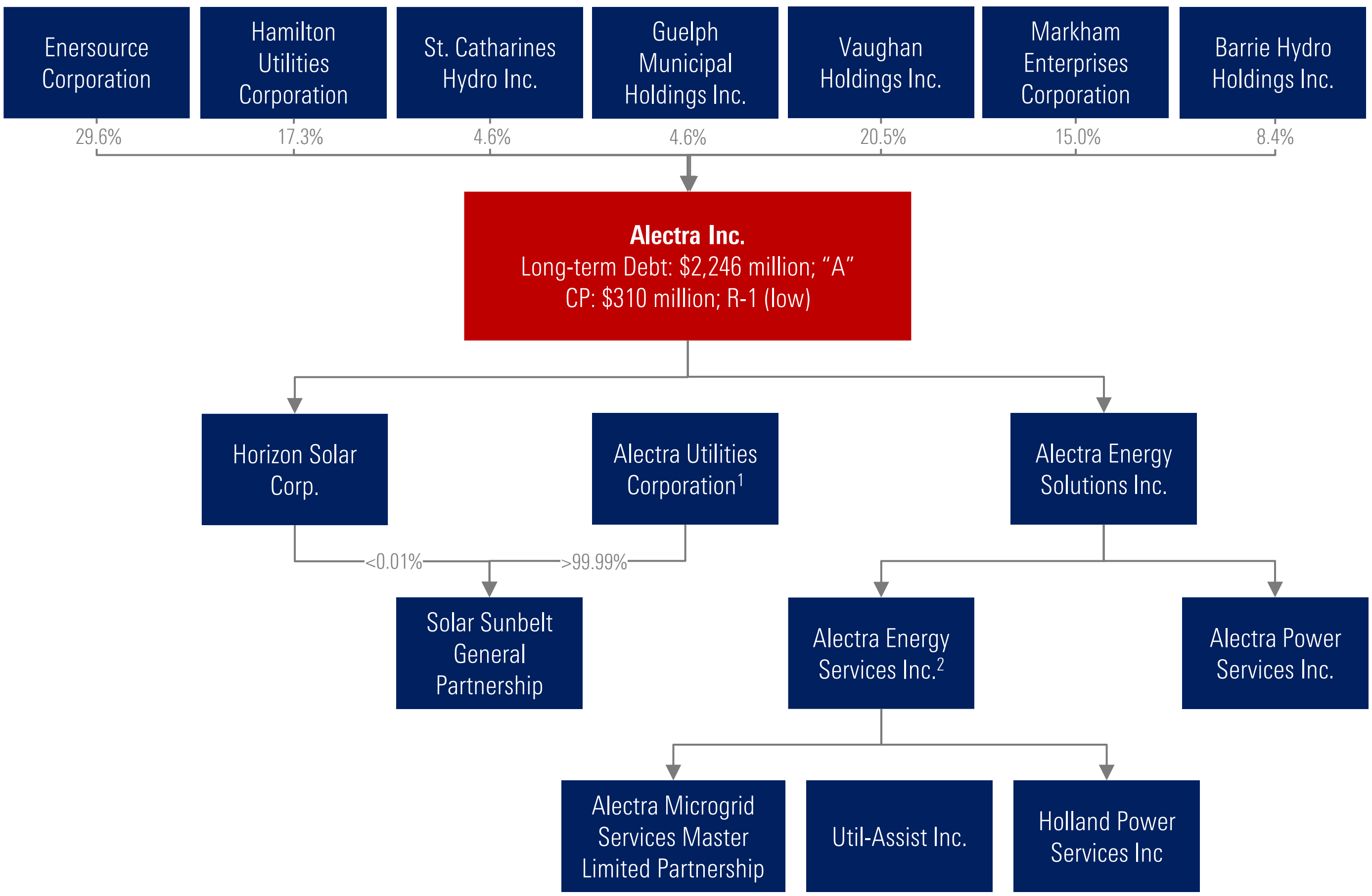
DBRS Morningstar considers the nonregulated business to be higher risk than Alectra's core regulated electricity distribution business. This is largely because of the greater volume risk associated with nonregulated operations. Nonregulated operations for the Company include solar generation, a submetering business, and a power restoration services business. DBRS Morningstar notes that although commodity price risk for the generation business has been mitigated through long-term contracts with the IESO, increasing exposure to the nonregulated segment could result in greater volatility in Alectra's earnings and cash flows. In 2022, nonregulated operations accounted for approximately 12% of total EBITDA, and the Company has indicated this will likely increase up to 15% over the medium term. 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, 2023.
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 Hydro One Brampton Networks Inc.
2 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.
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 $337 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 Services Inc., which provides power restoration services along the eastern seaboard of the U.S. and Canada, for share consideration of approximately $52 million plus working capital considerations.

Earnings and Outlook

	12 mos. March 31		For the year ended December 31			
(CAD millions where applicable)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Net Sales	813	799	754	671	653	596
EBITDA	420	414	399	371	356	339
EBIT	243	239	232	218	210	208
Gross interest expense	87	84	78	81	81	70
Net income before nonrecurring items	145	144	136	144	133	127
Reported net income	33	40	105	79	64	109
ROE (%)	9.2	9.1	9.0	10.0	9.9	10.2
Rate base[1]	N/A	3,475	3,395	3,371	3,212	3,041
Deemed common equity (%)	40.0	40.0	40.0	40.0	40.0	40.0
Allowed ROE[2] (%)	8.95	8.95	8.95	8.95	8.95	8.95
Achieved regulatory ROE (%)	N/A	6.70	6.18	4.80	7.21	7.69

1 Rate base amounts are based on actual Reporting and Record Keeping Requirements filings.
2 Based on weighted average of last OEB-approved rate base.

2022 Summary

- Alectra's earnings have been predictable, supported by the Company's regulated activities (88% of 2022 EBITDA). Earnings from the nonregulated segment largely consist of solar generation assets under long-term Feed-In Tariff contracts with the IESO and a storm restoration business.
  - EBITDA and EBIT increased because of higher approved distribution rates and stronger results from the competitive businesses.
  - This increase was partly offset by higher labour costs because of the increased volume of storm response activities, higher depreciation from the higher asset base, and higher interest expense.
  - Net income before nonrecurring items increased modestly because of lower payments in lieu of income taxes for the year.

- Reported net income included DBRS Morningstar regulatory adjustments of $85 million and derecognition loss of $6 million.

2023 Summary and Outlook

- Earnings for LTM 2023 were largely in line with 2022.
- DBRS Morningstar expects Alectra's earnings to be steady in 2023.
    - Distribution revenues should continue to benefit from annual increases through the IR mechanism.
    - Earnings may see short-term modest pressure from inflation and the higher interest rate environment until rates are adjusted to account for these impacts.
    - Overall, DBRS Morningstar expects Alectra's earnings to generally 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)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Net income before nonrecurring items	145	144	136	144	133	127
Depreciation & amortization	193	191	182	165	158	140
Deferred income taxes and other	(23)	(35)	9	(10)	26	38
Cash flow from operations	**315**	**300**	**327**	**299**	**317**	**305**
Dividends paid	(77)	(96)	(77)	(82)	(85)	(69)
Capex	(309)	(289)	(303)	(278)	(334)	(289)
Free cash flow (before working capital changes)	**(71)**	**(85)**	**(53)**	**(61)**	**(102)**	**(53)**
Changes in noncash working capital items	(8)	(6)	186	(120)	33	(108)
Regulatory assets/liabilities	(94)	(85)	(42)	(44)	(69)	(30)
Net free cash flow	**(173)**	**(176)**	**91**	**(225)**	**(138)**	**(191)**
Acquisitions & long-term investments	0	0	(98)	(7)	0	0
Proceeds on asset sales	4	3	31	33	17	17
Net equity change	(2)	(2)	(2)	(4)	(4)	(5)
Net debt change	157	187	(36)	193	127	73
Other investing & financing	5	4	20	7	11	0
Change in cash	**(9)**	**16**	**6**	**(3)**	**13**	**(106)**
Total debt	2,576	2,556	2,368	2,399	2,202	1,984
Total debt in capital structure[1,2] (%)	61.5	61.5	60.5	62.2	60.9	60.9
Cash flow/total debt[2] (%)	12.2	11.7	13.8	12.5	14.4	15.3
EBIT gross interest coverage[2] (x)	2.79	2.85	2.97	2.69	2.59	2.93
Dividend payout ratio (%)	53.1	66.7	56.6	57.0	63.9	54.2

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

2022 Summary

- Alectra's key credit metrics weakened slightly in 2022.
    - The Company's debt-to-capital and cash flow-to-debt metrics both weakened because of the higher debt load.
- Cash flow from operations decreased because of timing of cash collection.
- Net capex decreased modestly for the year.
- Dividends of $96 million were in line with the Company’s dividend policy.
- Alectra issued $250 million of debentures in November 2022, with proceeds used to partly repay the outstanding CP balance.

2023 Summary and Outlook

- Alectra's key credit metrics were largely stable for LTM 2023.
    - The Company's EBIT interest coverage ratio weakened modestly because of higher interest rates on short term debt, while the cash flow-to-debt ratio improved because of stronger cash flows for the period.
- 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 $334 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.

Debt and Liquidity

Liquidity

(CAD millions as at March 31, 2023)	Amount	Drawn/CP/Letter of Credit	Available	Expiry
Cash & cash equivalents	13	0	**13**	N/A
Committed revolving credit facility	700	310	**390**	Sep. 2027
Overdraft facility	100	0	**100**	Demand
Uncommitted credit facility	100	38	**62**	Demand
Total	**913**	**348**	**565**	

- Alectra has a $700 million committed revolving credit facility.
    - This facility is used to backstop the Company's $700 million CP program, which was increased from $500 million in June 2022 ($310 million outstanding as at March 31, 2023).
    - 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 ($38 million drawn as at March 31, 2023).

Long-term Debt

(CAD millions as at December 31, 2022)	Amount	Rate (%)	Maturity
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
Series 2022-1 Senior Unsecured Debentures	250	5.225	Nov.2052
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	**2,246**		
Unamortized debt issuance costs	(9)		
Total long-term debt	**2,237**		

- Alectra's long-term debt maturity is relatively well spread out.
- The Company's long-term debt consists of the following:
    - Senior Unsecured Debentures totalling $2,080 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 November 2022, the Company issued $250 million of 5.225% Series 2022-1 Senior Unsecured Debentures due November 14, 2052.
- Covenants on Alectra's trust indenture and credit facilities include restrictions on 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, 2023).

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) 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 Incremental Capital Module (ICM) for each rate zone to request funding for incremental capital investment needs during the IR term.
- In its 2022 electricity distribution rate (EDR) application, AUC requested a Price Cap adjustment of 3.4% (based on an inflation factor of 3.7%, a productivity factor of 0.0%, and a stretch factor of 0.3%) for each of the Brampton, Enersource, Guelph, Horizon Utilities, and PowerStream rate zones.
  - In December 2022, the OEB approved the 3.4% rate increases effective January 1, 2023.

Assessment of Regulatory Framework

Criteria	Score	Analysis
1. Deemed Equity	Excellent Good **Satisfactory** Below Average Poor	AUC has deemed an equity component of capital structure of 40% in 2023, 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 2023 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%).
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 Recovery	Excellent **Good** 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.
5. Cost of Service versus IR Mechanism	Excellent Good **Satisfactory** 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 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.
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). Furthermore, 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 provincewide distribution rate freeze was imposed. There have been no subsequent provincewide rate freezes.

Environmental, Social, and Governance (ESG) Checklist

Environmental

There were no Environmental factors that had a relevant or significant effect on the credit analysis. DBRS Morningstar notes regulated utilities may be subject to extraordinary weather events; any expenditures arising from these events are expected to be recovered through rates. For more details about which Environmental factors could have an effect on the credit analysis, please refer to the checklist below.

Social

There were no Social factors that had a relevant or significant effect on the credit analysis. For more details about which Social factors could have an effect on the credit, please refer to the checklist below.

Governance

There were no Governance factors that had a relevant or significant effect on the credit analysis. For more details about which Governance factors could have an effect on the credit analysis, please refer to the checklist below.

A description of how DBRS Morningstar considers Environmental, Social, and Governance factors within the DBRS Morningstar analytical framework can be found in the *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* at https://www.dbrsmorningstar.com/research/396929.

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		Overall:	N	N
	Emissions,Effluents, and Waste	Do we consider the costs or risks result, or could result in changes to an issuer's financial, operational, and/or reputational standing?	N	N
	Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs?	N	N
	Resource and Energy Management	Does the scarcity of sourcing key resources hinder the production or operations of the issuer, resulting in lower productivity and therefore revenues?	N	N
	Land Impact and Biodiversity	Is there a financial risk to the issuer for failing to effectively manage land conversion, rehabilitation, land impact, or biodiversity activities?	N	N
	Climate and Weather Risks	Will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N
Social		Overall:	N	N
	Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N
	Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts that could result in a material financial or operational impact?	N	N
		Do violations of rights create a potential liability that can negatively affect the issue's financial wellbeing or reputation?	N	N
		Human Capital and Human Rights:	N	N
	Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N
	Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could result, in financial penalties or client attrition to the issuer?	N	N
	Occupational Health and Safety	Would the failure to address workplace hazards have a negative financial impact on the issuer?	N	N
	Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
	Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
Governance		Overall:	N	N
	Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
		Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
		Bribery, Corruption, and Political Risks:	N	N
	Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
	Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
		Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
		Corporate / Transaction Governance:	N	N
	Institutional Strength, Governance, and Transparency (Governments Only)s	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	N	N
		Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	N	N
		Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	N	N
		Institutional Strength, Governance, and Transparency (Governments Only)s:	N	N
		Consolidated ESG Criteria Output:	N	N

Balance Sheet

(CAD millions)	Mar. 31	Dec. 31	Dec. 31		Mar. 31	Dec. 31	Dec. 31
Assets	**2023**	**2022**	**2021**	**Liabilities & Equity**	**2023**	**2022**	**2021**
Cash & equivalents	13	48	32	Short-term borrowings	310	290	195
Accounts receivable	338	310	338	Accounts payable	455	477	466
Inventories	0	40	34	Current portion long-term debt	4	4	156
Prepaid expenses & other	320	308	253	Other current liabilities	161	163	145
Total current assets	**671**	**706**	**657**	**Total current liabilities**	**930**	**934**	**962**
Net fixed assets	4,012	3,977	3,807	Long-term debt	2,262	2,262	2,017
Future income tax assets	2	3	2	Deferred income taxes	109	107	97
Goodwill & intangibles	777	0	0	Other long-term liabilities	693	681	663
Investments & others	256	1,034	1,042	Shareholders' equity	1,724	1,736	1,769
Total assets	**5,718**	**5,720**	**5,508**	**Total liabilities & equity**	**5,718**	**5,720**	**5,508**

Ratios

	12 mos. ended March 31		For the year ended December 31			
Balance Sheet & Liquidity & Capital Ratios	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Current ratio (x)	0.72	0.76	0.68	0.70	0.83	0.85
Total debt in capital structure (%)	59.9	59.6	57.2	58.0	55.8	54.0
Total debt in capital structure[1, 2] (%)	61.5	61.5	60.5	62.2	60.9	60.9
Cash flow/total debt (%)	12.2	11.7	13.8	12.5	14.4	15.4
Cash flow/total debt (%)[2]	12.2	11.7	13.8	12.5	14.4	15.3
(Cash flow-dividends)/capex (x)	0.77	0.71	0.76	0.78	0.69	0.82
Dividend payout ratio (%)	53.1	66.7	56.6	57.0	63.9	54.2
Coverage Ratios (x)						
EBIT gross interest coverage	2.79	2.85	2.97	2.69	2.59	2.97
EBIT gross interest coverage[2]	2.79	2.85	2.97	2.69	2.59	2.93
EBITDA gross interest coverage	4.83	4.93	5.12	4.58	4.40	4.84
Fixed-charge coverage	2.79	2.85	2.97	2.69	2.59	2.93
Profitability Ratios (%)						
EBITDA margin	51.7	51.8	52.9	55.3	54.5	56.8
EBIT margin	29.9	29.9	30.8	32.5	32.2	34.9
Profit margin	17.8	18.0	18.0	21.5	20.4	21.4
ROE[1,2]	9.2	9.1	9.0	10.0	9.9	10.2
Return on capital[1,2]	4.4	4.4	4.4	4.3	4.5	4.8

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

Rating History

	Current	2022	2021	2020	2019	2018
Issuer Rating	A	A	A	A	A	A
Senior Unsecured Debentures	A	A	A	A	A	A
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)

Previous Actions

- "DBRS Morningstar Notes Alectra Inc.'s Commercial Paper Limit Increase," June 1, 2022.
- "DBRS Morningstar Confirms Alectra Inc. at "A" and R-1 (low), Stable Trends," June 21, 2022.
- "DBRS Morningstar Assigns Rating of "A" with a Stable Trend to Alectra Inc.'s $250 Million Senior Unsecured Debentures," November 14, 2022.

Previous Report

- Alectra Inc.: Rating Report, June 24, 2022.

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.

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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