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Newmarket-Tay Power Distribution Ltd.

November 6, 2019

**Newmarket –Tay Power Distribution Ltd.
Report of the President**

TO: Council of The Town of Newmarket

SUBJECT: Newmarket –Tay Power Distribution Ltd. Director Nomination Process

ORIGIN: President, Newmarket – Tay Power Distribution Ltd.

RECOMMENDATIONS:

THAT the Newmarket – Tay Power Distribution Ltd. Report of the President dated November 6, 2019 regarding the process for a director search for the board of directors of Newmarket – Tay Power Distribution (“NT Power”) be received and the following recommendations be adopted:

WHEREAS the existing NT Power Board of Directors consists of four Non-Municipal appointees, the Mayor of Newmarket, the Mayor of Tay and the President of NT Power

AND WHEREAS a new strategic framework developed by NT Power in 2018 recommended that the Board of Directors be comprised of five Non-Municipal Directors, the Mayor of Newmarket and the Mayor of Tay;

AND WHEREAS the Municipal Council of the Town of Newmarket and the Municipal Council of the Township of Tay approved the new composition of the NT Power Board of Directors in May of 2018;

AND WHEREAS in accordance with Article 3 of the NT Power Shareholders Agreement, the NT Power Board of Directors (the “Board”), with input from the professional recruiting firm of Boydens has identified a list of candidates from which to select a nominee to be appointed as the fifth Non-Municipal Director at the next NT Power annual general meeting;

NOW THEREFORE BE IT RESOLVED by the Municipal Council of the Corporation of the Town of Newmarket as follows:

- 1. THAT the Mayor, one Councillor to act as Committee Chair and one Councillor to act as a Committee member be appointed to an ad-hoc joint committee of the Councils of the Town of Newmarket and the Township of Tay (the “Joint**

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Committee”) for the express purposes of considering the list of candidates for the fifth Non-Municipal Director.

Introduction:

In 2017, NT Power retained the consulting firm of Decision Partners and initiated development of a 20-year strategic plan for NT Power that will result in iterative annual Business Plans to protect the interests of its Shareholders, customers and the utility. A number of other initiatives were also underway:

- The Ontario Energy Board (“the OEB”) had initiated a proceeding to examine the governance of electric and gas distribution utilities and issued a draft report of their findings and reporting requirements.
- NT Power was in the process of acquiring Midland Power Utility Corporation (“MPUC”), forming affiliate companies (Envi Networks Ltd.) and examining other opportunities for business expansion in response to Municipal Council’s hold and grow strategy.
- At the request of Town of Newmarket staff, Newmarket Hydro Holdings Inc. (NHHI”) retained the consulting firm of Grant Thornton to examine and make recommendations on the NHHI and Tay Hydro Inc. corporate structure going forward.

Both decision Partners and Grant Thornton recommended that the board of NT Power would remain at seven directors with all being fully independent. The municipal CAOs or their appointed delegate would be invited to attend board meetings of NT Power and any affiliate companies. When this recommendation was reviewed by Newmarket and Tay Councils, it was decided to keep the Mayors of Newmarket and Tay on the board of NT Power and move to five independent (Non-Municipal) directors.

In accordance with the NT Power Shareholders Agreement (the “Agreement”), the Board struck a Nominating Committee (the “Committee”) consisting of chair B. Betts, and directors C. Prattas, B. Gabel and J. Taylor to; with input from a professional recruiting firm and utilizing corporate governance best practices, provide the shareholders with a recommended list of candidates from which to select nominees to be elected directors with respect to all then vacant director positions or all director positions which will be vacant as at the next annual general meeting of NT Power. A minimum of two candidates are to be provided for each vacancy.

The Board retained the services of Boydens to conduct a director search. Working with Boydens the committee has identified three candidates for consideration by the shareholders.

The shareholders are now required to strike a five-person ad-hoc joint committee consisting of two members of council from each of Tay and Newmarket and a joint committee chair for the express purposes of considering the candidates and making a final selection of one of them for consideration for election by the shareholders to the

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Board as part of the next annual general meeting of NT Power in the spring of 2020.
The Board recommends that the Mayors of each of Newmarket and Tay be appointed to this ad-hoc committee.

[Original signed by]

P.D. Ferguson, P.Eng. President
Newmarket – Tay Power Distribution Ltd.