



Town of Newmarket
395 Mulock Drive P.O. Box 328,
Newmarket, Ontario, L3Y 4X7

If you require this document in an alternative format email at clerks@newmarket.ca or call 905-895-5193.

NT Power First of a Kind Venture with Alectra A Historic Decision for Newmarket and Tay

Staff Report to Council

Report Number: 2026-09

Department(s): The Office of the Chief Administrative Officer , Legal and Procurement Services , Financial Services

Author(s): Ian McDougall, Chief Administrative Officer

Meeting Date: March 2, 2026

Recommendations

1. That the presentation from Mark Rodger of Borden Ladner Gervais LLP (“BLG”) dated March 2, 2026, be received; and,
2. That the presentation from Brooke Thiessen of Deloitte LLP dated March 2, 2026, be received; and,
3. That the report entitled NT Power First of a Kind Venture with Alectra dated March 2, 2026 be received.

Executive Summary

The Town of Newmarket and the Township of Tay are poised to advance one of the most forward-looking and innovative utility transactions in Ontario’s history. This report outlines Council’s decision to sell all shares of Newmarket-Tay Power Distribution Ltd. (“NT Power”) and Newmarket Hydro Holdings Inc. (“NHHI”) to **Alectra Inc. (“Alectra”)**.

The agreement is **the first of its kind in the Ontario Local Distribution Company (LDC) sector**, representing a major milestone that positions both communities for long-term success. It reflects months of rigorous analysis, expert financial and legal review, and a clear commitment to the core principles established at the outset of this process.

This transformative partnership with Alectra:

- Ensures **competitive local electricity distribution rates**
- Protects **reliability and exceptional customer experience**
- Guarantees **job protection for all NT Power employees**
- Maintains **local offices and operations centres**
- Secures **ongoing necessary capital investment**
- Provides a **strong, prudent, and significant return on investment** for both municipalities
- Opens the door to the possibility of a **future merger opportunity**
- Creates flexibility via **multiple financial decision points over 7, 10, and 13 years**
- Allows the municipalities to **participate in sector growth**
- Features an industry-first **deferred purchase price model that enhances returns while mitigating risk**

This transaction positions Newmarket and Tay as provincial leaders in responsible, innovative, and strategic management of public assets.

Purpose

The purpose of this report is to present the results of the utility sale/merge exploration process and to publicly announce that Council confirms **Alectra** as the successful purchaser of NT Power and NHHI.

Background

Why Consider a Deferred Purchase Price Structure for the Sale of NT Power – Deloitte’s Industry Trends & Forecasting

Ontario’s electricity sector is undergoing its most significant transformation in decades. Deloitte’s industry analysis makes clear that NT Power — like all small and mid-sized Local Distribution Companies (LDCs) — will be increasingly challenged to meet the scale, capital, and operational demands of the next 20 years. A deferred purchase price structure for the sale to Alectra, paired with the potential option of a future merger, directly responds to these structural forces.

The Scale of Required Investment Is Surging

Ontario's electricity distribution system requires **\$103–\$120 billion** in investment over the next two decades for modernization, electrification, cybersecurity, and reliability upgrades. Deloitte notes that these capital requirements **significantly outpace the internal financial capacity of most LDCs**, particularly small and mid-sized ones.

Demand for Electricity Is Accelerating Faster Than LDCs Can Respond

Ontario's first-ever integrated energy plan forecasts:

- **75% growth in annual electricity consumption by 2050**
- **Peak demand rising from 25 GW in 2025 to more than 36 GW by 2050**

This growth is driven by industrial electrification, EV adoption, population increases, and climate change adaptation — each requiring substantial upgrades in local distribution networks.

Existing Infrastructure Will Hit Capacity Within 10–15 Years

Deloitte notes that substations across Ontario could reach capacity within 10–15 years, with replacement costs between \$30–\$60 million per substation — a scale of investment difficult for small LDCs to sustainably manage without compromising rates or service levels.

Municipal Owners Face Increasing Financial Strain

Municipal shareholders across Ontario are experiencing dividend pressure or suspension, calls for equity injections to support LDC capital plans, and heightened regulatory expectations to improve responsiveness and customer service.

Related to this, the province's PULSE panel (2025–2026) is exploring new capital models including borrowing and municipal consolidation options.

Consolidation Delivers Better Reliability, Lower Costs, and Greater Resilience

Deloitte highlights that consolidated LDCs benefit from enhanced borrowing power, system redundancy, specialized expertise, regional planning capabilities, and economies of scale that reduce cost pressures.

The Deferred Purchase Price Structure Positions NT Power for Long Term Success

Deloitte's sector-wide analysis of Ontario's electricity sector and NT Power demonstrates that standing still is not a viable option for NT Power. Remaining independent would expose Newmarket and Tay to capital injection requirements, growing regulatory expectations, rising infrastructure renewal need, increased climate related system risks, and financial pressure on municipal budgets.

A deferred purchase price structure for the sale to Alectra directly addresses these challenges, delivering scale, capital access, financial predictability, and long-term strategic alignment with Ontario's evolving energy system.

A Modern Approach to a Rapidly Changing Electricity Sector

In 2022, NT Power's shareholders began a careful, multi-year review of the utility's long term future. There is a rapidly evolving electricity landscape driven by electrification, growth, infrastructure renewal, and climate resiliency. As a proactive move, Council sought independent advice from Deloitte to determine the best strategic path forward.

The guiding question we asked ourselves was: **How can our municipalities (Newmarket and Tay) secure the strongest future for our residents, our utility, and our employees?**

Clear Transaction Priorities

At the outset of this process, both Councils agreed upon core principles that would guide every step of the process:

- ✓ Competitive local distribution rates
- ✓ Preserve reliability and exceptional customer service
- ✓ Protect jobs for all NT Power employees
- ✓ Maintain local offices and operations centres
- ✓ Ensure ongoing capital investment
- ✓ Delivery of a **significant and prudent return on investment**

These priorities became the lens through which every offer, analysis, and negotiation was evaluated.

Progress to Date

Between 2023 and early 2026, Council received comprehensive expert reports and conducted extensive due diligence, including a full valuation and financial modelling by Deloitte, legal analysis and negotiations led by BLG, sector benchmarking, employee and operational impact assessments, a 120-day exclusivity period with Alectra, and a 45 day market testing (“Go Shop”) period.

Throughout this process, Alectra consistently demonstrated alignment with municipal values, strong financial performance, and a genuine commitment to local presence and customer service.

Discussion

Why Alectra Is the Best Partner for NT Power

Based on the extensive due-diligence process, Deloitte’s financial modelling, sector benchmarking, and the 45 day Go-Shop market test, Alectra clearly emerged as the strongest and most aligned partner for Newmarket and Tay. In the 45 day Go-Shop period, three major utilities executed nondisclosure agreements, which enabled them to examine and review Alectra’s offer. The Go-Shop was important to gauge interest and provides a level of confidence that we received the best offer the market could provide.

Alectra Provides the Highest-Certainty, Top-of-Market Financial Offer and First-of-its-Kind Deferred Purchase Price Structure

The proposed **deferred purchase price model** is an **industry-first innovation** designed specifically to maximize municipal benefit while providing stable, predictable income.

Under the Alectra deferred payment structure, the municipalities will receive:

- **Guaranteed fixed annual payments of \$4.35 million for seven years** (a 235% increase over NT Power’s current dividend of \$1.3 million annually)
- **A guaranteed minimum payout of \$110 million**
- **Guaranteed annual lease payments for 10 years (current NT Power operations centre)**
- **The potential for substantial additional financial upside** at the time of final payout **based on future equity growth** of Alectra+NT Power. Deloitte forecasts that the Alectra deferred payment structure could result in the following total cash flow to Newmarket/Tay at 7 years of \$168.6 m; at 10 years of \$204 m; and at 13

years at \$250.8 m.

- **Multiple exit/decision points at 7, 10, and 13 years**, which provides Newmarket and Tay the flexibility to choose the right moment to trigger the valuation of the combined Alectra / NT Power entity.

Alectra Guarantees Full Employee Retention and Local Presence

Alectra committed to **best-in-class job protection**, no employee relocation before **2031**, and maintaining local offices and operations centres for 10 years.

OEB Metrics Show Alectra Has Strong Reliability and Lower Customer Rates

Evidence from the Ontario Energy Board shows Alectra customers experience **fewer outages** and **shorter outage durations than most LDCs**. Alectra's average residential delivery rates are **lower** than comparable LDCs including NT Power. All NT Power customers (Newmarket, Tay, and Midland) will benefit immediately from a **rate freeze in 2027 and 2028**.

Alectra Offers Guaranteed Capital Investment

Alectra commits to **\$12M annually from 2028–2032** in guaranteed capital investment for the local system.

This ensures local infrastructure remains reliable without requiring municipal funding.

Alectra Is Municipally Owned and Values Public Accountability

Alectra remains municipally owned, aligned with public service values, and focused on ratepayer affordability and community investment.

This alignment is reflected in their approach to governance, and long-term stewardship.

Alectra Offers a Unique, Future Merger Path

Alectra provides the possibility for a future full merger within the term of the deferred payment model.

Alectra Strengthens Governance and Protects Municipal Interests

The agreement includes a seat on the Transition Committee, along with full veto rights on key integration matters. This ensures Newmarket and Tay maintain influence and oversight throughout the transition.

In conclusion, Alectra is the partner that delivers significant financial security and return on investment through a deferred payment structure, guarantees jobs and local presence, provides superior reliability and lower rates, ensures major capital investment, offers a municipally aligned, publicly accountable ownership model, and enables a future merger that compounds long-term value.

Consultation

This report was prepared by the Chief Administrative Officer in close consultation with other members of Project Team consisting of the Director of Legal and Procurement Services, the Director of Financial Services, the Director of Corporate Communications, Mayor Taylor, external counsel (BLG), and external financial advisors (Deloitte).

Throughout this process, the NT Board of Directors was regularly engaged and updated. This proved to be extremely helpful given the board is comprised of industry experts.

Conclusion

This agreement represents a **historic, sector-first achievement** for the Town of Newmarket and the Township of Tay. It:

- Aligns perfectly with Council's priorities
- Strengthens local reliability, customer experience, and service delivery
- Protects jobs and maintains local presence
- Positions both municipalities to benefit from Ontario's energy transformation
- Delivers extraordinary, prudent, long-term financial returns
- Demonstrates innovation and leadership through a first-in-Ontario deferred purchase price structure
- Ensures flexibility with multiple future decision points
- Opens the door to a future merger opportunity

Most importantly, this partnership ensures Newmarket and Tay residents continue to benefit from **safe, modern, reliable, and competitively priced electricity**, while generating transformational value for the community for decades to come.

Council's direction to proceed with Alectra will set in motion a positive, future-focused transition that honors our commitment to our employees, our residents, and the responsible management of public assets.

Council Priority Association

This report aligns with the following Council Priorities: Customer-First Way of Life; Community and Economic Vibrancy; and Environmental Sustainability.

Human Resource Considerations

None beyond those already covered within this report.

Budget Impact

Electricity infrastructure upgrades are extremely costly, and utilities are increasingly at risk to need to cover these expenses through significant financial commitments from their municipal owners. This also results in municipalities facing reduced dividends coupled with that increased financial pressure to provide capital contributions to their subsidiary utility companies. Through this transaction, the Town reduces its financial risk and gains funding that can be used for other municipal priorities.

Financial decisions and directions related to this transaction will be subject to future Council considerations and direction aligned with the Town's fiscal strategy, strategic priorities, and other strategic considerations rooted in long term financial sustainability.

Attachments

Attachment 1 – Map of Alectra's service area

Attachment 2 – Deloitte Summary Report

Approval for Submission

Karen Reynar, Director of Legal and Procurement Services

Andrea Tang, Treasurer and Director of Financial Services

Esther Armchuk, Commissioner, Corporate Services

Ian McDougall, Chief Administrative Officer

Report Contact

For more information on this report, contact info@newmarket.ca