



Town of Newmarket | Sale of Newmarket-Tay Power  
Distribution Limited  
Transaction Summary Report

March 2, 2026

# Table of Contents

|  |    |
|--|----|
| Glossary of Terms                                      | 1  |
| 1. Introduction  | 2  |
| 1.1. Purpose   | 2  |
| 1.2. Disclaimer  | 2  |
| 2. Electric Utilities Industry Overview                | 3  |
| 2.1. Introduction to Ontario’s Electric Utility Sector | 3  |
| 2.2. Electric Utility Sector Trends                    | 3  |
| 2.3. Current Industry Challenges and Opportunities     | 4  |
| 3. Background of the Transaction                       | 10 |
| 3.1. About NT Power                                    | 10 |
| 3.2. Transaction Process Overview                      | 11 |
| 4. Overview of the Transaction                         | 13 |
| 4.1. Overview of the Transaction                       | 13 |
| 4.2. About the Purchaser – Alectra                     | 14 |
| 4.3. Key Considerations of Partnership with Alectra    | 17 |
| 5. Financial Analysis                                  | 20 |
| 5.1. Overview of the Key Financial Terms               | 20 |
| 5.2. Summary of Financial Analysis of the Transaction  | 20 |
| 6. Next Steps  | 23 |

# Glossary of Terms

| <b>Term</b>                  | <b>Definition</b>   |
|------------------------------|---|
| Alectra or Alectra Utilities | Alectra Inc. and Alectra Utilities Corporation                |
| AESI                         | Alectra Energy Solutions Inc.                                 |
| BLG                          | Borden Ladner Gervais LLP                                     |
| Deloitte                     | Deloitte LLP  |
| EV                           | Enterprise Value  |
| GTHA                         | Greater Toronto Hamilton Area                                 |
| IESO                         | Independent Electricity System Operator                       |
| IOI                          | Indication of Interest  |
| IRM                          | Incentive Rate-setting Mechanism                              |
| IRR                          | Internal Rate of Return                                       |
| LDC                          | Local Distribution Company                                    |
| MAADs                        | Mergers, Amalgamations, Acquisitions and Divestitures (MAADs) |
| MED                          | Major Event Date  |
| Newmarket or Town            | Town of Newmarket   |
| NHHI                         | Newmarket Hydro Holdings Inc.                                 |
| NPV                          | Net Present Value   |
| NT Power or Company          | Newmarket-Tay Power Distribution Limited.                     |
| OEB                          | Ontario Energy Board  |
| PILs                         | Payment in Lieu of Taxes                                      |
| PULSE                        | Panel for Utility Leadership and Service Excellence           |
| Province                     | Province of Ontario   |
| ROE                          | Return on Equity  |
| SAIDI                        | System Average Interruption Duration Index                    |
| SAIFI                        | System Average Interruption Frequency Index                   |
| Sellers or Shareholders      | Collectively the Town of Newmarket and Township of Tay        |
| SPA                          | Securities Purchase Agreement                                 |
| Tay                          | Township of Tay   |
| THI                          | Tay Hydro Inc.  |

# 1. Introduction

## 1.1. Purpose

The purpose of this report (“Report”) is to summarize the analysis completed by the Town of Newmarket (the “Town” or “Newmarket”) and its advisors regarding the 100% ownership sale of Newmarket-Tay Power Distribution Limited (“NT Power” or the “Company”) by Newmarket and the Township of Tay (“Tay”) (collectively the “Shareholders” or “Sellers”) (the “Transaction”).

This Report is based upon the work completed by the Town and its advisors, through coordination with the leadership of NT Power. This Report provides a summary of the Transaction for discussion purposes in addition to the detailed analysis, documentation, and reporting prepared by the Town and its advisors during this period.

## 1.2. Disclaimer

This Report presents the outcome from Deloitte LLP’s (“Deloitte”, “us”, “our”, “we”) engagement with the Town as the financial advisor for the Transaction.

The information included in this Report is meant for the exclusive use of the Shareholders. Deloitte will not assume any responsibility or liability for losses incurred by the Shareholders, its management, its directors or any other parties as a result of the circulation, publication, reproduction or use of this Report contrary to the provisions of this paragraph. Deloitte disclaims any responsibility or liability for any reliance that any person other than the Shareholders may place on this Report.

In preparing this Report, Deloitte has relied upon historical and budgeted information provided to us by the Town and NT Power. None of Deloitte, member firms of Deloitte, nor any of their respective directors, officers, partners, employees, agents or representatives make any representations or warranties as to the accuracy, reasonableness or completeness of the information provided, nor shall any of them have any liability for any representations, expressed or implied contained herein, or for any omissions from this Report or from any other written or oral communications transmitted in connection with this Report based on the information provided.

# 2. Electric Utilities Industry Overview

## 2.1. Introduction to Ontario's Electric Utility Sector

Local Distribution Companies (“LDCs”) in Ontario own and operate low-voltage lines that deliver power to residential and commercial customers. There are currently 59 LDCs in Ontario<sup>1</sup> that are largely municipally owned, with a minority having taken up to 10% private ownership.

Ontario LDCs are regulated by the Ontario Energy Board (“OEB”) which sets the electricity distribution rates. The distribution rates represent approximately 25% of a resident’s total electricity bill<sup>2</sup>. For rate-setting purposes, the OEB applies a deemed capital structure (60% debt / 40% equity) to determine allowed returns. Electricity rates are based on an approved rate base—the value of assets on which an LDC is permitted to earn a return—ensuring recovery of approved capital investments. LDCs earn a return on this rate base through a return on capital, calculated using the deemed capital structure (60:40) and a regulated Return on Equity (“ROE”) of 9.11%<sup>3</sup> applied to the equity portion.

## 2.2. Electric Utility Sector Trends

Ontario’s electricity sector is entering a period of significant opportunity, marked by technological innovation, growing demand, and a renewed focus on grid modernization and grid resiliency. LDCs will be required to make sustained, long-term investments in distribution infrastructure, and improve efficiencies. The Province of Ontario (“Province”) has undergone massive consolidation in the number of electricity distribution companies, **dropping from over 300 in the late 1990s to 59 LDCs currently**, 92% of which are smaller companies and operate within an individual municipality<sup>1</sup>. This shift was driven primarily by the Electricity Act, 1998, which transformed municipal commissions into incorporated businesses, enabling mergers and acquisitions. At present, the sector is under increasing pressure, with many LDCs operating on a scale that can make it challenging to finance and deliver the level of investment required to meet future needs while maintaining affordability and service performance.

---

Ontario’s fragmented electric utilities sector faces headwinds impacting its ability to meet growing energy demands and sustainability goals

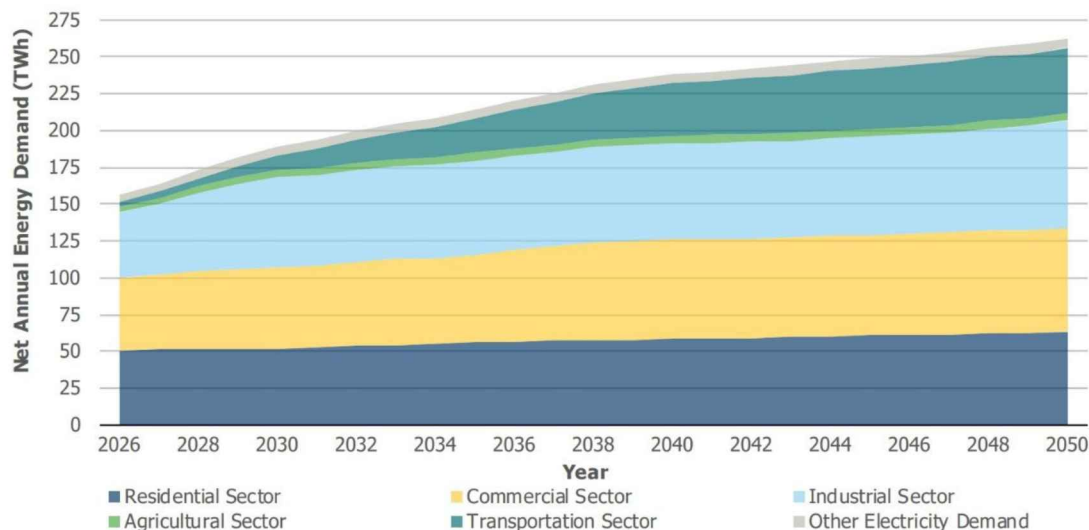
---

In June 2025, Ontario released the first-ever integrated energy plan – a comprehensive roadmap to meet future energy needs, support new housing and power the economy.

<sup>1</sup> “Energy at a glance: by the numbers” OEB, February 12, 2026.

<sup>2</sup> “Understand Your Bill” Electricity Distributors Association, n.d.

<sup>3</sup> Based on the latest OEB cost of capital parameters for ROE effective September 30, 2025.

**Figure 1: Projected Electricity Demand, 2026 - 2050 (TWh)**

Source: IESO, Annual Planning Outlook, April 2025

Peak electricity demand is expected to increase from 25 GW in 2025 to **over 36 GW by 2050**. Further, annual **electricity consumption is projected to reach 262 TWh by 2050**, representing approximately 75% growth over the next 25 years<sup>4</sup>, as illustrated in Figure 1, driven by trends such as:

- **Increasing demand from the industrial sector** including electric vehicles, battery manufacturers, and data centers, as well as other key sectors in Ontario;
- **Population growth**, with Ontario's population expected to grow by 4.2 million over the next 25 years<sup>5</sup>; and
- **Increased electrification** as households continue to adopt EVs and switch to electrified forms of heating, industries are increasingly looking to power their operations through the electricity grid, as well as transit agencies and freight operators choosing to deploy electric buses and trucks.

## 2.3. Current Industry Challenges and Opportunities

### 2.3.1. Current challenges

Ontario's electricity infrastructure may not be able to keep up as-is. For example, **substations could reach capacity in the next 10 -15 years**<sup>6</sup>, with the cost of constructing a new substation estimated to be between \$30 - \$60M<sup>7</sup>. This is putting increased pressure on LDCs, which are expected to require **investment between \$103 billion and \$120 billion** to modernize the distribution grid<sup>8</sup>. This rising demand creates momentum for system enhancement and long-term investment, positioning LDCs to lead in energy transition initiatives.

*“Ontario will work in partnership with distributors and their municipal shareholders to ensure that the sector remains resilient, high-performing and growth-oriented. The province will also continue to support efforts to strengthen governance, improve operational efficiency and encourage voluntary consolidation where it helps LDCs achieve greater scale and financial capacity.”*

**Energy for Generations – Ontario's Integrated Plan to Power the Strongest Economy in the G7, June 2025**

Electricity distribution infrastructure is particularly vulnerable to climate change due to its largely linear, above-ground nature, and direct exposure to climate hazards. Extreme weather events in Ontario are evolving in frequency and severity, resulting in greater risks of outages, physical asset damage, and service disruptions. These conditions place additional pressure on LDCs to enhance system resilience and responsiveness. As a

<sup>4</sup> “Electricity Demand in Ontario to Grow by 75 per cent by 2050” IESO, October 16, 2024.

<sup>5</sup> “Energy for Generations – Ontario's Integrated Plan to Power the Strongest Economy in the G7”, June 2025.

<sup>6</sup> IESO 2025 Annual Planning Outlook.

<sup>7</sup> (2) IESO Generalized Transmission Connection Cost Reference.

<sup>8</sup> “Energy for Generations – Ontario's Integrated Plan to Power the Strongest Economy in the G7”, June 2025.

result, proactive climate adaptation planning has become increasingly important to maintaining reliable service and supporting the long-term resilience of Ontario’s electricity distribution sector.<sup>9</sup>

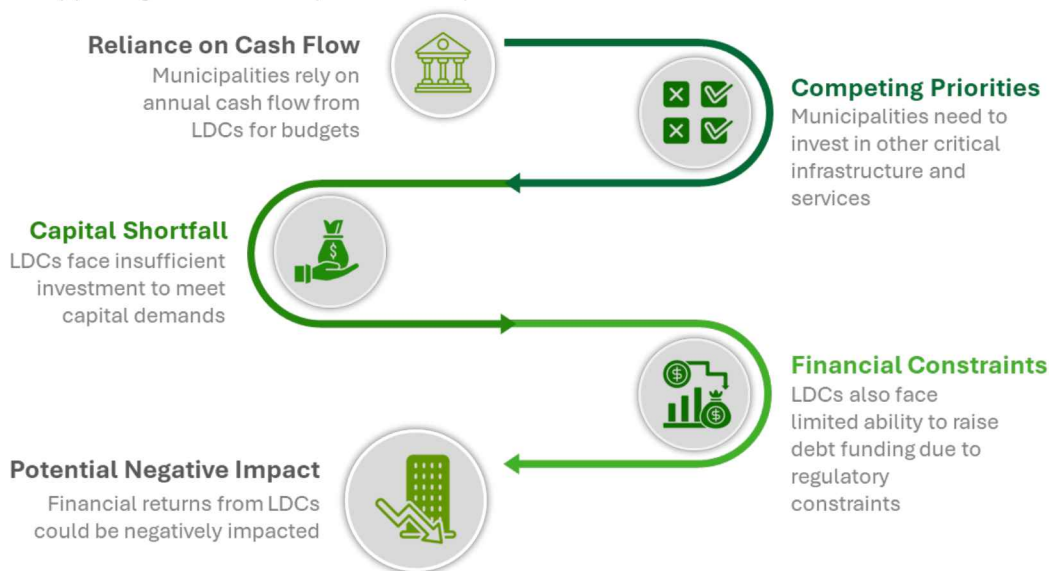
*“Across Ontario from 2016-2020, wind was by far the most common factor contributing to major event outages. Specifically, wind was a factor in 64 of 114 major events analyzed – over 50%.”*

**Vulnerability Assessment for Ontario’s Electricity Distribution Sector, May 2024**

As the sector continues to evolve, LDCs have an opportunity to accelerate technological advancements, and engage more closely with stakeholders. However, alongside these opportunities, LDCs face mounting structural challenges including:

- **Capital requirements are outpacing LDC financial capacity:** LDCs will require significant investment (\$103 - \$120 billion)<sup>10</sup> over the next two decades for grid modernization, electrification, cybersecurity, resiliency, and state-of-good-repair. This often outpaces internal cash generation – especially at small / midsize LDCs, forcing pressures between system upgrades, operating expenditures, and financial obligations. Ontario LDCs anticipate funding challenges and credit metric pressures due to the rising capital requirements.
- **Dividend strains:** Dividend reductions/pauses are becoming increasingly common, with municipal owners asked to reinvest payouts or inject equity to fund the LDCs’ investment requirements. Most recently, Toronto Hydro and Elexicon have requested and obtained municipal shareholder support through indefinite dividend suspensions and equity injections, causing financial stress for the municipalities.
- **Municipal funding constraints:** Municipalities have traditionally relied on dividends from their LDCs for supporting their annual operating and/or capital budgets. Municipalities also need to invest their available funds into other competing critical infrastructure and services for their residents. The increasing call to municipal shareholders to provide equity injections (with dividend suspensions) is leading municipalities to consider alternative strategic opportunities to ensure that funding to their LDCs can continue to enable required investments. Figure 2 provides an overview of the challenges faced by municipalities as owners of the LDCs as a result of the LDC industry challenges.

**Figure 2: What is happening from a Municipalities’ Perspective**



- **Performance and regulatory pressure:** In addition to the capital challenges, LDCs are facing increasing regulatory pressure to improve customer service, respond faster to outages, provide consistent service across the province, and be resilient to extreme weather events. These expectations increase operational complexity and add further cost constraints.

<sup>9</sup> “Vulnerability Assessment for Ontario’s Electricity Distribution Sector” Government of Ontario, May 2024.

<sup>10</sup> “Energy for Generations – Ontario’s Integrated Plan to Power the Strongest Economy in the G7”, June 2025.

- **Policy Limitations:** Current regulation discourages municipalities from allowing more than 10% private investment in LDCs. This has limited investor interest due to the lack of strategic influence available at such a low minority stake.
  - When an LDC exceeds the 10% private-ownership threshold, a “departure tax” is triggered, forcing a disposition and immediate reacquisition of all assets at fair market value. This results in tax on accrued gains since incorporation, which can be significant given the long-term appreciation of distribution assets.
  - In practice, the tax undermines the financial viability of selling more than a 10% stake.
  - In 2024, the Electricity Act was amended including a temporary 0% transfer tax rate on all LDC asset transfers from January 1, 2025, to December 31, 2028, and continued exemption from capital gains tax on payments in lieu of taxes (“PILs”) for these transactions. These **amendments are designed to encourage consolidation, as well as private capital investment in the LDC sector, with the intention of increasing efficiency and lowering costs for consumers.**

---

*Financial constraints may be the single most critical challenge facing Ontario’s utilities as they need to make generational capex investments, while managing expectations on debt serving, returns on equity, and municipal dividends.*

---

LDCs have several strategic opportunities to strengthen their position through **improved access to capital, growth, and strategic asset management**. By diversifying funding sources and using innovative financial instruments, they can secure needed capital while optimizing their cost of financing. Consolidation and strategic partnerships with municipalities, technology providers, and other stakeholders can further enhance scale and stability. At the same time, effective asset management – supported by advanced technologies such as smart grids, automation, and data analytics – allows LDCs to manage fragmented assets effectively, improve operational performance, and enhance grid resilience.

### 2.3.2. Anticipated Regulatory and Policy Shifts

In the last decade, LDCs have come under increasing pressure to meet competing priorities (i.e., replacing aging infrastructure, dividends to municipalities, expectations from stakeholders) while adhering to the deemed capital structure set out by regulators. The growing pressures on LDCs to secure the necessary capital to fund the large-scale investments required to address the challenges on grid modernization and grid infrastructure, has resulted in **policy and planning action considerations from the Province**.

In 2025, The Ontario Minister of Energy and Mines assembled the Panel for Utility Leadership and Service Excellence (“PULSE”), a strategic advisory group aimed at ensuring the province’s electricity distribution system can deliver reliable energy that is affordable for families, supports job creating investment and power Ontario’s future. The PULSE panel was formed to support the province’s long-term energy plan, *Energy for Generations*, and the need for significant infusion of capital for Ontario’s aging distribution system.<sup>11</sup>

Key focus areas of the PULSE panel include:

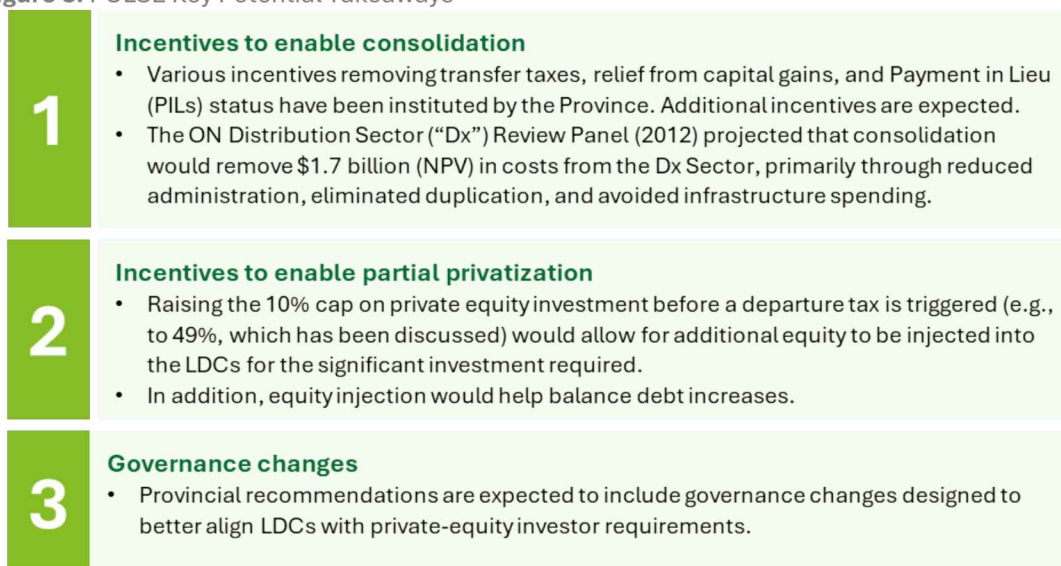
- Recommending operational and customer service improvements across the system;
- Identifying strategies to address rising financing gaps to fund electricity infrastructure;
- Addressing barriers to attract investments in municipally owned LDCs; and
- Reviewing ownership and investment models that balance municipal interests, financial stability, and efficiency.

The final recommendations are expected to arrive by Spring 2026 and are expected to address the focus areas highlighted in Figure 3.

---

<sup>11</sup> “Ontario Launches Expert Panel to Strengthen Local Electricity Distribution” Government of Ontario, October 27, 2025  
© 2026 Deloitte LLP.

Figure 3: PULSE Key Potential Takeaways



### 2.3.3. Strategic Opportunities for Municipalities and LDCs

The industry challenges present opportunities for LDCs and their municipal shareholder to look at alternative means of tackling the financial constraints including: (1) Consolidation of Ontario LDCs; (2) Monetization of equity – wholly or partially; and / or (3) Raising new capital from private sources.





#### Consolidation of Ontario LDCs



Opportunity exists for consolidation of Ontario LDCs to achieve economies of scale, operational and financial efficiencies, and improved system resilience and service reliability.

#### Why has the focus on consolidation for Ontario LDCs increased at this time?

As LDCs consolidate, the resulting organizations benefit from broader **financial capacity, enhanced resources, and larger service territories** – strengthening their ability to adapt to evolving industry conditions. For local residents, these trends in the LDC sector can support service reliability and system resilience by enabling utilities to operate at a greater scale, pool technical expertise, and plan infrastructure investments on a regional basis. This trend creates various strategic opportunities for LDC growth and financial optimization. By achieving economies of scale and operational efficiencies, LDCs can integrate best practices, adopt advanced technologies, and enhance strategic sourcing to support capital investments in infrastructure and grid modernization. With market activity accelerating, securing value now is preferable to leverage current market conditions and attractive valuation multiples. **Table 1** provides a snapshot of the key drivers of consolidation within the sector.

Table 1: Drivers of Consolidation in the LDC Sector

|  |  |  |
|--|--|--|
|  | <b>Economies of Scale &amp; Cost savings</b>       | Consolidation lowers unit costs by spreading back-office, procurement, and system investments across larger customer bases, easing pressure on operating costs and rates.                      |
|  | <b>Borrowing Power</b>                             | Rising capital requirements from electrification, grid modernization, cybersecurity, etc., are stretching small-LDC balance sheets, favoring larger entities with stronger borrowing capacity. |
|  | <b>Operational Resilience &amp; Specialization</b> | Increasing operational and reliability complexity favors larger organizations with specialized talent, system redundancy, and the ability to manage risk at scale.                             |
|  | <b>Policy &amp; Tax Incentives</b>                 | Regulatory and tax frameworks increasingly reward scale, with OEB benchmarking, rate-setting, and consolidation mechanisms supporting investment and long-term system performance.             |





|  |                                   |  |
|--|-----------------------------------|--|
|  | <b>System Planning</b>            | Larger utilities can plan and optimize infrastructure at a regional level, reducing duplication and improving long-term system efficiency. |
|  | <b>Reliability and Resilience</b> | Consolidation enables greater system redundancy and more effective response to extreme weather and outage events.                          |

### Monetization of Equity by Shareholders

Monetizing equity ownership in LDCs, whether wholly or partially, is the process of shareholders selling a partial ownership stake in the utility to an investor to unlock additional financial capacity, while allowing the municipality to retain majority ownership and control. This can attract new investors such as larger municipally owned LDCs and institutional investors such as Canadian pension funds and other private investment funds, bringing both capital and expertise into the sector. Institutional investors have the opportunity to access equity investments in LDCs, as municipal capital recycling strategies and anticipated favorable tax and regulatory conditions (subject to the PULSE recommendations as noted earlier) create entry points into regulated, inflation-protected infrastructure. This **lowers the burden of increased regulation and costs on existing customer base and allows for a diversification of risk to a municipality’s taxpayers and customers** due to a greater base to spread risk over various municipal boundaries.

With anticipated growth, **municipalities can remain shareholders while freeing up capital and strengthening financial flexibility** to pursue growth and respond to changing policy or regulatory changes. **Table 2** provides an overview of key rationale for municipalities’ consideration on monetization of equity.



**Table 2:** Municipality Rationale for Monetization of Equity

|  |  |  |
|--|--|--|
|   | <b>Unlocking value while retaining control</b> | Municipal owners can monetize a minority stake while retaining majority ownership and control of a strategic public asset.                         |
|  | <b>Competing capital priorities</b>            | Growing fiscal pressure from non-utility priorities is increasing interest in unlocking LDC equity without raising taxes or adding municipal debt. |
|  | <b>Growing capital needs</b>                   | Growing capital requirements at the LDC level are increasingly difficult to fund through municipal balance sheets alone.                           |
|  | <b>Governance and oversight alignment</b>      | Institutional investors bring capital, governance discipline, and long-term orientation that complement municipally owned utilities.               |

### Raising New Capital by LDCs

As Ontario’s regulatory and tax policy framework evolves towards enabling private ownership, there is an opportunity for equity injections into Ontario LDCs to meet the industry challenges. Raising new capital by LDCs is done by the LDCs either through injecting equity from existing shareholders or getting new private equity. Benefits to raising new capital for Ontario LDCs include strengthening balance sheets and creating capacity to fund long-term system investment. The rationale for LDCs to raise new capital is discussed in Table 3.

**Table 3:** Rationale for LDCs Raising New Capital

|  |  |   |
|--|--|---|
|  | <b>Rising system investment requirements</b> | Electrification, system renewal, and reliability needs are driving sustained increases in capital requirements across Ontario LDCs.   |
|  | <b>Balance sheet constraints</b>             | Reliance on incremental debt alone risks pressure on credit metrics and regulatory capital structure requirements. New equity can strengthen balance sheets, expand debt capacity, and lower borrowing costs. |

|  |   |  |
|--|---|--|
|  | <b>Maintaining regulatory capital structure</b> | New equity can support adherence to the deemed capital structure used for rate-setting, preserving financial flexibility. Equity injections can also create additional debt capacity while maintaining regulatory alignment. |
|  | <b>Funding growth without divestiture</b>       | Equity injections enable access to institutional capital without requiring municipalities to sell existing ownership or relinquish control.  |

### 2.3.4. Recent M&A Activity

Many municipal LDC mergers have occurred across Ontario over the last decade, reducing the number of distributors from over 300 in the late 1990s to fewer than 60 today. A notable consolidation is the formation of Alectra in 2017 through the merger of Enersource, Horizon Utilities, and PowerStream. It expanded further with the acquisition of Hydro One Brampton in the same year, and in 2019 acquired Guelph Hydro to strengthen Alectra's regional footprint across the Greater Golden Horseshoe. Guelph Hydro's operations, customers, and infrastructure were integrated into Alectra's larger organizational structure. **Alectra is now Canada's largest municipally owned LDC by customers serviced** and continues to invest in modernization, innovation, and regional service improvements.

The recent merger and acquisition activity listed below are examples of some of the ongoing activity within the LDC sector as the industry moves towards consolidation:

1. **Town of Essex & ENWIN announced the completion of E.L.K. Energy Inc. acquisition by the ENWIN Group** in December 2025. The Town of Essex is expected to experience improvements in service reliability, infrastructure, and technology.
2. **ERTH Power announced its acquisition of Westario Power** in December 2025.
3. **Oakville Enterprises Corporation** is the holding company for Oakville Hydro, an Ontario LDC. **Enbridge's purchase of a 10% stake** was announced in August 2022.
4. **Waterloo North Hydro and Kitchener-Wilmot Hydro merged to form Enova Power Corp.** The merger was completed in September 2022, creating the 7<sup>th</sup> largest LDC in Ontario, serving more than 157,000 customers.
5. **Cambridge and North Dumfries Energy Plus Inc. and Brantford Energy Corporation merged to form Grandbridge Energy** in 2022 aiming to deliver stable distribution rates and greater efficiency across the combined service territory.

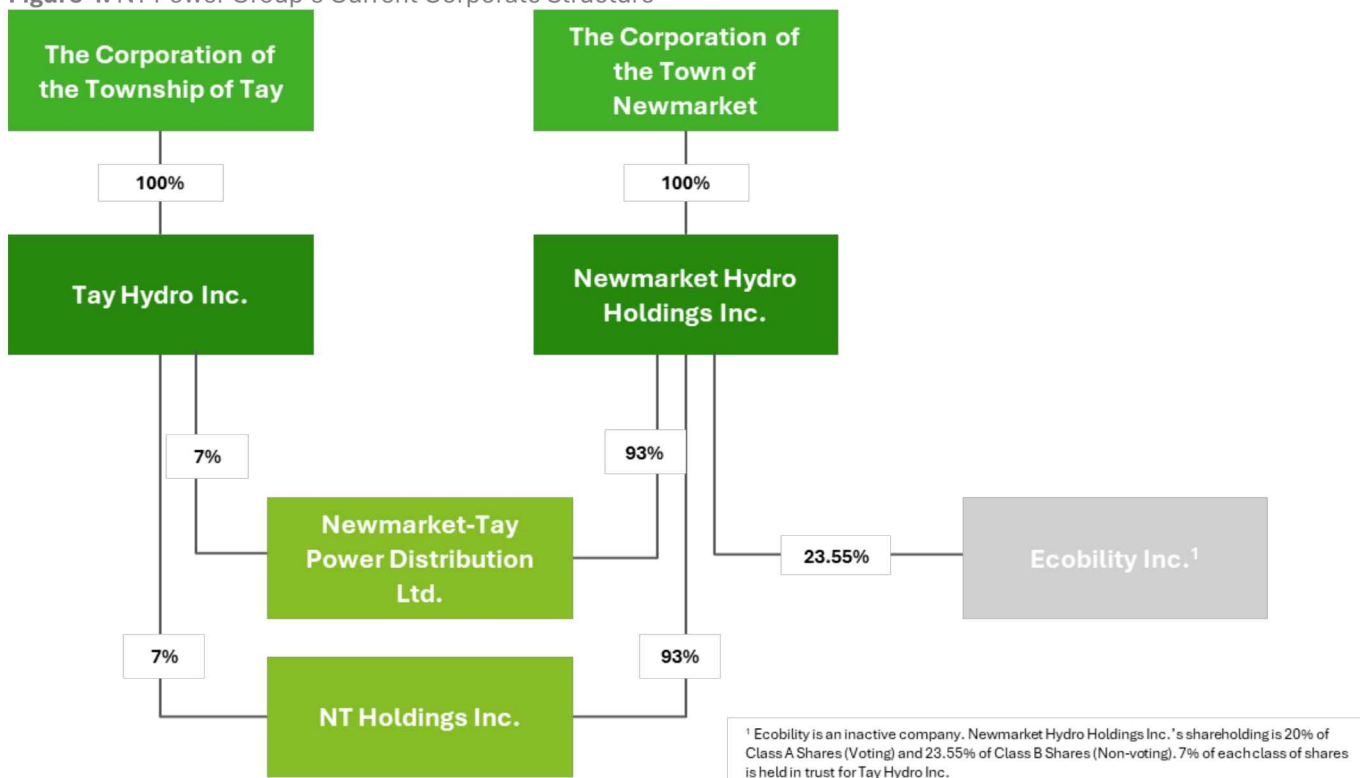
Across Ontario, consolidation of municipally owned LDCs is occurring in response to the need for broader financial capacity, enhanced resources, and larger service territories.

# 3. Background of the Transaction

## 3.1. About NT Power

Newmarket-Tay Power Distribution Ltd. (“NT Power”) is a local electricity distribution company (“LDC”) licensed by the OEB. NT Power was incorporated on May 1, 2007, following the amalgamation of Newmarket Hydro Ltd. and Tay Hydro Electric Distribution Company Inc. On September 7, 2018, NT Power purchased (and amalgamated) with Midland Power Utility Corporation. NT Power is jointly owned by the Town of Newmarket (93%) and Township of Tay (7%) (see Figure 4 for NT Power Group’s current corporate structure).

Figure 4: NT Power Group’s Current Corporate Structure



Source: NT Power Group of Companies, Corporate Structure

**NT Power operates within a service area of 94 sq km and maintains 1,029 km of electricity line, serving almost 50,000 customers** in the areas of Newmarket, Tay and Midland (see Figure 5 for NT Power’s Service Area Map).

NT Holdings Inc. (formerly known as Envi Networks Ltd.) is a non-regulated subsidiary of Newmarket Hydro Holdings Inc. (“NHHI”), established to hold and manage commercial and strategic assets that fall outside the scope of regulated electricity distribution activities. Ecobility Inc. is an energy-efficiency and conservation services company in which Newmarket Hydro Holdings Inc. holds a 23.55% equity investment. Ecobility Inc. is also owned by four other municipal shareholders and is now inactive.

With a focus on safe and reliable service to our customers, **NT Power’s strategic direction is to foster innovation and ultimately enable the communities it serves** to become leading Electric Cities – a vision of achieving or exceeding net zero carbon emissions targets and climate change goals.

Figure 5: NT Power Service Area Map



Source: OEB, Ontario Electricity and Natural Gas Utilities – Service Area Map OEB Public Electricity and Natural Gas Application

**NT Power is regulated and licensed by the OEB, as are all LDCs in Ontario.** NT Power is required to hold a license from the OEB, which authorizes its operations in Ontario and mandates compliance with specific laws, rules, and regulatory requirements.

The OEB considers various factors when establishing rates for LDCs. Electricity bills include costs for the electricity generated that customers use, the services of transmitters that bring generated power to LDCs, the services of LDCs and other regulatory costs. Electricity distributors’ rates differ from one another.

The merger with Midland Power Utility Corporation **resulted in two rate zones for NT Power’s customers – the Newmarket rate zone and Midland rate zone.**

NT Power’s rates and returns are set in accordance with OEB regulatory requirements. Annually, NT Power makes applications to the OEB for rate setting under the Incentive Rate-setting Mechanism (“IRM”) for both rate zones, to adjust rates based on inflation and other factors.

The most recent full rate case application filed by NT Power was in 2018, in compliance with the OEB’s mandate that NT Power update its cost allocation models within 12 months following its amalgamation with Midland Power Utility Corporation. **NT Power was subsequently granted a 10-year deferral rebasing period, making it eligible for rate rebasing in 2028.**

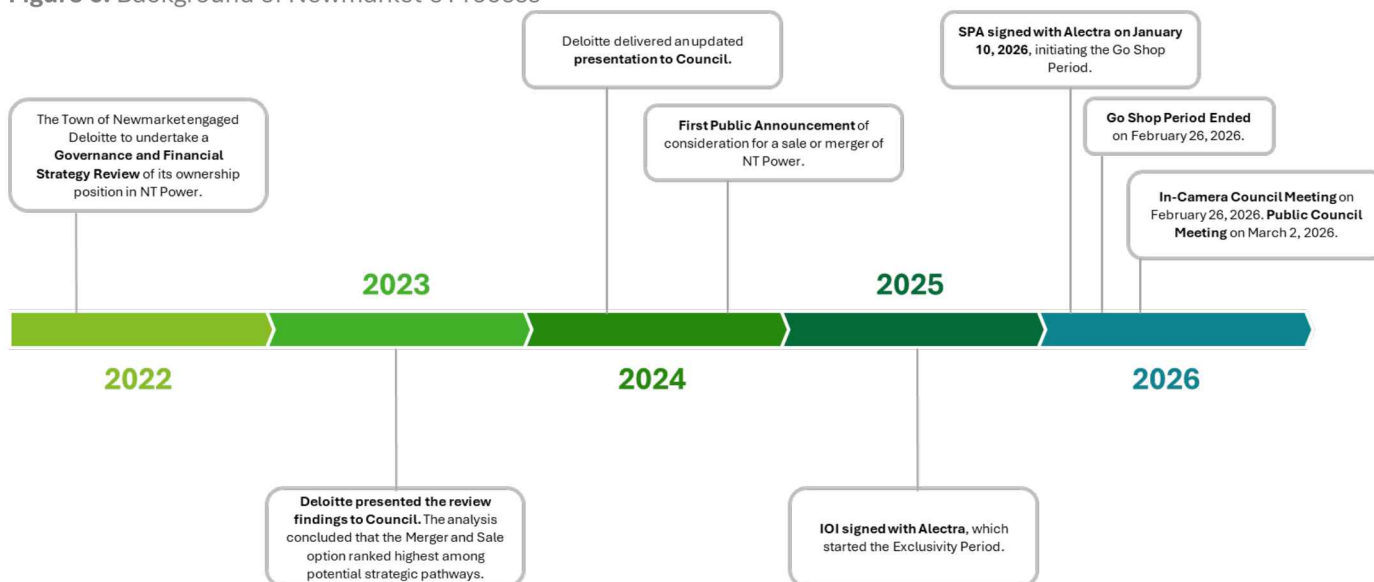
### 3.2. Transaction Process Overview

Over the past several years, the Town has undertaken a structured and iterative process to evaluate the future of NT Power and explore potential strategic alternatives (refer to Figure 6 for overview of key milestones). The Town engaged Deloitte in February 2022 to complete a governance and financial strategy review, examining the current governance structure and financial situation, maximizing the value of the Town’s investment in NT Power, enhancing the reliability of infrastructure for ratepayers, and increasing the dividend it provides to the Town. In this review, Deloitte considered industry trends to better help the Town with investment decisions, considerations on conducting a NT Power specific valuation, conducted dividend analysis, and performed a comprehensive governance review to ensure best stewardship for the Town’s investment.

Based on the analysis of strategic options, the outcomes of the review were presented to the Council in June 2023 – which at that time, concluded **the Town should consider a merger** as the best option to maximize responsiveness to industry trends while still providing other benefits (i.e., financial, strategic, etc.), closely followed by the sale option.

Amidst the changing landscape for electricity demand and consolidation of LDCs across Ontario, NT Power shareholders **publicly announced the consideration of a sale or merger of NT Power in December 2024.**

Figure 6: Background of Newmarket’s Process



This led to the negotiation and execution of a non-binding Indication of Interest (“IOI”) with Alectra, which was agreed upon and signed between the Shareholders and Alectra in July 2025. This initiated a subsequent Exclusivity Period<sup>12</sup> during which both parties advanced due diligence and refined transaction terms, resulting in the presentation of Alectra’s final offer on December 15, 2025. Following the direction from Council, the **Securities Purchase Agreement (“SPA”) with Alectra was executed on January 10, 2026**. The SPA is a legally binding contract that sets out the terms, conditions, and obligations governing the purchase and sale of the Company’s securities.

Prior to finalizing the Transaction, the Town conducted a **45-day Go-Shop period<sup>13</sup> to determine whether a superior offer exists which concluded on February 26, 2026**.

### Council Decision

The Town had received interest from other parties during the Go-Shop period. Through the Go-Shop period, the Shareholders were able to assess the quality of the offers received and ensure more favourable terms was sought. As a result of this process, the **Shareholders received an improved offer from Alectra which was presented to Council on February 26, 2026**.

Newmarket and Tay’s staff made **recommendations to their respective Councils on February 26, 2026 that Alectra is the recommended purchaser of NT Power** based on all relevant factors. The transaction was reviewed and approved by Council at the in-camera council meeting on February 26, 2026, and the decision was subsequently presented at a public Council meeting on March 2, 2026. Further details of the transaction can be found in Section 4.1 Overview of the Transaction.

Following the Go-Shop period and the completion and execution of the merger agreement with Alectra, the Town and Alectra will seek approval from the OEB to finalize the transaction.

Deloitte, alongside the Town’s legal advisors, Borden Ladner Gervais LLP (“BLG”), have been **engaged across various stages of the Town’s evaluation, contributing long-term advisory support, technical analysis, and strategic insight**.

<sup>12</sup> The time before the Go-Shop Period during which the Sellers are prohibited from soliciting or engaging with other potential buyers.

<sup>13</sup> A contractually-defined window of time during which the Sellers are permitted to actively solicit or engage with third-party buyers for alternative proposals.

# 4. Overview of the Transaction

## 4.1. Overview of the Transaction

The Shareholders and Alectra worked collaboratively over the Exclusivity Period to agree on a structure for the Transaction that provide potentially the best value to the Shareholders over the long term. As discussed in Section 0, at the end of the Exclusivity Period, the Shareholders received a signed SPA (dated January 10, 2026) from Alectra with two structures for the purchase of NT Power: (1) Upfront Cash Sale, and (2) Deferred Payment.

Through the process of the Go Shop period, the Shareholders had received improved offers from Alectra, increased the overall value of the Transaction for the Shareholders. The first offer was an **Upfront Cash offer of \$113 million**, subject to any post-closing adjustments. In addition to the Upfront Cash offer, Alectra **presented a Deferred Payment offer**, summarized in Figure 7. The improved offers were provided through an Amendment Agreement to the executed SPA.

Figure 7: High-Level Overview of Final Alectra Offers

| Options     | Upfront Cash Sale  | Deferred Payment   |
|-------------|--|--|
| Description | <ul style="list-style-type: none"> <li>\$113M upfront cash payment, subject to any post-closing adjustments</li> </ul> | <ul style="list-style-type: none"> <li>\$4.35M per year guaranteed annual payment over seven years (Base Term)</li> <li>Term may be extended for up to two additional three-year periods (Extension Term), at the sole discretion of the Sellers for a total term of 13 years</li> <li>If extended, Alectra to provide variable annual payments over the Extension Term.</li> <li>Total Purchase Price Payout at end of either at the end of either Base Term or Extension Term to include:                             <ul style="list-style-type: none"> <li>Minimum Payout Value of \$110M; and</li> <li>Variable Payout Value based on valuation of combined entity (Alectra + NT Power) at that time</li> </ul> </li> </ul> |

In addition to the purchase of NT Power, Alectra will pay out Tay’s promissory note of an amount equal to \$1,752,731 (plus any accrued and unpaid interest) on the closing date.

### 4.1.1. Upfront Cash Sale

Proceeds from the **upfront cash sale would likely be invested by the NT Power shareholders**, earning interest annually. A portion of the interest earned would likely be allocated towards other municipal priorities as needed. The remainder would then be re-invested to continue earning interest.

The upfront cash sale provides NT Power shareholders with short-term flexibility to allocate funds towards other municipal priorities as needed.

### 4.1.2. Deferred Payment

The Deferred Payment structure was developed through collaboration between the Shareholders and Alectra during the Exclusivity Period and will be a **market-first initiative that will provide NT Power shareholders the unique opportunity to benefit from the expected growth in the electricity sector over the next 7 to 13 years**. At the same time, the structure provides downside risk protection to Shareholders due to the guaranteed return on the value of NT Power.

Over the Base Term of 7 years, the Deferred Payment structure provides the NT Power shareholders with guaranteed annual payments of \$4.35 million, payable semi-annually in cash over the Base Term of the agreement. During the Extension Term, annual payments (variable annual payments) are determined **based on**

**the dividends declared by Alectra multiplied by the Ascribed Economic Interest of NT Power shareholders** in the combined entity at that time.

At the end of the Deferred Payment term, NT Power shareholders will provide Alectra with a Purchase Price Payout Notice. **The payout value is equal to the Minimum Payout Value (\$110 million) plus a Variable Payout Value.** The Variable Payout Value is based on the Enterprise Value of Alectra. Alectra will engage an independent Valuator to determine its Enterprise Value following a Purchas Price Payout Notice.

The Deferred Payment allows NT Power shareholders access to a stable income stream over the first seven years through the guaranteed annual payments, a significant increase on the current NT Power dividends. Should the shareholders elect to the extension term, then there will be annual payments for years 8 – 13 which mirror the dividends received by all other Alectra shareholders. The additional annual payments will support the NT Power shareholders in financing other municipal priorities.

*A Deferred Payment structure for a sale of electricity distribution utility will be a market-first in Ontario, providing Shareholders with downside risk protection on their equity value while also providing ability to participate in the potential transformational growth in the industry over the long-term.*

**4.1.3. Purchase Price Adjustments**

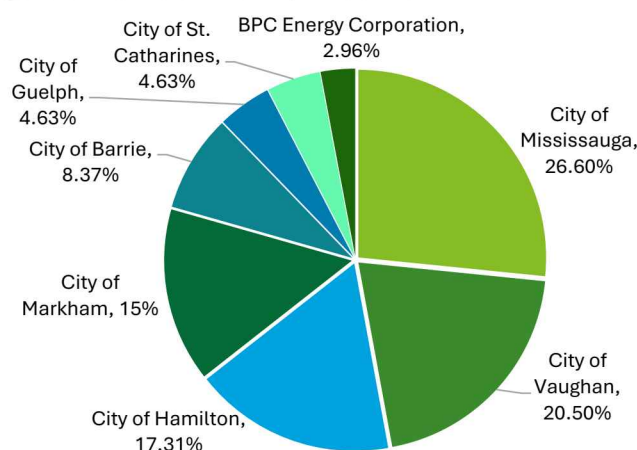
Following the closing date of the transaction and prior to the execution of the transaction, the Shareholders will work with Alectra to identify any necessary purchase price adjustments. The purchase price adjustments **are meant to account for any increases in NT Power’s rate base at closing and allow the Shareholders to realize the benefit of growth of NT Power** between the period of signing the SPA and the closing date (post OEB approval).

**4.2. About the Purchaser – Alectra**

**4.2.1. Background of the Purchaser**

Alectra Inc., and its subsidiary, Alectra Utilities Corporation (“Alectra Utilities” or “Alectra”), is the second largest municipally owned utility in North America and the largest municipally owned utility in Canada. Alectra Inc. is indirectly owned through holding companies by eight shareholders: City of Barrie, City of Hamilton, City of Markham, City of Mississauga, City of St. Catharines, City of Vaughan, City of Guelph, and BPC Energy Corporation (see Figure 8 for Alectra Inc.’s ownership structure).<sup>14</sup>

Figure 8: Alectra Ownership Structure



Source: Alectra Inc., 2024 Consolidated Financial Statements

Alectra Utilities serves approximately one million homes and businesses across a service territory totaling 1,924 square kilometres and comprises of 17 communities including Alliston,

Aurora, Barrie, Beeton, Brampton, Bradford West Gwillimbury, Guelph, Hamilton, Markham, Mississauga, Penetanguishene, Richmond Hill, Rockwood, St. Catharines, Thornton, Tottenham and Vaughan (see Figure 8).

Alectra Energy Solutions Inc. (“AESI”) is Alectra’s unregulated business unit focused on providing competitive energy solutions to its customers including, Utility Services, Metering Services (including sub-metering, meter

<sup>14</sup> “Newmarket - Tay - Alectra IOI Execution” Alectra, July 29, 2025  
© 2026 Deloitte LLP.

sealing and other meter services), Street Lighting, High Voltage Services, Storm Restoration and other energy-related services (see Figure 8). Alectra also develops a variety of microgrid solutions, including the application of distributed energy resources and energy storage, to meet the needs of customers in this changing energy landscape.

Alectra has a demonstrated history as a progressive, customer-focused, community-minded and innovative energy organization. Key features include the following:

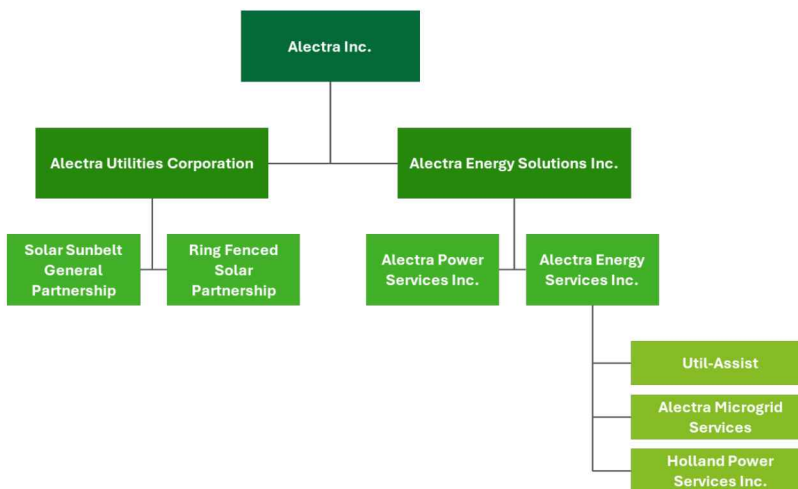
- Rate base reaching \$3.95 billion in 2024, up from \$2.7 billion in 2017<sup>15</sup>;
- System Average Interruption Duration Index (“SAIDI”) (Major Event Date (“MED”) -adjusted) typically around 1.0 hour/customer/year in recent multi-year averages;
- System Average Interruption Frequency Index (“SAIFI”) (MED-adjusted) around 1.3 interruptions/customer/year<sup>16</sup>; and
- Proposed \$3.1 billion capital plan (2027-2031).<sup>17</sup>

Figure 8: Alectra Service Territory



Source: Alectra Utilities - Service Territory Map

Figure 9: Alectra Corporate Overview



Source: Alectra Inc. -External MD&A 2024

### 4.2.2. Alectra’s Energy Sector Leadership

Alectra is the culmination of four low cost and innovative electricity distributors, united by a shared objective to be a single “trusted ally” to customers in the rapidly changing world of energy. Alectra’s history is characterized by a strong record of innovation, operational excellence, and industry-leading achievements, positioning Alectra to continue meeting the long-term energy needs of its customers. Alectra’s vision is to be Canada’s leading electricity distribution and integrated energy solutions provider, creating a future where people, businesses, and communities will benefit from energy’s full potential.<sup>18</sup>

### 4.2.3. Alectra’s Core Values

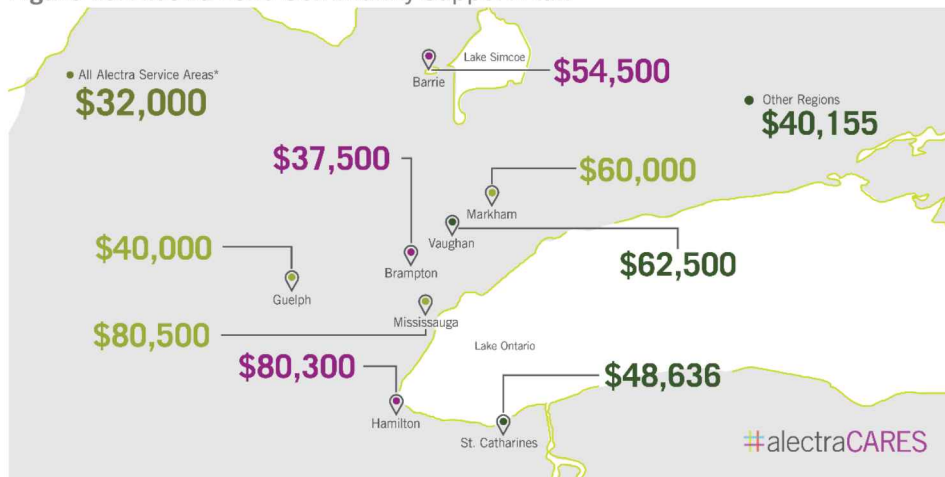
Alectra’s five core values are Safety, Respect, Customer Focus, Excellence, and Innovation, which is closely aligned with NT Power’s values. Safety is positioned as a priority – reflected in Alectra’s focus on public safety, employee health, wellness programs, and safety certifications. Alectra has a strong commitment to its employees, the environment and sustainable environmental practices.

<sup>15</sup> “2027 Rebasing Application – Exhibit 2B” Alectra Utilities Corporation, October 14, 2025  
<sup>16</sup> “Alectra Utilities Rate Zones System Reliability” OEB, 2019  
<sup>17</sup> “Alectra Utilities submits 2027-2031 investment plan to Ontario Energy Board” Alectra, November 10, 2025  
<sup>18</sup> “Newmarket - Tay - Alectra IOI Execution” Alectra, July 29, 2025

#### 4.2.4. Alectra’s Community Support

In 2024, AlectraCARES Community Support Program committed \$1.3 million towards support programs and events to empower not-for-profit organizations and charities. Focus areas are aimed at supporting health, safety, environment and well-being of Alectra’s customers, employees and communities. Funding has been directed across Alectra’s service territory, including \$80,500 allocated to Mississauga and \$80,300 to Hamilton (see Figure 10 for a detailed breakdown of other areas).

Figure 10: Alectra 2025 Community Support Plan



Source: Alectra Utilities – Community Support Plan

Alectra has a demonstrated ability to consolidate municipally owned utilities within the Greater Toronto Hamilton Area (“GTHA”) that has resulted in significant value to its customers and municipal shareholders. Alectra is the product of a series of municipal mergers and amalgamations which started with:

- i. The amalgamation of Hydro Vaughan and Markham Hydro in 2004;
- ii. The amalgamation of Hamilton and St. Catharines Hydro in 2005;
- iii. The acquisition of Aurora Hydro in 2005;
- iv. The merger with Barrie Hydro in 2009;
- v. The amalgamation of PowerStream, Horizon and Enersource and the purchase of Brampton Hydro in 2017; and
- vi. The amalgamation with Guelph Hydro in 2019

Furthermore, Alectra has demonstrated value creation on the non-regulated (competitive) side including the purchase of Holland Power Services Inc. in 2021, and the most recent purchase of Gagnon Line Construction in 2024 (storm restoration businesses).

In 2023, Alectra and Convergent Energy and Power (“Convergent”), a leading provider of energy storage solutions in North America, entered into a joint venture that was selected by Ontario’s Independent Electricity System Operator (“IESO”) to build and operate three battery energy storage systems. The joint venture will install a total of 80 MW of storage, enough to power more than 83,000 homes across three sites. The systems will also increase reliability and resiliency of Ontario’s electric grid while reducing reliance on fossil fuel generation.

### 4.3. Key Considerations of Partnership with Alectra

These considerations below reflect impacts across customers, workforce continuity, local operations, capital investment, financial outcomes, and longer-term strategic flexibility.

Figure 11: Consideration of Partnerships with Alectra



#### 4.3.1. Key Benefits from the Transaction

The Transaction offers several key considerations for the Shareholders and their stakeholders, as outlined in Figure 12. In addition to the financial considerations of the Transaction, these components of the agreement provide further benefits to the Shareholders. Table 4 provides further details on the key benefits of the Transaction with Alectra.

Table 4: Key Benefits of the Transaction with Alectra

| Key Benefits                                    |  |
|---|--|
| <b>Distribution Charge Rate Freeze</b>          | Alectra will <b>maintain the LDC’s customer base electricity distribution rates at the 2026 rate for all customer classes throughout 2027 and 2028.</b> This rate freeze is subject to approval from the OEB, and any adjustments during this period can only occur if an inflationary increase is authorized by the OEB and Transitional Committee. |
| <b>Transitional Committee</b>                   | The <b>Shareholders have a veto over certain key integration matters until ~December 31, 2031.</b><br><br>Newmarket and Tay will maintain influence and oversight throughout the sale transition.  |
| <b>Capital Investment</b>                       | From January 1, 2028, through December 31, 2032, <b>Alectra commits to invest a minimum of \$12 million per annum in the NT Power’s service area,</b> which includes Newmarket, Tay, and Midland. This aligns with NT Power’s capital plan and is subject to OEB approval where required.  |
| <b>NT Power Employee Guarantee<sup>19</sup></b> | Following the close of the Transaction, Alectra <b>will continue to employ all NT Power employees as at the closing date</b> (subject to termination for cause). This includes ensuring current Employees receive same or no less favourable benefits, compensation, and position and seniority. In addition,  |

<sup>19</sup> Employment guarantee is provided to Newmarket and Tay, not the NT Power employees – the NT Power employees have no legal right to enforce this covenant, and their employment contracts are unaffected.

## Key Benefits

|                                  |   |
|----------------------------------|---|
|                                  | the <b>NT Power employees will not be relocated without prior written consent until January 1, 2031.</b>  |
| <b>NT Power’s Local Presence</b> | <p>NT Power will <b>continue to maintain a presence within the Town of Newmarket and remain accessible to its residents.</b> Having an operations centre in Newmarket will enable rapid response in the event of any service disruptions.</p> <p>To support this effort, a new office lease at the existing 590 Steven Court office will be signed between the Town of Newmarket, as landlord, and the LDC, as tenant, will be executed at closing.</p> |
| <b>Merger Option</b>             | <p>The Transaction includes a commitment from the Transitional Committee to present a <b>business case to Alectra Inc’s Board of Directors for a potential merger of Newmarket and Tay with Alectra.</b></p> <p>NT Power shareholders are not obliged to merge; however, it provides greater flexibility based on the performance of the utility sector at the time.</p>  |

### 4.3.2. Customer Impacts

Alectra has an established reputation for **delivering reliable electricity distribution service across its service territory**, which is an important consideration in evaluating expected customer outcomes. Based on the OEB’s 2024 scorecard for Alectra, **Alectra’s customers experience fewer outages and shorter duration of outages.** In 2024, the average number of hours that power to a customer was interrupted per year was 0.75 hours, which is below the target rate of 0.98 hours. The average number of times customers faced interruptions was 1.08, below the target of 1.34.<sup>20</sup>

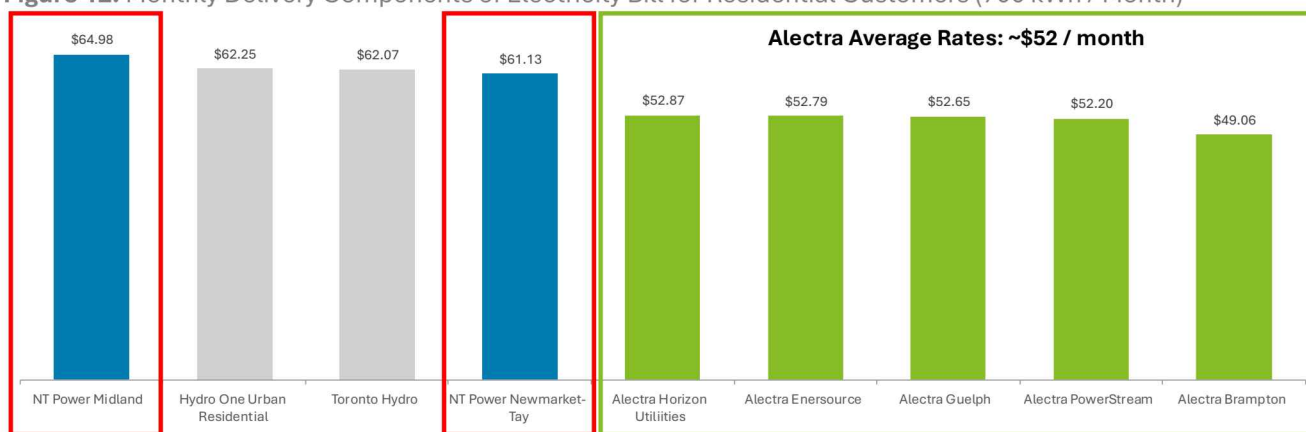
The continued presence of an operations centre at 590 Steven Court in Newmarket supports **rapid response capabilities in the event of service interruptions or operational issues.** Alectra has committed to maintaining this presence through a ten-year lease for the existing operations centre, entered into at above market rent. The proximity of the operations centre is therefore a relevant factor in assessing potential impacts on response times.

**Approval of the transaction is contingent on satisfying the OEB’s “no harm” test, which emphasizes customer rate impacts and financial viability.** To support this objective, Alectra has committed to maintaining local electricity distribution rates at 2026 levels for all classes of customers for the years 2027 and 2028, subject to approval by the OEB.

During this period, any rate adjustments would be limited to inflationary increases and only where such increases are authorized by the OEB and the Transitional Committee. This approach is intended to **ensure that rate increases for NT Power customers remain at or below the levels that would be expected in the absence of the transaction**, while enabling customers of both utilities to benefit over the longer term from efficiencies of scale and cost savings associated with the transaction. Alectra’s residential customer rates are over 15% lower than other comparable LDCs; Figure 12 highlights Alectra’s current rates compared to other comparable LDCs.

<sup>20</sup> “Scorecard – Alectra Utilities Corporation” Ontario Energy Board, September 22, 2025  
© 2026 Deloitte LLP.

**Figure 12:** Monthly Delivery Components of Electricity Bill for Residential Customers (700 kWh / Month)<sup>21</sup>



Source: Ontario Energy Board – OEB Bill Calculator

### 4.3.3. Regulatory Strategy Considerations

The following provides a summary of the preliminary regulatory strategy to support the acquisition of NT Power and to outline an approach to regulatory approval. The implementation of the regulatory strategy should not have an impact on the guaranteed annual payments from the Deferred Payment structure, as discussed further in Section 5.1.

The potential regulatory approach will be guided by **four core principles**:

1. Rates for both Alectra and NT Power should reflect their existing cost structures, after an extended rebasing period for both utilities;
2. Importance of demonstrating “no harm” to customers while enabling NT Power customers to benefit from efficiencies of scale from the transaction;
3. Enable recapture of integration costs through cost savings, and
4. Mitigate regulatory risk to all stakeholders, including both Alectra and NT Power.

To operationalize these principles, a phased integration approach is being considered. **Phase 1** would focus on the acquisition of NT Power while maintaining separate regulatory treatment for each utility. Under this phase, Alectra Utilities and NT Power would continue to operate as standalone regulated entities. Each entity would rebase independently (subject to OEB approval), with Alectra rebasing effective January 1, 2027 (rate application filed with the OEB), and NT Power potentially rebasing in 2029 (after the two-year rate freeze under the Transaction for 2027 and 2028 rates has ended). In this phase, NT Power would remain wholly owned by Alectra Inc. but would not be amalgamated with Alectra Utilities.

**Phase 2** would involve the amalgamation of Alectra Utilities and NT Power at a later date (potentially by 2030), following NT Power’s standalone rebasing. This would be undertaken through a separate, future application to the OEB for the amalgamation of the two entities.

The regulatory strategy being considered is preliminary and subject to further review as the two parties prepare for the OEB approvals process. Hence, the actual strategy implemented may change based on outcomes of discussions during the closing process and OEB approvals process.

In addition, the OEB’s MAADs framework requires a “no harm” test to be met, this includes elements such as customer rates and financial viability. Recent MAADs application precedents indicate that amalgamation can occur after an initial acquisition, provided the rationale for a delayed amalgamation is clearly demonstrate to the OEB.

<sup>21</sup> “Monthly distribution charge as per OEB bill calculator” Ontario Energy Board  
© 2026 Deloitte LLP.

# 5. Financial Analysis

## 5.1. Overview of the Key Financial Terms

Through on-going collaboration between the Shareholders and Alectra, the Shareholders received an offer with two structures for the purchase of NT Power: (1) Upfront Cash Sale, and (2) Deferred Payment.

The **Upfront Cash Offer was for \$113 million**, subject to any post-closing adjustments. In addition to the Upfront Cash offer, Alectra **presented a Deferred Payment offer**, summarized in Figure 13. The improved offers were provided through an Amendment Agreement to the executed SPA.

Figure 13: High-Level Overview of Final Alectra Offers

| Options     | Upfront Cash Sale  | Deferred Payment   |
|-------------|--|--|
| Description | <ul style="list-style-type: none"> <li>\$113M upfront cash payment, subject to any post-closing adjustments</li> </ul> | <ul style="list-style-type: none"> <li>\$4.35M per year guaranteed annual payment over seven years (Base Term)</li> <li>Term may be extended for up to two additional three-year periods (Extension Term), at the sole discretion of the Sellers for a total term of 13 years</li> <li>If extended, Alectra to provide variable annual payments over the Extension Term.</li> <li>Total Purchase Price Payout at end of either at the end of either Base Term or Extension Term to include:               <ul style="list-style-type: none"> <li>Minimum Payout Value of \$110M; and</li> <li>Variable Payout Value based on valuation of combined entity (Alectra + NT Power) at that time</li> </ul> </li> </ul> |

As part of the Transaction process, Deloitte conducted an indicative analysis of NT Power, based on the capital spending and balance sheet accounts and forward-looking capital budget for NT Power. Deloitte also completed a review of the implied Enterprise Value (“EV”) / Rate Base for other precedent LDC transactions in Ontario. EV / Rate Base is a key valuation multiple for utilities as the rate base represents the regulated allowable revenue and earnings of the utility.

*The Deferred Payment structure under the Transaction represents an indicative value of \$110-115 million with an implied rate base multiple of 1.52x to 1.57x<sup>22</sup>. The implied EV / Rate Base multiple under the Transaction aligns with Deloitte’s indicative analysis on NT Power as well as with precedent LDC sale and merger transactions in Ontario.*

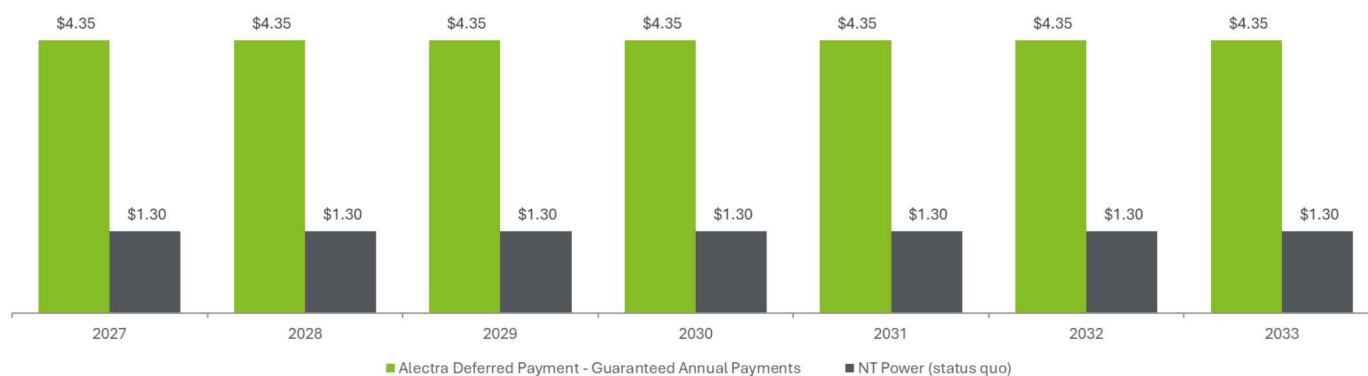
## 5.2. Summary of Financial Analysis of the Transaction

Deloitte conducted a comprehensive analysis of the anticipated cash flow to Shareholders to determine if the upfront cash or Deferred Payment was the more favourable financial approach. A guiding principle of the assessment was to **identify the option that provides a balance of return, protection, and certainty to the Shareholders.**

As discussed earlier, the Deferred Payment structure provides the Shareholders with guaranteed annual payments for the Base Term (seven years), as illustrated in Figure 14. **Shareholders can expect significantly stronger annual payments over the next seven years (at a minimum) through the Transaction (cumulatively 235% higher) in comparison to NT Power continuing on a standalone (status quo) basis<sup>23</sup>.**

<sup>22</sup> Based on NT Power’s forecasted 2025 rate base, as per forecasts provided by NT Power management.

<sup>23</sup> NT Power (status quo) represents historical dividend trends.

**Figure 14:** Shareholder Guaranteed Annual Payments in C\$ millions - Deferred Payment vs NT Power (Status Quo<sup>24</sup>)

After the first seven years, if the Shareholders elect to move ahead with the Extension Terms, the Shareholders will receive variable annual payments over the Extension term in form of annual dividends from Alectra based on their Ascribed Economic Interest within Alectra at that time.

The total nominal cash flows were determined based on the guaranteed annual payments defined under the SPA and assumptions around the expected variable interest payments and the final payment. Based on the analysis completed, Table 5 outlines the total cash flows of the Alectra – Deferred Payment structure across the Base Term, and two Extension Terms. The total cashflows include estimates on the potential Variable Payout Value based on estimations and forecasts about future conditions of NT Power and Alectra that are subject to change.

**Table 5:** Summary of Deferred Payment Financial Analysis (all amounts in C\$ millions)<sup>25</sup>

| Timeframe      | Preferred Option  | Total Cash Flows to Shareholders (nominal) | Net Present Value (NPV) | Shareholders' IRR |
|----------------|---|--|-------------------------|-------------------|
| 7-Year period  | <b>Alectra – Deferred Payment</b><br>\$4.35M Guaranteed Annual Payment (Years 1- 7) | \$168.6                                    | \$129.5                 | 6.9%              |
| 10-Year period | <b>Alectra – Deferred Payment</b><br>\$4.35M Guaranteed Annual Payment (Years 1- 7) | \$204.0                                    | \$138.6                 | 7.2%              |
| 13-Year period | <b>Alectra – Deferred Payment</b><br>\$4.35M Guaranteed Annual Payment (Years 1- 7) | \$250.8                                    | \$145.5                 | 7.6%              |

Based on the analysis completed, the **Deferred Payment structure could provide approximately \$169 million to \$251 million over Base Term and Extension Term with a potential Internal Rate of Return (“IRR”) of 6.9% to 7.6%**. Compared to the upfront cash structure, the Deferred Payment is more secured as it offers a guaranteed minimum payment and fixed payments for seven years.

The valuation of Alectra is anticipated to grow over the Deferred Payment period based on analysis completed on its financial projections and the anticipated growth of the utilities sector in Ontario. The actual cash flow to shareholders may fluctuate based on the actual results of Alectra over the following years. The SPA has protections in place that will ensure NT Power shareholders **receive a Minimum Payout Value to protect against any erosion of value to the Shareholders**.

In summary, the Deferred Payment option offers the higher projected financial returns, provides the opportunity for continued participation in growth of the LDC sector, and **mitigates downside risk through the guaranteed annual payments during the base term, contractual floor that guarantees NT Power shareholders will receive no less than a principal amount upon exit**. As a result, even if growth is lower than anticipated, NT Power shareholder’s base value is fully protected. This feature represents a significant risk mitigation measure and reflects recognition of the Shareholders’ responsibility as a steward of public funds.

<sup>24</sup> NT Power (status quo) represents historical dividend trends. \$1.3 million is based on existing NT Power dividend payout.

<sup>25</sup> Net present values were determined using a discount rate of 9.0% as a proxy rate for investment with a similar rate of return. The total cash flows to Shareholders include estimates on the potential Variable Payout Value based on estimations and forecasts about future conditions of NT Power and Alectra that are subject to change.

In addition, Alectra agreed to multiple exit points, at the NT Power shareholder's option, to ensure the shareholders are able to choose the right moment to calculate the synthetic equity portion of its payout amount.

Analysis of the Deferred Payment was also conducted against the existing standalone dividends from NT Power. Based on NT Power's projected dividends over the next few years, **the Alectra Deferred Payment structure will provide greater total cash flows to NT Power shareholders than NT Power standalone.** In addition, as the Ontario LDC sector faces costly electricity infrastructure upgrades, many municipalities are faced with the risk of reduced dividends and increased financial pressures to provide capital contributions.

Through the sale of NT Power, the **Shareholders are able to reduce their potential financial exposure and gain additional funding that can support other municipal priorities.**

### **5.2.1. Ascribed Economic Interest**

The Ascribed Economic Interest determines the value of NT Power shareholders stake in Alectra following the sale of NT Power. The Ascribed Economic Interest is determined based on the current valuations of NT Power and Alectra. As of the closing date, the **NT Power shareholders will own 2.83% in Alectra.** NT Power shareholders' economic interest can change over time in the event Alectra issues additional equity, diluting the interest of all equity holders.

The Ascribed Economic Interest is a crucial component of the Deferred Payment option as it is used to determine the variable annual payments, special dividends, and variable payout values.

## 6. Next Steps

Ontario's LDC sector needs a stronger and more modern system that will require additional capital injection to meet the ongoing demands. The industry challenges present opportunities for LDCs and their municipal shareholders to look at alternative means of tackling the financial constraints. NT Power, as a smaller utility, may struggle to meet future demands alone. Selling to a larger company in Alectra will help ensure residents receive reliable electricity to meet present and future demands.

The market-first Deferred Payment structure offers the NT Power shareholders a balance between continuing to receive annual payments as well as partaking in the potential growth of the electricity sector through the variable payout value. The balance between these factors allows NT Power shareholders to **adhere to its values, culture, and responsibility as a steward of public funds**. In addition to the financial benefits of the Alectra Deferred Payment, Alectra as a partner is closely aligned with the shareholder's core values and culture, including **commitments to job protection, maintenance of a local presence, and the delivery of a positive reliable system**.

Following execution of the SPA, the parties will prepare and file an application with the OEB seeking approval of the proposed sale pursuant to section 86(1)(a) of the Ontario Energy Board Act, 1998. The OEB Approval process will take place in approximately the spring to early summer of 2026.

The application will be supported by the required MAADs filing materials, including a detailed description of the transaction, customer impact and rate analyses, and evidence demonstrating that the transaction satisfies the OEB's "no harm" test and will not adversely affect customers with respect to rates, reliability, or quality of service.

In parallel, the parties will advance any related licensing, rate order, and account transfer approvals required to give effect to the transaction. As well, post-closing adjustments to the purchase price will be made based on the process defined in Section 4.1.3 Purchase Price Adjustments. Completion of the transaction will be conditional upon receipt of all required OEB approvals and the satisfaction of customary regulatory closing conditions. Following the OEB approval, closing documentation will be prepared with a closing expected in late 2026 to early 2027.



#### **About Deloitte**

At Deloitte, our Purpose is to make an impact that matters. We exist to inspire and help our people, organizations, communities, and countries to thrive by building a better future. Our work underpins a prosperous society where people can find meaning and opportunity. It builds consumer and business confidence, empowers organizations to find imaginative ways of deploying capital, enables fair, trusted, and functioning social and economic institutions, and allows our friends, families, and communities to enjoy the quality of life that comes with a sustainable future. And as the largest 100% Canadian-owned and operated professional services firm in our country, we are proud to work alongside our clients to make a positive impact for all Canadians.

Deloitte provides industry-leading consulting, tax and legal, financial advisory, audit and assurance, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. We bring together world-class capabilities, insights, and services to address clients' most complex business challenges.

Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited. Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.