



# Town of Newmarket | Council Presentation

## NT Power Sale Transaction Summary

March 2, 2026

# Electric Utilities Industry Overview <sup>(1/2)</sup>

Ontario's fragmented utility sector faces headwinds impacting its ability to meet growing energy demands and sustainability goals.

## Current State of Ontario's Energy Sector

 **75%**

Growth of Ontario's energy demand projected by 2050 to reach 262 TWh<sup>1</sup>

 **\$103B - \$120B**

Investment needed to modernize the distribution grid<sup>2</sup>

 **10-15 Years**

Existing infrastructure will hit capacity within 10-15 years

## Challenges in the Current State

**1** **Capital requirements are outpacing LDC financial capacity** – especially at small / midsize LDCs

**2** **Municipal funding constraints** and limited capacity to inject equity into LDCs.

**3** **Stronger performance and regulatory pressure** are increasing operating complexity and costs.

**4** **Municipal dividends are increasingly being reduced or paused**, with municipal owners asked to reinvest payouts or inject equity to fund the LDCs' investment requirements.

**5** **Policy limitations** on private ownership and departure taxes restrict access to external capital and strategic partners.







1. "[Electricity Demand in Ontario to Grow by 75 per cent by 2050](#)" IESO, October 16, 2024

2. <https://www.ontario.ca/page/energy-generations>

# Electric Utilities Industry Overview (2/2)

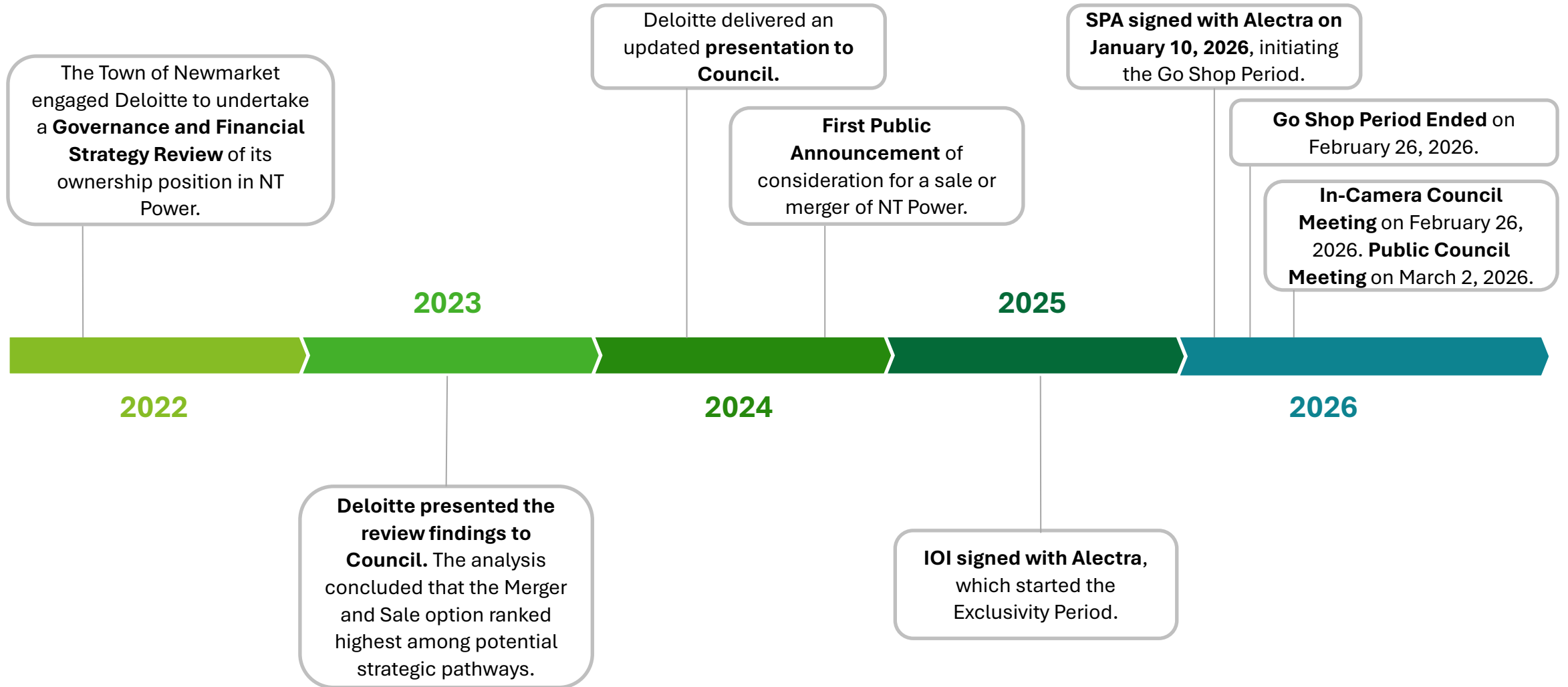
Industry challenges present opportunities for LDCs and their municipal shareholder to look at alternative means of tackling financial constraints.

## 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.

# Background on the Transaction

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.



# Overview of the Alectra Offer

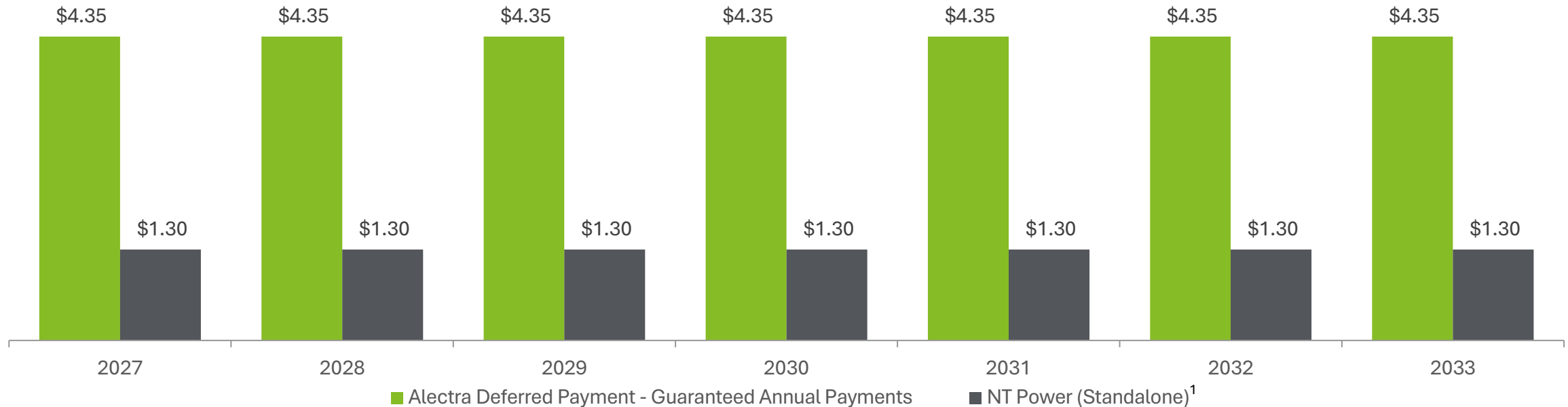
Through the Exclusivity and Go-Shop period, Alectra provided two structures for the purchase of NT Power, an Upfront Cash Sale and a Deferred Payment.

	Alectra	
	Upfront Cash Sale	Deferred Payment
<b>Key Financial Terms</b>		
<b>Form of Consideration</b>	100% upfront cash considerations	<ul style="list-style-type: none"> <li>Annual payments, followed by a Purchase Price Payout Value at end of term</li> </ul>
<b>Purchase Price Payout</b>	\$113 million upfront cash payment	<ul style="list-style-type: none"> <li>Purchase price payout value equal to a Minimum Payout of \$110 million plus Variable Payout Value</li> <li>Variable Payout Value based on Enterprise Value of Alectra at payout</li> </ul>
<b>Term</b>	N/A	<ul style="list-style-type: none"> <li>7 Years term (Base Term)</li> <li>Up to two additional three-year periods up to a total term of 13 years (Extension Term), at the sole discretion of the Shareholders</li> </ul>
<b>Annual Cash Payments</b>	<ul style="list-style-type: none"> <li>Invested in a Municipal fund, earning annual interest</li> <li>A portion of the interest earned is reinvested every year, with remainder utilized by the Town</li> </ul>	<ul style="list-style-type: none"> <li>\$4.35 million guaranteed annual payment over Base Term</li> <li>If extended, Alectra to provide variable annual payments based on Alectra's dividends</li> </ul>

# Financial Considerations of the Transaction <sup>(1/2)</sup>

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.

All amounts in C\$ million, unless otherwise stated.



The Alectra Deferred Payment structure will provide **235% greater guaranteed annual cash flows to Shareholders** than NT Power standalone during the Base Term of 7 years.

Amidst the challenges faced by the Ontario LDC sector, Municipalities **face the risk of reduced dividends and increased financial pressures** to provide capital contributions.

1. NT Power (standalone) represents historical dividend trends. \$1.3 million is based on existing NT Power dividend payout.  
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## Financial Considerations of the Transaction (2/2)

The Deferred Payment could provide approximately \$169 to \$251 million to NT Power Shareholders, providing greater and more secure cashflows than the Upfront Cash sale.

*All amounts in C\$ million, unless otherwise stated. Note that all amounts are stated as attributable to 100% shareholding in NT Power and rounded to the nearest tenth.*

Timeframe	Preferred Option	Total Cash Flows to Shareholders (nominal) <sup>1</sup>	Net Present Value (NPV) <sup>2</sup>	Shareholders' Internal Rate of Return (IRR)
7-Year period	<b>Alectra – Deferred Payment</b> <i>\$4.35M Guaranteed Annual Payment (Years 1- 7)</i>	\$168.6	\$129.5	6.9%
10-Year period	<b>Alectra – Deferred Payment</b> <i>\$4.35M Guaranteed Annual Payment (Years 1- 7) and variable annual payment (Years 8-10)</i>	\$204.0	\$138.6	7.2%
13-Year period	<b>Alectra – Deferred Payment</b> <i>\$4.35M Guaranteed Annual Payment (Years 1- 7) and variable annual payment (Years 8-13)</i>	\$250.8	\$145.5	7.6%

- Across all timeframe scenarios (7-, 10-, 13-year), Alectra's **deferred payment delivers higher total nominal cash flows, NPVs and IRRs compared to the Upfront Cash Sale.**
- Alectra's deferred payment provides stable, guaranteed annual payment over 7 years and allows NT Power shareholders to participate in the growth of the LDC sector.

1. 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.

2. Net Present Values were determined using a discount rate of 9.0% as a proxy rate for investment with similar rate of return.

# Transaction Rationale – Deferred Payment

The Deferred Payment structure provides municipalities with higher returns, greater cash flow certainty, and enhanced long-term upside compared to the Upfront Cash Sale.

1

## Higher and More Secure Cash Flows

Deferred Payment includes a minimum payout of \$110 million, ensuring downside protection. It also delivers \$4.35 million in guaranteed annual payments for 7-year term, reducing reliance on uncertain dividends.

2

## Superior Investment Returns

Across 7-, 10-, and 13-year scenarios, the Deferred Payment generates the highest total nominal cash flows, Net Present Value, and Internal Rate of Return compared to the Upfront Cash Sale.

3

## Greater Upside Participation

In addition to guaranteed payments, Shareholders retain potential of future value creation through the Variable Payout Value, which allows the Shareholders to participate in sector growth and consolidation benefits.

4

## Prudent Long-Term Financial Stewardship

Deferred Payment balances near-term certainty with long-term value creation, aligning with Shareholders' priorities and positioning both municipalities to benefit from Ontario's energy transformation.

# Key Considerations of a Transaction with Alectra

Key considerations for partnering with Alectra include benefits for customers, NT Power workforce, taxpayers, local operations, financial outcomes, and longer-term strategic flexibility.



Provides competitive local electricity distribution rates



Provides a strong, prudent, and significant return on investment for both municipalities



Protects reliability and exceptional customer experience



Opens the door to the possibility of a future merger opportunity



Guarantees job protection for all NT Power employees



Provides multiple major financial decision points over 7, 10, and 13 years for the Shareholders



Maintains local offices and operations centres



Allows the Shareholders to participate in sector growth



Secures ongoing necessary capital investment



Features an industry leading deferred purchase price model that enhances returns while mitigating risk

# Disclaimer

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We note that our valuation estimate was based on forecasts prepared by NT Power management, which, in turn, were based on certain assumptions. Some assumptions will not materialize as unanticipated events and circumstances may occur subsequent to the date of this report. The Town or NT Power management may also choose a different course of action for the investments during the forecast period. Therefore, the actual results achieved during the forecast period will vary from the forecasts and the variations may be material. The variations in our valuation calculations noted herein may also be material. We caution the reader in this regard.



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