

November 20, 2025

RE: Update on Versorium's Central Avenue Generating Facility

Dear Mayor and Councillors,

This letter provides an update on Versorium's Central Avenue Generating Facility (the "Project").

After careful consideration, Versorium has decided to defer the Project to the IESO's next procurement window, which is expected to start in 2026. As a result, we will not be seeking a municipal support resolution at the December 2nd Council Meeting.

Over the past month, we have been refining the Project's design to fit within a smaller footprint, which has affected the Project's capability to provide heat to local businesses. We do not want to rush the design work or the associated commercial negotiations to meet the current procurement window timeline.

We would also like to take this opportunity to respond to the opinions expressed at the Growth Standing Committee meeting to ensure Council has accurate information. Attached is a summary of the key issues raised, along with additional information and clarification.

The key points are summarized below:

1. **The Project benefits Thunder Bay and Northwestern Ontario.** The Project will generate significant local economic benefits, including construction-related employment, local procurement opportunities, and increased tax revenues to the City of Thunder Bay, contributing to the city's broader objectives for responsible growth and community well-being.
2. **The Project Responds to the IESO's procurement.** The IESO, through its Long-Term 2 RFP, has identified a need for capacity resources to ensure system reliability. The Project directly addresses this identified need and will compete in an open, transparent, and competitive RFP process against other proponents and technologies, with the IESO selecting the lowest-cost projects.

3. **Natural gas-fired peaking power plants are a low-cost capacity resource.** The Provincial Government and the IESO have emphasized the importance of natural gas-fired power plants to Ontario's electricity system. New gas-fired peaking power plants will produce power when it is needed because other resources like wind and solar aren't available. Electricity ratepayers are protected from high costs by the IESO's competitive procurement.

We would like to sincerely thank the City of Thunder Bay and the community members who engaged with us at the open house and through other outreach activities. We look forward to returning in 2026 to request a municipal support resolution for the next procurement window.

Sincerely,

VERSORIUM ENERGY LTD.

Further Information Regarding the Central Avenue Generating Facility

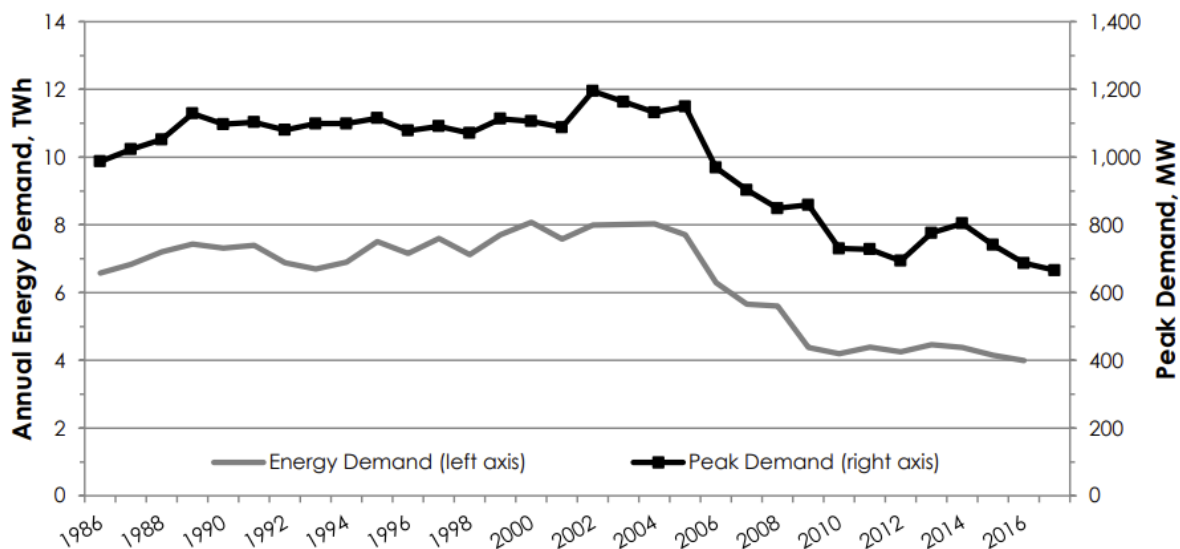
Q: What are the benefits of the Project?

The Project will generate significant local economic benefits, including construction-related employment, local procurement opportunities, and increased tax revenues to the City of Thunder Bay, contributing to the city's broader objectives for responsible growth and community well-being consistent with the City's Smart Growth Action Plan. The Project will also add capacity to the Thunder Bay area and Northwestern Ontario, which will support forecast demand growth in Northwestern Ontario and Thunder Bay.

Q: Do Thunder Bay and Northwestern Ontario need more electricity capacity?

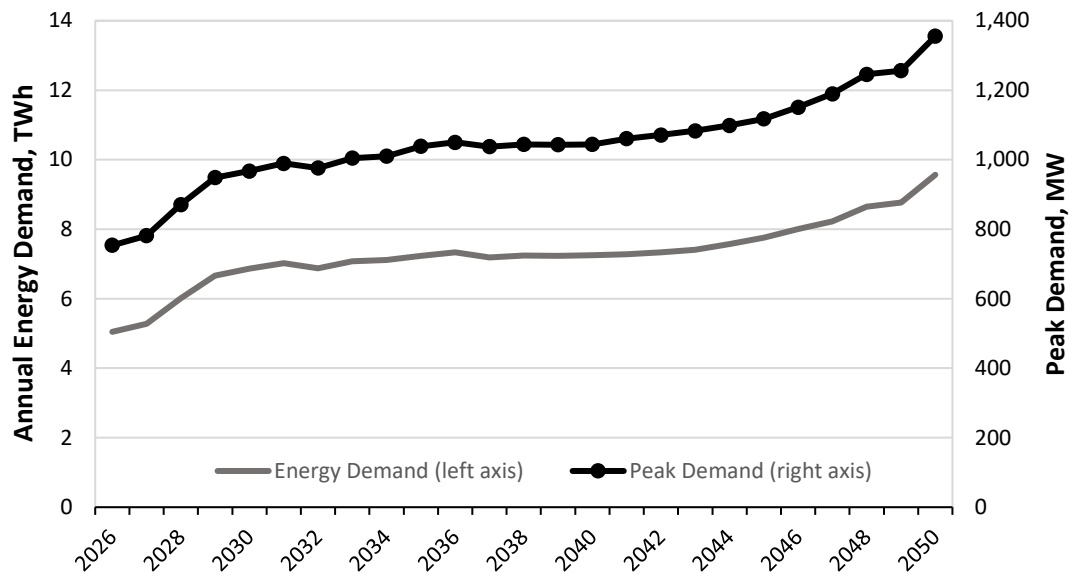
Northwestern Ontario electricity demand is currently lower than it was 25 years ago (see Figure 1 below). However, the IESO is forecasting significant growth over the next 25 years (see Figure 2 below). The demand growth is driven primarily by mining, ore processing, and electrification.

Figure 1 - Historical Northwest Ontario Electricity Demand (1986 to 2017)



Source: IESO Need Assessment for the East-West Tie, <https://ieso.ca/-/media/Files/IESO/Document-Library/regional-planning/bulk/Updated-Assessment-East-West-Tie-Expansion.pdf>

Figure 2 - IESO Forecast Northwest Ontario Electricity Demand (2026 to 2050)¹



This forecast growth has required the construction of major transmission lines, such as the East-West Tie, to transmit power from elsewhere in Ontario to Northwestern Ontario.

A power plant in Thunder Bay would serve growing loads in Northwestern Ontario as well as the larger transmission-connected loads, such as ore processing facilities, that are planning to connect in the Thunder Bay area.

Q: What is the role of natural gas-fired generation in Ontario's electricity system?

Both the Provincial Government and the IESO have made statements about the importance of natural gas-fired generation to reliably and affordably meet growing electricity demand in Ontario.

The *IESO's Municipal Guide - Role of Municipalities in the IESO's Second Long-Term RFP* states:

Natural gas plays a crucial role in maintaining the reliability of our system.
There is no other technology available today that can provide the same level of

¹ Data Source: 2025 Annual Planning Outlook, Hourly Demand Forecast – Zonal, Grid, <https://www.ieso.ca/-/media/Files/IESO/Document-Library/planning-forecasts/apo/2025/Hourly-Demand-Forecast-Reference-Scenario-Zonal-Grid.xlsx>.

operational flexibility needed to respond to changing electricity needs throughout the day and across the province.²

The Provincial Government's *Energy for Generations* states:

Natural gas generation will continue to play a critical role in Ontario's grid, balancing intermittent renewable power generation, such as wind and solar, supported by new energy storage technologies that are deployed at scale and other clean sources.

A premature phase-out of natural gas electricity generation would hurt electricity consumers and the economy. It could also put the reliability of the system at risk. In its 2021 Natural Gas Phaseout Study ("Decarbonization and Ontario's Electricity Sector: Assessing the impacts of phasing out natural gas generation by 2030"), the IESO found that completely phasing out natural gas generation by an arbitrary date of 2030 is not feasible and could lead to power system blackouts, a 60 per cent increase in residential electricity bills – about \$100 per month, on average – and slow the electrification of homes and industry.³

Q: Are natural gas power plants more expensive than wind and solar?

No, natural gas-fired power plants provide capacity at a much lower cost than wind and solar because wind and solar are intermittent resources that provide little to no dependable capacity. Third party consultants, including Lazard, have pointed to natural gas-fired peakers as the lowest cost capacity resource.⁴

Regardless of competing claims about cost, the IESO is running a technology-neutral, competitive process, and the lowest cost resources will be awarded contracts with up to 20% variance for other characteristics that are valued in the IESO's procurement.⁵

² IESO Municipal Guide: Page 12, [https://www.ieso.ca/Sector-Participants/Engagement-Initiatives/Engagements/Long-Term-RFP-Community-Engagement#:~:text=Municipal%20Guide%20%2D%20Role%20of%20Municipalities%20in%20the%20IESO%E2%80%99s%20Second%20Long%2DTerm%20Request%20for%20Proposals%20\(LT2%20RFP\).](https://www.ieso.ca/Sector-Participants/Engagement-Initiatives/Engagements/Long-Term-RFP-Community-Engagement#:~:text=Municipal%20Guide%20%2D%20Role%20of%20Municipalities%20in%20the%20IESO%E2%80%99s%20Second%20Long%2DTerm%20Request%20for%20Proposals%20(LT2%20RFP).)

³ Energy for Generations: Page 97- <https://www.ontario.ca/page/energy-generations>.

⁴ 2025 Levelized Cost of Energy+ Report, Lazard, page 28, <https://www.lazard.com/news-announcements/lazard-releases-2025-levelized-cost-of-energyplus-report-pr/>.

⁵ IESO Municipal Guide: Page 9.