



**Energy+ Inc.**

**EB-2018-0028**

**Update to Evidence**

**December 13, 2018**

## **SUMMARY OF UPDATED EVIDENCE – FACILITIES PLAN**

Based on the updates provided in Appendix 2N Facilities Addendum, the following is a summary of the updates made to the Energy+ Inc. evidence with respect to its facilities plans:

### **SHARED FACILITIES PLAN WITH BPI (“GARDEN AVENUE”)**

#### **References: 2-Staff-15; Settlement Agreement**

Adjustments to the 2019 Test Year made as part of the Interrogatory Process:

- Reduction in 2019 Test Year capital expenditures of \$4,400,000. Energy+ moved \$4,400,000 in capital expenditures (general plant) from 2019 to 2020 (\$4,400,000 in building) in its Distribution System Capital Plan.
- The impact of removing the \$4,400,000 in capital costs in the 2019 Test Year was a reduction in depreciation expense of \$36,667. Energy+ had used a 60 year life for amortization and applied the ½ year rule in the 2019 Test Year.
- Reduction in 2019 Test Year OM&A of \$195,000 related to the Shared Operations Facility

As part of the Settlement Agreement, Energy+ agreed to withdraw its request for 2020 Advanced Capital Module funding for its proposed Garden Avenue facility in Brantford, which will be a shared facility with Brantford Power Inc. Energy+ agreed that it would be more efficient for the Board to consider the entire Garden Avenue facility at one time and to reduce the possibility of inconsistent decisions. The Parties to the Settlement Agreement expect that Energy+ will submit an Incremental Capital Module (“ICM”) request, together with a request to dispose the gain on sale of the Paris facility, concurrently with Brantford Power Inc.’s Incremental Capital Module application.

As a result of the above, Energy+ has removed \$4,400,000 in building costs in 2020 from its Advanced Capital Module Request.

## **SOUTHWORKS FACILITY**

### **References: 2-Staff-12; 2-SEC-27**

There were no adjustments required to the 2019 Test Year as a result of the updates to the Southworks Facility Plan.

Energy+ has revised its request with respect to the Advanced Capital Module (“ACM”) as follows:

#### Year 2020:

- Remove \$4,500,000 for buildings
- Remove \$500,000 for furniture and equipment

#### Year 2022:

- Add \$7,600,000 for buildings
- Add \$500,000 for furniture and equipment

These revisions have also been reflected in Chapter 2 Appendices – Appendix 2AB – Capital Expenditures 2020 and 2022.

The following table summarizes the adjustments made to Appendix 2AB General Plant for the adjustments for the Shared Facilities with BPI and Southworks:

**\$000's**

<b>Changes made to General Plant</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>As originally filed, April 2018</b>	<b>\$5,343</b>	<b>\$6,156</b>	<b>\$1,668</b>	<b>\$3,538</b>	<b>\$1,765</b>
Shared Facilities with BPI – Moved to 2020	(\$4,400)	\$4,400			
Southworks – Moved to 2022 and Revised Cost Estimate		(\$5,000)		\$8,100	
Defer Bishop St. renovations in 5 year period				(2,000)	
<b>As revised, December 2018</b>	<b>\$943</b>	<b>\$5,556</b>	<b>\$1,668</b>	<b>\$9,638</b>	<b>\$1,765</b>

### **Models Filed as part of Settlement:**

2019 EnergyPlus Chapter2\_Appendices-Settlement.xlsm

2019 EnergyPlus ACM Model\_OEB – Settlement.xlsm



## **ENERGY+ FACILITIES BUSINESS PLAN - ADDENDUM**

### *LAND & BUILDINGS – NEW HEAD OFFICE, BISHOP STREET OFFICE RENOVATION AND SHARED FACILITY WITH BRANTFORD POWER INC.*

The purpose of this Addendum to the Appendix N Facilities Business Plan ("Facilities Plan"), incorporated as part of the Energy+ Inc. Distribution System Capital Plan (EB-2018-0028, Exhibit 2, Appendix 2-1) is to provide an update to the evidence. Specifically, the update to the evidence includes:

- Updates with respect to the planned shared facilities between Energy+ and Brantford Power Inc. ("BPI"); and
- Updates with respect to the Southworks Facility.

Although portions of the evidence related to the Facilities Plan have been updated to reflect new information, Energy+ continues to be committed to the overall plan, which was based on the following objectives and priorities:

1. Maintain operational facilities to provide construction, maintenance, and emergency restoration services in Energy+'s service territory. Given the geography of the service territory, it is necessary to maintain two facilities – one to service the Brant County territory (256 square kilometers) and one to service the Cambridge and North Dumfries territory (306 square kilometers);
2. Consolidate all administrative functions to one location to allow for rationalization and more efficient processes between departments;

3. Minimize costs to ratepayers by avoiding high cost facility solutions (cost of land, premium building construction / renovation).
4. Meet the needs of a growing utility in the future and maintain future flexibility by separating operational space from administrative space, allowing for: (a) administrative space to be expanded in the case of mergers or acquisitions or (b) greater options in the case a merger or sale that involves consolidating administrative functions in another city. Regardless of which scenario emerges, the two operations facilities will continue to be required to support operations, maintenance, restoration, and customer service;
5. In the case of the Brant County facility, align considerations with BPI wherever possible to maximize shared service opportunities; and
6. Provide a comfortable and safe work environment for Energy+ employees.

The updated evidence follows, which has been updated to reflect changes to the overall plan based on the most recent information available to December 13, 2018: (Note: Section headings from Appendix N have been utilized where updates and/or changes have occurred. Any changes are reflected using “strikeout”):

## **1. EXECUTIVE SUMMARY**

Upon completing a comprehensive, multi-year review of various alternatives, including renovating/rebuilding currently owned buildings, purchasing/renovating alternative facilities, leasing alternative facilities and construction of new facilities, Energy+ has developed the following plan in respect of its land and buildings, as described in greater detail in this Facilities Business Plan:

- Centralize all administrative functions to a new head office building in the Gaslight District in Cambridge. Energy+ has entered into a Purchase and Sale Agreement to acquire a portion of an existing building, the Southworks Facility in the Gaslight District. Energy+ will renovate the building to make it suitable to be an administrative office. All administrative staff will be relocated to this building. Energy+ expects to occupy this new space in ~~2020~~ 2022.

- The existing building at the Bishop Street facility will be renovated and modernized. This building will continue to be utilized as the operations centre to service customers in the CND service territory. Renovations to the existing building are planned for 2022 a period beyond the existing five year plan, most likely in 2023-2024.
- The lease for office space at the Thompson Drive facility will be terminated. The employees at this location will be relocated to the Southworks Facility in 2020-2022.
- The land and building at the Dundas Street facility were sold for \$1.5 million in a sale-leaseback transaction on April 3, 2018. Energy+ has a flexible lease that enables it to vacate the property within five years of the closing date.
- ~~In 2019,~~ As part of a long-term lease agreement to be arranged with Brantford Power Inc. ("BPI"), Energy+ will occupy approximately 13,251 square feet of dedicated space and have access to up to 12,243 square feet of shared space at a new facility in Brantford, Ontario. ~~This facility is currently being constructed by BPI.~~ This location will function as the Operations Centre to service customers in the Brant County service territory. Energy+ will enter into a Shared Services Agreement with BPI to share inventory, warehousing, a purchasing manager, a stores person, fueling stations and vehicle maintenance in the new location. There will be significant efficiencies gained by drawing from a single inventory pool, yard, fueling station, tower and fleet of vehicles that will be shared and can service both Energy+ and BPI.

## **2. FACILITIES UPDATE AND TIMELINE**

Subsequent to the filing of the Facilities Plan, and as provided as updates as part of the Interrogatory process, the following is a summary of the status with respect to the Facilities Plan.

### **Shared Facilities with BPI**

- In September, 2018, as part of the Interrogatory process, Energy+ advised that the in-service date for the Garden Avenue facility had moved from the 2019 Energy+ Test year to 2020. (Response to Staff Interrogatories 2-Staff-15).

- As part of Brantford Power Inc.'s 2019 IRM Application (EB-2018-0020), BPI provided the following update as part of its Response to Interrogatories (Response to Interrogatories Staff-IR-8):

"The most recently forecasted in-service date for the project is Q1 of 202, however there is some project uncertainty which could alter this time frame"

"BPI has not yet determined the expected cost of the facility. As the planning stages of the project have moved forward, BPI's focus on minimizing cost levels while maintaining the operational objectives of the facility has required it to take time to carefully assess its options and to determine what cost saving measures are available".

### **Southworks Facility**

- Throughout 2018, Energy+ has been working with Martin Simmons, an architectural firm, on the design phase of the Southworks Facility. In September, 2018, Martin Simmons issued a Design Brief. The Design Brief is a project planning document that specifies what the project aims to achieve, by what means, and within what time frame. Critical considerations are the scope and quality of work, cost targets, as well as scheduling objectives. The Design Brief includes such things as: site planning and development, environmental remediation, architectural design concepts, mechanical design, electrical design, floor plans and cost estimates.
- With respect to the cost estimates, based on the more detailed design as outlined in the Design Brief, Melloul Blamey has produced a Class C cost estimate for the Southworks Facility. The Class C cost estimate is \$7.6M. Including \$0.5M for furniture, the revised request for ACM recovery in 2022 is \$8.1M. A Class C estimate is generally considered to have + or – accuracy of up to 20%.

Energy+ notes that the initial cost estimate that Energy+ obtained, and used in the original Application was, in fact, a Class D estimate. The cost schedule originally obtained by Melloul Blamey was incorrectly titled Class C. A Class D estimate is

generally based off high level concepts and overall square footage estimates derived from similar projects. Within the construction industry a Class D estimate is generally considered to have + or – accuracy of up to 30%.

The Class C cost estimate is attached as Attachment 1 to this Addendum.

- As identified in Response to Interrogatories 2-Staff-12, the development of the Southworks Facility has been delayed due to site approvals. Currently, while the Southworks Facility may be ready for occupancy in 2021, actual occupancy may not occur until 2022. The delay in occupancy is due to the availability of parking spaces in the condominium tower that is being constructed as part of the overall site development. To ensure the safety of our employees, Energy+ would avoid having Energy+ staff working in the vicinity of a condominium that is under construction.
- The plans for the Southworks Facility are not final and are subject to proper environmental due diligence. The environmental approvals for the Southworks Facility are being managed by HIP Developments for the entire Southworks District Project (which includes two 20 story condo towers and retail/restaurant space). HIP Developments will provide Energy+ a copy of the Record of Site Condition from the Ministry of Environment as soon as it is available. HIP expects to have this available by the end of this year (2018). The Record of Site Condition will outline any mitigation measures that need to be put in place as a condition of obtaining all remaining permits for construction and occupancy of the buildings. Energy+ intends to engage a third-party environmental firm to conduct a peer review of the Record of Site Condition and the recommended mitigation measures. This would be completed by March of 2019 assuming the Record of Site Condition is available by year-end.
- On December 13, 2018, the Energy+ Board of Directors approved a motion to proceed with the development of detailed plans to renovate 21,500 square feet of administrative office space at 64 Grand Avenue, Cambridge based on an updated Class C estimate of \$8.1MM. Additional Energy+ Board of Directors approval will be required for the following key project milestones:



1. Closing the purchase of the severed portion of the building, which is contingent on:
  - (i) Approved Severance Application from City of Cambridge; and
  - (ii) Environmental due diligence, including peer review of approved Record of Site Condition.
2. Entering into a Construction Agreement with Melloul-Blamey; and
3. Approval of Class B and Class A cost estimates.

**Attachments:** Attachment 1 – Class C Cost Estimate

## 6. OPTIONS ANALYSIS – CND

Table 1: CND Option Summary has been updated to reflect the updated estimated construction costs for the Southworks facility, based on the Class C Estimate.

**Table 1: CND Option Summary**

Option	Description	Building Construction Cost	Building Renovation Cost	Notes
1, 2	Build a third floor on the Bishop Street Building. Expand the Bishop Street Building.	\$28,638,555 or \$33,078,530 for LEED building.	Not applicable.	Considerable site approval challenges due to proximity to wetlands. Cannot easily build on older (1989) portion of the building.
3, 4	Retain the Bishop Street Building for an administrative office and build a new operations centre. Build a combined operations centre and administrative office at a new location.	\$31,534,277 or \$32,980,677 for LEED building.	Not applicable.	Land not included at \$300,000 to \$400,000 per acre.
5	Renovate an existing building in Cambridge for both administration and operations.	Not applicable.	Not applicable.	Lack of suitable sites due to need for outside storage, garage and proximity to major roads.

Option	Description	Building Construction Cost	Building Renovation Cost	Notes
6	Renovate an existing building in Cambridge for administrative space and retain the Bishop Street Building for operations.	\$1 for administrative building.	Southworks (administrative): \$8,100,000 <del>\$5,000,000</del> (exclusive of HST) Bishop Street (operations): \$2,000,000	<b>Preferred option.</b>

## 8. RECOMMENDED OPTIONS

### Cost Summary

Table 5: Land and Buildings – Capital and Lease Cost Summary has been updated to reflect the updated estimated construction costs for the Southworks facility, based on the Class C Estimate.

**Table 5: Land and Buildings – Capital and Lease Cost Summary**

Site	Purchase/(Sale)/ Capital Lease	Renovations	Lease Cost/ (Lease Savings)	Notes
Southworks	\$1.00	<del>\$5,000,000</del> \$8,100,000 (exclusive of HST)	\$150,000	Heritage building to be renovated; Annual cost for parking
Bishop Street	Not applicable.	\$2,000,000	Not applicable.	Renovation of existing building
Thompson Drive	Not applicable.	Not applicable.	(\$77,205)	Lease to be terminated
Garden Avenue	\$4,400,000 (estimated capital cost for exclusive Energy+ space)	Not applicable.	\$155,652 (annual rate for shared space)	Exclusive Energy+ space (Capital) plus shared services space (Operating) with Brantford Power

## 9. BENCHMARKING

Table 6: Cost and Utilization Comparison to Other Distributors has been updated to reflect the updated estimated construction costs for the Southworks facility, based on the Class C Estimate.

**Table 6: Cost and Utilization Comparison to Other Distributors**

<b>LDC<sup>1,2</sup></b>	<b>Energy+ (Southworks, Bishop Street &amp; Garden Avenue Combined)</b>	<b>Waterloo North Hydro Inc</b>	<b>InnPower</b>	<b>Milton Hydro Distribution Inc</b>	<b>PUC Distribution Inc.</b>
OEB Docket	EB-2018-0028	EB-2015-0108 EB-2010-0144	EB-2014-0086	EB-2015-0089	EB- 2012-0162
Year of Occupancy	2019/2020/2022 2020/2022/2024	2011	2015	2015	2012
Functions	Administration & Operations	Administration & Operations	Administration & Operations	Administration & Operations	Administration & Operations
Type of Project	Purchase/ Refurbish	Custom Build	Custom Build	Purchase/ Refurbish	New Build
Capital Cost	<del>\$11,400,000</del> \$14,500,000	\$26,682,000	\$10,896,704 <sup>4</sup>	\$12,524,798 <sup>3</sup>	\$23,000,000 <sup>5</sup>
Square Footage	88,243	105,000	36,172	91,872	110,382
FTEs	131	125	41	61.5	87
Square Foot per FTE	674	840	882	1,494	1,269
Capital Cost per FTE	<del>\$87,023</del> \$110,687	\$213,456	\$252,139	\$203,655	\$264,368

<b>LDC<sup>1,2</sup></b>	<b>Energy+ (Southworks, Bishop Street &amp; Garden Avenue Combined)</b>	<b>Waterloo North Hydro Inc</b>	<b>InnPower</b>	<b>Milton Hydro Distribution Inc</b>	<b>PUC Distribution Inc.</b>
Capital Cost/Square Foot	<del>\$129.19</del> \$164.32	\$254.11	\$285.79	\$136.33	\$208.37

## **ATTACHMENT 1: CLASS C COST ESTIMATE**

MELLOUL-BLAMEY CONSTRUCTION INC.  
CLASS C COST ESTIMATE  
Energy + - Timber frame

**Estimate Description:** Preliminary budget based on Design Meeting Brief dated May 2, 2018. Option is for exposed glue lam timber beams supporting exposed heavy timber beams, purlins and wood decking. Budget includes all costs for building shell and interior fitup. Firewall, furniture / stations, appliances, **underslab venting**, consultant and permit costs are not included in this budget.

# Suites	# Storeys	m2	SF
1 bedrm:			0
2 bedrm:			0
3 bedrm:			
	Parking Area:		
	Ground Floor Area:	1,325	14,262
	Mezzanine Area:	672	7,233
Total: 0	Overall Building:	0	21,496

1.0 SITEWORK COSTS	Gross Costs	S/F Costs on Gross Costs	Remarks
1.1 Demolition / Alterations - Cleaning Wood Structure	\$214,251	\$9.97	dbl fir removal
1.2 Excavation	\$96,983	\$4.51	
1.3 Site Services	\$0	\$0.00	stub to big by others
1.4 Shoring	\$0	\$0.00	
1.5 Fencing	\$0	\$0.00	
1.6 Irrigation	\$10,420	\$0.48	
1.7 Landscaping, Planting, Paving Stone, Seat Walls	\$172,502	\$8.02	
1.8 Site Furnishings / Bike Racks	\$12,000	\$0.56	
1.9 Asphalt	\$0	\$0.00	
1.10 Curb & Sidewalk	\$32,100	\$1.49	
1.11 Sutura Garbage Unit and Garbage Enclosures	\$0	\$0.00	
<b>SITEWORK Sub-total (excl. H.S.T.)</b>	<b>\$538,257</b>	<b>\$25.04</b>	

2.0 BUILDING COSTS	Gross Costs	S/F Costs on Gross Costs	Remarks
2.1 Concrete Forming	\$96,030	\$4.47	
2.2 Concrete Supply	\$53,959	\$2.51	
2.3 Rebar	\$20,305	\$0.94	
2.4 Concrete Finishing	\$41,643	\$1.94	
2.5 Misc Concrete - Anchor bolts, Grouting, Foundation Insulation etc.	\$5,252	\$0.24	
2.9 Masonry and Stonework	\$425,500	\$19.79	50% repointing
2.10 Structural Steel	\$70,000	\$3.26	
2.11 Misc Metal	\$46,789	\$2.18	
2.12 Timber Systems Mezzanine	\$491,094	\$22.85	CR 140k to St Stl
2.13 Carpentry	\$91,162	\$4.24	
2.14 Millwork - Common Space, Elevator Lobbies, and Main Lobby	\$47,300	\$2.20	
2.21 Waterproofing	\$2,475	\$0.12	
2.22 Pedestrian Traffic Coating	\$0	\$0.00	
2.23 Roofing	\$12,750	\$0.59	canopies
2.24 Foam Insulation	\$0	\$0.00	
2.25 EIFS	\$0	\$0.00	
2.26 Metal Siding & Roofing	\$384,085	\$17.87	
2.27 Composite Panels	\$72,900	\$3.39	west wall / canopies
2.28 Fire Retardant Coating	\$30,011	\$1.40	U/S wood roof deck
2.29 Firestopping	\$2,660	\$0.12	
2.30 Caulking	\$10,000	\$0.47	
2.31 Hollow Metal Supply	\$5,200	\$0.24	
2.32 Wood Door Supply	\$7,800	\$0.36	
2.33 Finish Hardware Supply	\$26,000	\$1.21	
2.34 Hollow Metal Door, Frame and Hardware install	\$4,810	\$0.22	
2.35 Building Access control - Supply and install	\$4,800	\$0.22	
2.46 Sliding Door Partitions	\$50,000	\$2.33	
2.47 Auto Operators	\$22,500	\$1.05	
2.48 Aluminum Entrances - Storefronts / Curtain Wall	\$714,478	\$33.24	
2.49 Residential Aluminum Wndws and Sliders / Doors	\$159,598	\$7.42	
2.50 Glazed Balcony Railings	\$0	\$0.00	
2.51 Misc Glazing - Mirrors etc.	\$8,240	\$0.38	frosted film
2.52 DW & Acoustic	\$292,682	\$13.62	
2.53 Flooring	\$157,226	\$7.31	
2.54 Painting	\$49,000	\$2.28	
2.55 Lockers	\$3,375	\$0.16	
2.56 Toilet Partitions	\$1,700	\$0.08	
2.57 Washroom Accessories	\$4,640	\$0.22	change table
2.58 Floor Grilles	\$0	\$0.00	
2.60 Mailboxes	\$5,400	\$0.25	
2.61 Signage	\$10,000	\$0.47	allowance
2.66 Elevators	\$90,000	\$4.19	Delta 96 Grand +
2.67 Sprinklers	\$60,000	\$2.79	C&H
2.68 Mechanical	\$775,000	\$36.05	Conestogo #2
2.69 Electrical	\$234,000	\$10.89	Conestogo
2.70 lighting / Lutron package	\$286,000	\$13.30	mid range Cooper
<b>BUILDING Sub-total (excl. H.S.T.)</b>	<b>\$4,876,365</b>	<b>\$226.85</b>	

3.0 GENERAL CONDITIONS, ALLOWANCES & FEES	Gross Costs	S/F Costs on Gross Costs	Remarks
<b>3.1 GENERAL CONDITIONS BUDGET based on 12 Months</b>			
3.1.1 Site Supervision & Facilities (Truck, Office/Storage, Toilets, Phone/Fax, etc...)	\$349,042	\$16.24	
3.1.2 General Expenses (Clean up, Safety, Barriers, Tools etc...)	\$163,423	\$7.60	
3.1.3 Cranes, Hoists etc.	\$80,200	\$3.73	
3.1.4 Winter Heat	\$41,064	\$1.91	
3.1.5 Temporary Power & Lighting	\$15,764	\$0.73	
3.1.6 Bonding Costs	\$0	\$0.00	
3.1.7 Insurance Costs	\$35,894	\$1.67	
<b>Subtotal General Conditions</b>	<b>\$685,387</b>	<b>\$31.88</b>	
<b>3.2 ALLOWANCES</b>			
3.2.1 Testing & Inspection	\$10,000	\$0.47	
3.2.2 Commissioning	\$6,526	\$0.30	
3.2.2 Connections - Water, Sanitary, Storm	\$10,000	\$0.47	
Connections - Gas	\$0	\$0.00	
<b>Connections - Hydro</b>	<b>\$50,000</b>	<b>\$2.33</b>	not in Conestogo
3.2.3 Building Security	\$0	\$0.00	
3.2.4 Furniture & Equipment	\$0	\$0.00	
3.2.5 Soils Remediation	\$100,000	\$4.65	
3.2.6 Str Roof Reinforcing	\$477,000	\$22.19	
3.2.7 Contingency	\$300,000	\$13.96	
<b>Subtotal Allowances</b>	<b>\$953,526</b>	<b>\$44.36</b>	
<b>3.3 PROFESSIONAL FEES</b>			
3.3.1 Pre-Construction Services Fee	\$30,000	\$1.40	
3.3.2 Construction Management Fee	\$420,000	\$19.54	
3.3.3 Architectural, Structural, Drawings & Preparation	\$0	\$0.00	
3.3.4 Mechanical & Electrical Engineering	\$0	\$0.00	
3.3.5 Site Civil & Site Lighting Design	\$0	\$0.00	
3.3.6 Soils Investigation	\$0	\$0.00	
<b>Subtotal Professional Fees</b>	<b>\$450,000</b>	<b>\$20.93</b>	
<b>GENERAL, ALLOWANCES &amp; FEES Sub-total (excl. H.S.T.)</b>	<b>\$2,088,913</b>	<b>\$97.18</b>	

4.0 ITEMS PAID DIRECTLY BY OWNER	Gross Costs	S/F Costs on Gross Costs	Remarks
4.1 Building Permit	\$0	\$0.00	By Owner
4.2 Development Fees	\$0	\$0	By Owner
4.6 Real Estate Fees	\$0	\$0	By Owner
4.7 Financing Fees	\$0	\$0	By Owner
<b>ITEMS BY OWNER Sub-total (excl. H.S.T.)</b>	<b>\$0</b>	<b>\$0.00</b>	

5.0 TOTAL PROJECT DEVELOPMENT COSTS SUMMARY	Gross Costs	S/F Costs on Gross Costs	Remarks
1.0 SITEWORK COSTS	\$538,257	\$25.04	
2.0 BUILDING COSTS	\$4,876,365	\$226.85	
3.0 GENERAL CONDITIONS, ALLOWANCES, FEES & OTHER	\$2,088,913	\$97.18	
4.0 ITEMS PAID DIRECTLY BY OWNER	\$0	\$0.00	
<b>TOTAL PROJECT DEVELOPMENT COSTS (excl. H.S.T.)</b>	<b>\$7,503,535</b>	<b>\$349.07</b>	

Note: This cost estimate represents our best assumptions given the current cost trends and our database of past pricing information.  
This cost estimate does not represent actual subtrade quotations and subsequently is not to be considered a firm price.  
We reserve the right to make changes as required. Melloul-Blamey labour chargeout rates as follows: \$66.00/hour for carpenter and \$56.00 for labourer

9/19/2018

Date: M-B Approval: \_\_\_\_\_  
Print Sign

Date: Owner Approval: \_\_\_\_\_  
Print Sign

MB - 503



## **SUMMARY OF UPDATED EVIDENCE – DVA ACCOUNT 1508 SUB-ACCOUNT MONTHLY BILLING**

Energy+ is submitting updated evidence with respect to the balance of DVA Account 1508 Sub-Account Monthly Billing (“Monthly Billing Account”) as at December 31, 2017.

In the OEB’s Decision and Order dated March 17, 2016 (EB-2015-0057), the OEB approved the former Cambridge and North Dumfries Hydro Inc.’s (“CND”) request for an accounting order to establish a new deferral account to record incremental costs directly related to the implementation of monthly billing for disposition at the time of its next rebasing application. As part of the Decision, the OEB noted that “Costs to be recorded will be net of any associated cost reductions resulting from the transition, including efforts towards paperless billing, improvements in cash flow, or reductions in bad debt.”

Energy+ is updating the balance in the Monthly Billing Account as at December 31, 2017 to record the estimated cash flow benefit to Energy+ attributable to the transition to monthly billing for the period October 2016 through to December 31, 2017. Energy+ did not experience a reduction in bad debt expense related to residential customers in 2016 and 2017 and therefore has not made any adjustments for bad debts.

Energy+ has estimated the cash flow benefit resulting from the one-time collection advancement of one month’s billing for CND customers that transitioned to monthly billing. The one month’s billing was determined based on the average monthly gross revenue for residential customers in the CND rate zone in 2016. The cash flow benefit was then computed based on the average monthly billing amount multiplied by the interest rate earned on cash balances for the period October 1, 2016 to December 31, 2016 and the period January 1, 2017 to December 31, 2017.

As Energy+ was in a positive cash flow position prior to the transition to monthly billing, the increased cash inflow as a result of the transition to monthly billing would have generated additional interest income.

The amount of incremental interest income earned has been estimated using historical prescribed DVA interest rates as summarized in the following table.

	<b>2016</b>	<b>2017</b>	<b>Total</b>
One-time Monthly Billing Collection Benefit	6,185,566	6,185,566	
Prescribed DVA Interest Rates	1.10%	1.20%	
Proportion of Year	25%	100%	
Estimated Cash Flow Benefit	17,010	74,227	91,237

The DVA Continuity schedule has been updated to adjust the balances for 2016 and 2017. The updates to the DVA Continuity schedule were made as principal adjustments in the respective years. The adjusting entries will be posted to Energy+'s general ledger in 2018. As the journal entries will appear in Energy+'s general ledger as 2018 transactions, the principal adjustments from 2016 and 2017 will be reversed in 2018.

Energy+ will also record an additional cash flow benefit for the period January 1, 2018 to December 31, 2018 as part of the transactions for the Monthly Billing Account for the year 2018. The request for disposition of the 2018 monthly billing transactions (the incremental costs, net of any associated cost reductions) will form part of a future IRM Application.

The 2019 Tariff Schedule Model has been updated to reflect the change in the proposed rate rider for monthly billing as a result of the change to the account balance as at December 31, 2017.

The updated evidence includes:

- Exhibit 9 – Section 9.3.3 – Pages 27 to 29
- IRR to 9-Staff-104 a)

The following models were previously filed as part of the Settlement Proposal.

- 2019 EnergyPlus DVA Continuity\_Schedule\_CoS - Consolidated - Settlement.xlsb
- 2019 EnergyPlus Tariff\_Schedule\_Model-CND - Settlement.xlsx
- 2019 EnergyPlus Tariff\_Schedule\_Model-BCP - Settlement.xlsx

**Sub Account: Monthly Billing**

On April 15, 2015 the OEB announced that by the end of 2016, all electricity distributors in Ontario will be required to bill their customers on a monthly basis. In Energy+'s 2016 IRM application (EB-2015-0057), Energy+ (CND) indicated that it would be in a position to begin billing all customers on a monthly basis, beginning January 1, 2017 and requested an accounting order to establish a new deferral account to record the incremental costs associated with moving to the monthly billing method, as the former CND did not include the costs of monthly billing in its last (2014) Cost of Service application. In the OEB Decision and Rate Order for the IRM application (EB-2015-0057), the OEB approved the account as requested by Energy+. The OEB, in the Decision, also indicated that the costs recorded in this account will be subject to a prudence review at the time of Energy+'s next rebasing application, expected for 2019 rates. This Application is the first rebasing application available in which to claim the costs recorded and accumulating in this account.

Customers of the former BCP were billed on a monthly basis prior to the acquisition by the former CND in 2014. As such, incremental costs associated with monthly billing for only those customers in the Energy+ Cambridge and North Dumfries (CND) service territory have and will continue to be recorded in a deferral account up until December 31, 2018.

Energy+ began moving CND customers to monthly billing in November and December 2016 with all customers transitioned by the billing period beginning January 3, 2017.

The total costs recorded in this account are \$406,749 as detailed in the Table 9-6 below. Carrying charges totalled \$9,597 to December 31, 2018 making the total applied for recovery \$416,346. As a note, Energy+ will be applying in its 2020 IRM application for recovery of the 2018 costs incurring regarding this project.

As summarized in Table 9-15, total costs of \$406,749 represent costs incurred for the years 2016 and 2017. Energy+ confirms that it has only recorded incremental costs and benefits in this account.

**Table 9-15: Costs Incurred to Transition to Monthly Billing**

Incremental Monthly Billing Costs	2016	2017	Total
Labour Costs	54,436	80,815	135,251
Postage Costs	39,281	204,323	243,604
Envelopes and Stationery	12,090	62,884	74,974
Consulting Services	18,515	-	18,515
Advertising to Customers	4,586	-	4,586
Other Expenses	3,361	17,696	21,057
Estimated Cash Flow Benefits	(17,010)	(74,227)	(91,237)
Total	\$ 115,258	\$ 291,491	\$ 406,749
Carrying Charges to December 31, 2018			9,597
Balance in Account			\$ 416,346

Details of the costs are as follows:

Labour Costs: Energy+ hired additional contract staff to backfill positions that were dedicated to the monthly billing project during its initial implementation. In 2017, Energy+ hired an additional full-time Billing Clerk to support the incremental effort required to produce monthly bills. In 2018, Energy+ will be hiring a full-time Customer Care Representative to replace a contract position that has been utilized to support the incremental work associated with monthly billing. Overtime during the transition period was also required for some existing staff to work on the implementation project. Detailed records were maintained to track the labour costs related to this project.

Postage Costs: Energy+ determined the number of additional bills that adoption of monthly billing generated and applied the relevant postage costs to determine the incremental costs. It should be noted that postal costs have been steadily increasing over the past several years and are expected to continue to do so.

Envelopes and Stationery: Energy+ determined the number of additional bills that resulted from moving to monthly billing and applied the relevant envelopes and stationery costs to determine the incremental costs.

Consulting Services: Energy+ hired external consultants on a limited basis in 2016 to organize and manage certain aspects of the initial stages of the implementation project.

Advertising to Customers: Energy+ sent a notification to affected customers to inform them of the changes to the timing of their bills.

Other Expenses: Miscellaneous expenses related to the monthly billing project.

Cash Flow Benefits: Energy+ estimated the incremental interest income that would have occurred from advancing the collection of residential accounts upon adoption of monthly billing. The calculation of the cash flow benefit is outlined in the table below. In the DVA Continuity, these amounts are presented as principal adjustments in 2016 and 2017. These entries will be posted to the general ledger in 2018 and the total amount will be reversed in the 2018 principal adjustments.

**Table 9-16: Calculation of Cash Flow Benefits**

	2016	2017	Total
One-time Monthly Billing Collection Benefit	6,185,566	6,185,566	
Prescribed DVA Interest Rates	1.10%	1.20%	
Proportion of Year	25%	100%	
Estimated Cash Flow Benefit	17,010	74,227	91,237

Energy+ has continued to promote e-billing to all of its customers to mitigate the impact of increased billing, printing, and postage costs from the implementation of monthly billing. At the end of 2015, prior to the implementation of monthly billing for CND customers, 5,574 customers were enrolled in e-billing. At the end of 2017, 7,409 customers were enrolled. Although this was a 32% increase in two years, the number of customers enrolled in e-billing is still significantly lower than the number of residential and GS> 50kW customers who receive bills on a monthly basis.

**9–Staff-104**

**INTERROGATORY**

**Ref: Exhibit 9, Table 9-20**

The applicant is proposing to continue Account 1508, sub-account Monthly Billing and sub-account cost assessment. The applicant is seeking the disposition of both of these account as part of this current application and the rates approved as part of this application will no longer require the need to track amounts in these accounts beyond 2018.

- a) Is the applicant able to estimate the remaining amounts to be included in these accounts for 2018?

**RESPONSE**

Energy+ estimates the remaining amounts to be included in these accounts for 2018 to be \$336,345. This amounts comprises of \$256,043 for monthly billing<sup>1</sup> and \$80,302 for OEB cost assessments.

<sup>1</sup> Energy+ has revised its initial 2018 monthly billing estimate of \$371,249 to include \$115,206 in cash flow benefits.