Business Case Summary

Project #	83900 (OM&A) and #83901 (CAP)	**Controlled Doc #**	
Project Title	2019CK: 700U Workplace Transformation		
Facility	700 University Ave. Toronto	**Investment Classification**	Value Enhancing
Project Level (Scalability)	B	**Financial Classification**	☒ OM&A ☒ Capital ☐ Capital Spare ☐ MFA ☐ CMFA ☐ Provision ☐ Others: [if applicable]
Release: Gate and Project Phase	☒ Superseding G0☐: Initiation ☐ Choose an item. G1☐: Choose an item.		☐ Choose an item. G2☐: Definition ☐ Choose an item. G3☒: Execution
Estimate Class (overall project)	Class 1	**Target Project Completion Date**	[AUG-2019]

Recommendation

This document supersedes the original BCS which was approved to release a budgetary allocation of $**26,359K including $2,396K of contingency, in 2018.**

The superseding BCS is required to change funding stream for Office Furniture from OMA to Capital due to the capitalization of furniture in 2019, $6,038K will need to be moved from OMA to Capital.

There is no change to the original BCS details relating to the scope of work, planning, and risks. Appendix A: Summary Estimate have been revised to reflect the projected spending from OMA to Capital funding.

We recommend the release of $25,895K, including $2,319K of contingency.
This is in addition to the initial release of 464K including 77K of contingency for the identification/initiation phase.
The estimated total project cost is $ 26,359K including $2,396K of contingency.

The quality of the estimate for this release is Class 1, and for the total project is Class 1.

This release will fund the following scope of work:

IDENTIFICATION & INITIATION (Phase 1): *Phase 1 is completes and was included in the initial release.*

- Develop and submit a project plan and space utilization study
- Provide report outlining design recommendations and budget

DEFINITION (Phase 2) – *This new release for the definition/execution phase (Phase 2 and 3) will the following scope of work:*

- Prepare full set of construction implementation drawings for two floors and develop and coordinate drawing set with Engineers and sub-consultants as required and finalize "permit drawing set" and drawing package for tender
- Development of the OPG Architectural and Furniture Standards Playbook
- Award construction/build.

EXECUTION (Phase 3): *This new release for the definition/execution phase (Phase 2 and 3) will the following scope of work:*

- Moves to temporary space (swing space) and into new space once built
- Asset recovery & redeployment on 18th and 19th floors
- Construct/build
- Post occupancy survey, reporting, photos, illustrations and communications

Summary of Preferred Alternative:

The preferred alternative is option 1 below, which includes occupying two floors and a free address model. This preferred alternative has an NPV of $9.8M. The following table provides the options considered, and their corresponding NPVs:

Business Case Summary

Recommendation

Option	Description	NPV ($M)	Notes
1	Occupy the 18th and 19th floors. Free address model.	$9.8	700U employees work in a free address environment. Project partially funded by tenant inducement allowance of $11.2M.
2	Occupy half of 9th floor, 18th and 19th floor. Fixed address model for everyone.	$7.8	All 700U employees have a designated workstation. Project partially funded by tenant inducement allowance of $11.2M.
3	Do nothing	$6.6	No project, and assume collect the tenant inducement allowance of $11.2M and workstation replacements where needed to meet current requirements.

History of BCS releases and project cost estimates:

The total project cost is now estimated at $26,359K including $2,396K of contingency, compared to the initial release of $464K including $77K of contingency for the identification/initiation phase.

History of scope and schedule changes:

The initial BCS included costs associated with only the Identification/Initiation phases. This new release is for the Definition and Execution phases.

Key Assumptions and Risks:

Key project assumptions include: OPG can release HLC in July 2019, and subletting or releasing H17 in 2020 and H9 in July 2021. Risks to cost and schedule are managed with contingency, contracts and contractor oversight.

Conclusion:

Free Address - 2 floor option provides the greatest financial benefits while achieving OPG's strategic objectives with respect to its real estate strategy.

Investment Cash Flows

$K	LTD	2018	2019	2020	2021	2022	2023	Future	Total
Previous releases	0	14	12						26
Current request	-								-
Total released to date	**0**	**14**	**12**	**-**	**-**	**-**	**-**	**-**	**26**
Future required	-								-
Total Project Cost	**0**	**14**	**12**	**-**	**-**	**-**	**-**	**-**	**26**
Ongoing Costs	-								
					Gate:	**G3**	**OAR Approval:**		$26 K

Business Case Summary

Approvals	Signatures	Date
The recommendation, including the identified ongoing costs, if any, represents the best option to meet the validated business need.		
Recommended by: Project Sponsor Chris Ginther Chief Administrative Officer	See Electronic Approval Attached	
I concur with the business decision as documented in this BCS.		
Finance Approval: John Mauti CFO and SVP-Finance per OPG-STD-0076	See Electronic Approval Attached	
I confirm that this investment/project, including the identified ongoing costs, if any, will address the business need, is of sufficient priority to proceed, and provides value for money.		
Line Approval per OAR 1.2: Ken Hartwick President and CEO	See Electronic Approval Attached	

EXECUTIVE SUMMARY – Project Overview

Business Need — For Project Level A or B

This full BCS is considered Value Enhancing as justified by the following:

- The NPV is $9.8M
- The project will be partially funded by the Tenant Inducement provided by the landlord up to $11.2 million
- The project reduces OPG's real estate footprint from 5 floors to 2 floors at 700 University Avenue (700U), allowing for the release of the Lower Concourse (HLC) floor and sub-leasing/release of 1.5 floors (17 and 9) to create incremental cash flow / savings through lower rental and operating costs. Currently, OPG pays approximately $2M/year in rental and operating costs per floor. This project is expected to provide $1M in rental and operating cost savings in 2019, $4M in 2020 and $6M/year in costs savings starting in 2020 until the end of the lease.
- OPG will realize a reduction in future years spending as a result of deploying IT and AV equipment (i.e. laptops, monitors, AV) in this project
- This project is expected to deliver productivity gains from reduced headcount, sickness and absenteeism
- The project includes LED lighting upgrades, which would generate Save on Energy incentives and reduce maintenance and energy costs
- The project is an executive level approved initiative to modernize the workspace for employees at the 700U office, to promote enhanced productivity, collaboration and engagement of employees, consistent with the OPG's direction on ONE OPG

Preferred Alternative: Free Address – 2nd Floor option — For Project Level A, B or C

Description of Preferred Alternative

The preferred alternative for this definition/execution phase of the project has an NPV of $9.8M. This is more favourable than doing nothing or the Fixed Address – 2.5 floor option.

Deliverables:	Associated Milestones (if any):	Target Date:
Previous releases:		
Identification and Initiation Phase Figure3 Phase 1 • Develop and submit a project plan • Space utilization study / program - Gather information about how OPG employees do their	Submission and acceptance of Project plan	Jan 16, 2018

Deliverables:	Associated Milestones (if any):	Target Date:
work in office spaces and identify alternative work spaces • Conduct interviews with function leaders to understand organization goals and individual job requirements. • Make recommendations for types of conference rooms/meeting room spaces along with the appropriate communication and IT technologies • Pre & Post Occupancy Survey tools • Stacking plans & Feasibility planning (or test fits) • Three Concept Designs – (look & feel only of which would be LEED compliant) • Develop recommendation for new space standard guidelines • Finalized furniture and IT planning – including Bill of Material for both furniture (compliant to AODA and Ergonomic Standards) and IT requirements for entire project. • Provide change management communications and support (i.e. communication tactics for website, employee communications, town halls, etc.) • Business case justification summary	Present summary of Connection point to ELT Present final report and recommendation to ELT	Feb.28, 2018 Mar.27, 2018
Definition Phase <u>Figure3 Phase 2</u> • Develop, coordinate, issue and manage an RFP for the procurement of all new furniture requesting from OPG's preferred furniture vendors • Prepare full set of construction implementation drawings for one (1) floor. Coordinate with Engineers and sub-consultants as required • Development of the OPG Architectural and Furniture Standards Playbook • Develop, Review and finalize 'Permit Drawing Set' with client. Develop and Submit drawing package for permit application. • Develop and Submit drawing package to Contractor for construction tender • Mock up of various workstation types - must include furniture and be compliant with AODA and ergonomic standards. • Work with OPG Supply Chain on Scope of Work for Construction/Build RFP. OPG to award construction/build • Update business case justification summary • Asset recovery and re-deployment	Final OPG approval to proceed to CDs Issue furniture RFI Issue furniture competitive bid Award furniture contract Move staff to Swing Space Asset Recovery and Re-deployment Issue competitive bid for GC Award GC contract.	Jun.19, 2018 Jun.15, 2018 Jul.2, 2018 Aug.13-17/18 Jul.15-Aug.15, 2018 Aug.15-Sept.14, 2018 Aug.15, 2018 Sept.24-28, 2018
Current release:		
Execution Phase • Project management for the build (includes infrastructure improvements, IT and office build) • Contract Administration • Site meetings & instructions	GC mobilization on site (includes demolition and construction)	Oct.1, 2018 – July 31, 2019

Deliverables:	Associated Milestones (if any):	Target Date:
• Change notices • Certificate of payment • Shop drawing review • Deficiency reporting • Deficiency follow through • Close out documents • Update business case justification • Post occupancy survey + reporting (after 6 months of occupancy) • Post occupancy professional photos, illustrations, communications and for use in internal communications and promotional materials.		
Future release:		

Alternative 2:	**Base Case – No Project** For Project Level A, B or Value-Enhancing
The NPV for no project for definition/execution phase of the project is $6.6M. If we do not do the project, OPG will need to use a portion of the tenant inducement allowance of $11.2M for workstation repairs/replacements and basic upgrades to meet current requirements. However, the biggest disadvantage with this option is that none of the rent and operating cost savings could be realized, which is considered less favourable than the Alternative 1 or 3.	

Alternative 3:	**Fixed Address – 2.5 Floor Option (option approved by ELT on March 27, 2018)** For Project Level A or B or Value-Enhancing
The NPV for the definition/execution phase of the project is $7.8M. The disadvantage is that none of the rent and operating cost savings from the release of the full 9th floor could not be realized, which is less favourable than Alternative 1 and more favourable than Alternative 2.	

Alternative 4:	**NA** For Project Level A or B
NA	

Key Risk Assessment For Project Level A, B or C

Risk Class	Description of Risk	Response Type/ Actions/Final TCD	For Additional Review	Residual Ranking
Cost	Unknown issue with space including electrical, civil, HVAC, etc.	Accept: • Provide extra budget for contingency purposes. Engineering studies prior to developing the estimate.	Choose an item.	Medium
Schedule	Delays are possible due to encountering unforeseen building issues.	Accept: • Contractors will be held responsible to complete on time per schedule with effective contractor onsight. As built drawings provided to engineering.	Choose an item.	Medium
Quality	Contractor/sub-contractor performance below expectation.	Mitigate: • Project manager to closely monitor work and ensure quality work is implemented.	Choose an item.	Low

Key Risk Assessment				For Project Level A, B or C
Risk Class	**Description of Risk**	**Response Type/ Actions/Final TCD**	**For Additional Review**	**Residual Ranking**
Choose an item.	[Describe the nature of the risk and quantify the financial impact if feasible.]	Choose an item.: • [Describe the planned activities to reduce or eliminate the risk.] **Final TCD: [MMM-YYYY]**	Choose an item.	Choose an item.

Additional Risk Analysis				For Project Level A or B
Risk Class	**Description of Risk**	**Risk Management Strategy**	**Post-Mitigation**	
			Probability	**Impact**
Scope	Potential impact from unseen organizational changes.	Validation of organization and dept. needs for space at VP level. Design is flexible.	Low	Low
Resources	Unavailability of required materials, labour or OPG labour.	Contractor to ensure materials and labour are on site when required. OPG to provide staff resources as needed.	Low	Medium
Technical	Unknown issue with space including electrical, civil, HVAC, etc.	As built drawings were create to reduce risk	Low	Medium

Financial Evaluation				For Project Level A, B (with multiple feasible alternatives) or Value-Enhancing	
$K	Preferred Alternative	Base Case (No Project)	Fixed Address	Alternative 4	Alternative 5
Project Cost	26,359	1,120	24,694		
NPV	9,776	6.643	7,777		
Other: (e.g., IRR)	NA	NA	NA		

Analysis of Financial Evaluation – Key Assumptions and Key Results:

The NPVs were calculated using the Excel-based tool provided on OPG's Investment Planning website.

Key assumptions and observations are as follows:

- Net rental savings were a primary benefit included in the calculation of the NPVs. A core benefit of executing the project is to reduce OPG's footprint in the 700U building.
- In all alternatives considered, the benefit of receiving the tenant inducement allowance of $11.2M was included.
- The option of doing nothing has an NPV of $6.6M. The recommended alternative has an NPV of $9.8M. As such, all assumptions and estimates would have to materialize as the project is delivered to achieve the calculated benefit, while not pursuing the project would culminate in a healthy benefit with no risk.
- The model used a discount rate of 9%, which is considered to be conservative for assessment purposes.

Qualitative Factors — For Project Level A or B

This project provides additional benefits including:

- Improved employee engagement, consistent with OPG's direction on One OPG
- Greater flexibility to exit our 700U occupancy prior to end of lease (better tenant attraction)
- Improved talent attraction
- Better opportunity for 700U employees to innovate and collaborate
- Access to daylight for all 700U employees
- Improved ergonomics by providing height adjustable tables to employees
- Flexibility to adapt to future organization changes with minimal move related costs
- LED lighting upgrades, which would generate Save on Energy incentives and reduce maintenance costs

Post Implementation Review (PIR) Plan (refer to OPG-PROC-0056)			
Type of PIR Report	Simplified/Standard PIR	**PIR Completion Date**	Jul-2020
☐ Detailed PIR KPIs will be provided in future BCS(s) when Choose an item. Phase BCS release is requested.			

PIR KPIs	Current Baseline	Target Result	How to measure?	Who will measure?
Actual Costs	BCS budget	Final Costs within budget	Costs will be tracked and monitored in financial reporting systems	RES/Finance
Occupancy Savings	Existing lease and operating costs	Release (or sublease) of floors as planned	Monitoring of lease and operating costs (net of sublease revenues)	RES/Finance
Ready for Occupancy Schedule	Project Schedule	Within project schedule	Based on move completion of affected groups	RES

Definitions and Acronyms
[Delete this section if not needed. See Guidance]

APPENDICES

Appendix A1: Summary of Estimate	Choose an item.									
Project Number:	**Project #83900 (OM&A) and #83901 (CAP)**									
Project Title:	**OPG Workplace Transformation Strategy**									
$K	**LTD**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Future**	**Total**	**%**
Project Mgmt			30	126					156	1%
Inspection									-	0%
Engineering		70	3,309						3,379	13%
Procurement			215	5,750					5,965	23%
Construction				14,140					14,140	54%
Commissioning									-	0%
Closeout									-	0%
Subtotal	-	70	3,554	20,016	-	-	-	-	23,640	90%
Outside WBS									-	0%
Contingency				2,396					2,396	9%
Subtotal w/ Contingency	-	70	3,554	22,412	-	-	-	-	26,036	99%
Interest			15	308					323	1%
Other									-	0%
Total	**-**	**70**	**3,569**	**22,720**	**-**	**-**	**-**	**-**	**26,359**	**100%**
Removal Costs (incl. above)									-	0%

Appendix A2: Summary of Estimate – Notes			
Escalation Rate	2%	**Interest Rate (going-forward)**	5%

Appendix A3: Summary of Estimate – In-Service Estimates				
$K	Only applicable to capital projects. In-Service amount shall include interest but exclude removal costs.			
Project #	**Date (YYYY-MM-DD)**	**Description**	**Amount**	**%**
				0%
				0%
Total			-	0%

Prepared by:	Reviewed and Endorsed by:
See Electronic Approval Attached	See Electronic Approval Attached
Tami Boulton	Connie Hergert
Sr. Mgr. Projects and Accommodations Date	VP, Real Estate and Services Date
Project Leader	

$K	LTD	2017	2018	2019	2020	2021	2022	Future	Total
Capital #83901				6,395					6,395
OM&A #83900				(6,395)					(6,395)

Total Project Estimate Variance Explanation (delete if not required)

OM&A Furniture was not purchased 2018. Effective 2019 furniture is capitalized. Variance is to move furniture costs to Capital.

APPENDICES (Continued)

Appendix C: Financial Evaluation Assumptions	For Project Level A, B (with multiple feasible alternatives) or Value-Enhancing
Key assumptions used in the financial model of the project are:	
[See BCS Writing Guidance]	

References	For Project Level A or B
[See BCS Writing Guidance]	

From: Real Estate Facilities and Projects
To: MONTGOMERY Erica -PROJMANOFF
Cc: QUADROS Sachin -FIN & C CTRL; SINGH Mala -NUCLEAR
Subject: Approval has completed on 83901 83900 Superceding BCS for 700 U Workplace Transformation.
Date: Thursday, August 01, 2019 3:27:05 PM

Approval has completed on 83901 83900 Superceding BCS for 700 U Workplace Transformation.

Approval on 83901 83900 Superceding BCS for 700 U Workplace Transformation has successfully completed. All participants have completed their tasks.

Approval started by MONTGOMERY Erica -PROJMANOFF on 7/25/2019 9:18 AM
Comment: This superseding BCS for 700U Workplace Transformation. The intent is to update the project to show that furniture for this project can now be capitalized as per new finance rules in 2019.

Approved by BOULTON Tami -CORP RE on 7/26/2019 9:51 AM
Comment:

Approved by HERGERT Connie -CORP RE on 7/29/2019 11:28 AM
Comment:

Approved by GINTHER Chris -CAO on 8/1/2019 2:51 PM
Comment:

Approved by MAUTI John -FIN & C CTRL on 8/1/2019 3:19 PM
Comment:

Approved by HARTWICK Ken on 8/1/2019 3:26 PM
Comment:

View the workflow history.

☐ **Project Review Committee (PRC)**

_____
Date

ONTARIO POWER GENERATION

Internal Use Only
RES-FORM-0010 R002*

CHANGE REQUEST AUTHORIZATION

Project Title: 700 University Work Place Transformation	**Project Number:** 83900 & 83901	**Change Request Number (# from CSA):** 2019-CAP-008
Change Requestor: Tami Boulton, Sr. Manager Projects and Accommodation		**Date of Request:** June 6, 2019

DESCRIPTION:

Outline of Change $6,395K

Superseding BCS to be created to change funding stream for office furniture and technology from OMA to Capital in 2019. The target in service date of April extended to July. The original BCS was approved to release a budgetary allocation of $26,359K including $2,396K of contingency, in 2018. There is no change to the original BCS details relating to the scope of work, planning and risk.

Reason for Change

Due to the capitalization of furniture in 2019, $6,395K will need to be moved from OMA to Capital.

IMPACTS:

Effect on Scope No effect to the scope

Effect on Schedule There was a minor effect on schedule from April to July, but this was not due to the funding stream, but rather when mould was discovered and the remediation work that ensued.

Effect on Budget Funding stream changed from OMA to Capital, $6,038K, plus $357K in Contingency in 2019. Grand total of $6,395K from OMA + contingency to Capital + contingency.

Real Estate and Services:

☐ **Project Review Committee (PRC)**

Date

Internal Use Only
RES-FORM-0010 R002*

CHANGE REQUEST AUTHORIZATION

Prepared By: Bob Lim	**Reviewed By: Project Manager** Tami Boulton	**Authorized By: Project Sponsor** Alison Folosea
Signature: N/A	*Signature* See Electronic Attached	*Signature* See Electronic Attached
CSA	Sr. Manager, Projects & Accomm.	RES Director
June 6, 2019	June 6, 2019	June 6, 2019

☐ Concurred By: Name/Title dd/mon/year

Record Keeping / Distribution:

*Associated with RE-PM-GUID-00120-001, Project Management Guide

From: Real Estate Facilities and Projects
To: MONTGOMERY Erica -PROJMANOFF
Subject: Approval has completed on 83901 83900 2019-CAP-008 for 700U WPT.
Date: Wednesday, July 24, 2019 7:09:09 PM

Approval has completed on 83901 83900 2019-CAP-008 for 700U WPT.

Approval on 83901 83900 2019-CAP-008 for 700U WPT has successfully completed. All participants have completed their tasks.

Approval started by MONTGOMERY Erica -PROJMANOFF on 6/21/2019 2:59 PM
Comment: Please approve this change request to move OM&A funds to Capital for the 700U WPT project.

Approved by BOULTON Tami -CORP RE on 7/8/2019 8:21 AM
Comment:

Request updated by MONTGOMERY Erica -PROJMANOFF on 7/24/2019 4:20 PM
Request: Alison is away. Please approve on her behalf. This change request to move OM&A funds to Capital for the 700U WPT project.

Completed by MONTGOMERY Erica -PROJMANOFF on 7/24/2019 4:21 PM
Task assigned to FOLOSEA Alison -CORP RE was automatically completed because it was deleted by MONTGOMERY Erica -PROJMANOFF - Alison away on vacation, Alim will approve on her behalf.

Approved by YHAP Alim -CORP RE on 7/24/2019 7:09 PM
Comment: Approved on behalf of Alison per email.

View the workflow history.