SEC Interrogatory #111

Interrogatory

Reference: D3-1-2, Attachment 2

With respect to the Clarington Corporate Campus Project:

a. Is there a more detailed project proposal and business case that exists for this project? If so, please provide copies.
b. Please provide a detailed breakdown of the forecast costs of the project and how they were estimated.
c. Please provide details regarding the procurement method for the project.
d. [p.6] The Applicant provides a cost and NPV calculation for the various alternatives. Please provide the full underlying cost breakdown and NPV calculations, including all assumptions made, for each alternative.
e. When the Project is completed, what is the forecast annual revenue requirement (allocated to both regulated nuclear and hydroelectric), including both capital and OM&A portions?
f. Please provide a list of current OPG facilities that the proposed project will replace, the total annual savings, and the amount of savings that would be allocated to OPG's regulated business

Response

a) The project is in the planning phase and a more detailed proposal has not yet been developed. There is not a more detailed business case than that provided in Ex. D3-1-2, Attachment 2.

b) The breakdown of the forecast costs of the project is below:

Chart 1: Forecast Costs for New Building at Clarington ($M)

Engineering, Procurement, Construction	[redacted]
Project Management and Oversight	
Escalation	
Contingency	
Total	

The estimate was derived using a leading construction estimation software, RSMeans, and supplemented with OPG's operational experience with, and industry standards for similar projects. The project in currently in the planning phase and

detailed design is still to be completed, therefore the forecast cost is a Class 5 estimate.

c) This project is utilizing an EPC strategy with front-end engineering and design, with the aim of early contractor involvement to partially complete the design. OPG has also hired an owner's representative to develop user requirements and performance specifications, and to assist with project oversight.

d) The breakdown of the [redacted] in costs is provided in part (b) above.

As per Ex. D3-1-2, Attachment 2, p. 6, net present values were calculated for the preferred alternative and the base case. The underlying net present value calculations for these alternatives are as follows:

Chart 2: Net Present Value Calculations for Clarington Business Case Alternatives

Description	Net Present Value ($M)[1]
Preferred Alternative: New Building	
Ongoing operating costs of the new building once in service[2]	[redacted]
Construction costs of the new building[3]	
Lease costs at existing sites until personnel is relocated to new building[4]	
Intra-site travel costs	
Relocation and other	
Total Net Present Value – Preferred Alternative	
Base Case: No Project and Continue Leasing	
Continued lease costs at identified existing sites[5]	[redacted]
Modifications at Kipling campus and 889 Brock Road to increase occupancy[6]	
Intra-site travel costs	
Total Net Present Value – Base Case	

[1]Present values are shown net of tax at 25% and were calculated as of 2020.
[2]Operating costs are assumed to escalate annually by 3%.
[3]Capital expenditures assumed to be CCA eligible as follows: 80% to class 1.1 and 20% to class 8.
[4]Refer to Ex. L-D3-01-Society-012, part (a) for the current estimated dates at which OPG aims to release its leased premises.
[5]Represents the present value of continuing to occupy 700 University Ave., 889 Brock Road, and Kipling campus during the 40-year time period equivalent to the life of the new building, as noted in Ex. D3-1-2, Attachment 2, p. 7. These costs are estimated to increase by 3% annually and are based on the amounts approximated by Chart 3 in part (f) below.
[6]Capital expenditures assumed to be CCA eligible as follows: 65% to class 1.1, 16% to class 8, 9% to class 46, and remainder to class 50.

The remaining assumptions made in calculating the net present value for the above alternatives are as set out at Ex. D3-1-2, Attachment 2, p. 7.

e) Refer to Ex. L-F3-02-Energy Probe-059, part (a) for the OM&A portion of the forecast annual revenue requirement allocated to the nuclear business during the IR term. Since the new building at Clarington will not be a prescribed facility, it is not included in the rate base.

With regard to the forecast annual revenue requirement for the hydroelectric business, OPG declines to respond on the basis of relevance. O. Reg. 53/05 section 6(2), 13, i, establishes the Hydroelectric payment amounts for the period covered by this application at the level that exists on December 31, 2021. As such, the information sought is not relevant to any issue before the OEB in this application.

f) The requested information for the current OPG facilities the project will replace is provided below:

Chart 3: Facilities Being Replaced and Associated Annual Savings

Building	Total Annual Savings ($M)[1]	Annual Savings Allocated to Nuclear ($M)[1]
1. 700 University Avenue	[redacted]	[redacted]
2. 889 Brock Road		
3. 777 Brock Road		
4. 230 Westney Road		
5. 890 Brock Road		
6. 1600 Stellar Drive		
7. 2255 Forbes Street		
8. 78 Richmond Street West		
9. 1910 Clements Road		
10. 1915 Clements Road[2]		
11. 1340 Pickering Parkway		
12. Kipling campus		

[1]For leased sites, represent the forecast lease and utility costs at the later of 2026 or the last full year before the expected termination date (Ex. L-D3-01-Society-12, part (a)). For 700 University Ave., the savings exclude annual asset service fees (net of the tenant inducement allowance) of $2.8M ($2.1M attributed to the nuclear business) for leasehold improvements and related assets.
[2]Annual savings for 1915 Clements Road are less than [redacted].