Society Interrogatory #12

Interrogatory

Reference:
Exhibit D3-1-2, Attachment 2, Clarington Corporate Campus Business Case Summary p3

> *Consolidation of workspace through the construction of a corporate campus allows OPG to optimize our real estate footprint and reduce costs.*
> ***Consolidation will require the release / termination of current real estate interests over the next 5-7 years**, coordinated with the construction of the new building and the workplace transformation at the DEC. …*
> *OPG's non-plant based staff are currently spread among 12 different leased office locations around the Greater Toronto Area (GTA), the OPG-owned Kipling Ave office and in the region of Niagara. **The preferred alternative is to terminate the majority of these occupancies and move all of the employees from these sites to the new campus**, which will consist of the DEC and the new office building to be constructed as part of this project.*

NEWS OCT 08, 2019 BY JENNIFER O'MEARA CLARINGTON THIS WEEK
"4 things you should know, 4 months after OPG's big move announced
From design to GO Train dreams, here's what's going on behind the scenes for OPG's new headquarters"
https://www.toronto.com/news-story/9630482-4-things-you-should-know-4-months-after-opg-s-big-move-announced/

> *The new headquarters could be roughly 200,000 square feet — **bringing together all non-station staff from 15 properties into one**. **The move will save $13 million a year in lease costs**, and OPG may find cost savings in bringing all of the operations together, explained Hergert.*

Jun 10, 2019 Toronto Sun, "OPG moving its HQ east of Toronto"
https://torontosun.com/opinion/columnists/lilley-opg-moving-east

> *Right now the various offices that OPG operates in the region cost about $26 million a year, they expect that to drop to $13 million a year in operating costs, that's even taking into account what could be generous moving allowances.*

a) The Clarington Corporate Campus BCS states that all the staff to be moved are located in 12 different leased office locations around the Greater Toronto Area (GTA), the OPG-owned Kipling Ave office and in the region of Niagara. Please provide a table listing these 12 different leased office locations around the GTA as well as the three OPG owned locations and state the expected date when each of these occupancies will be terminated along with the number of staff located there and the square feet which are leased.
b) Why will some of these current real estate interests be terminated 7 years from now (2027), which will be one year after the last staff will have been moved to CCC in 2026?
c) Please confirm or update the referenced Clarington This Week statement that the CCC "move will save $13M a year in lease costs".
d) Please include in the table provided in answer to part a) the break down by location of the annual lease cost savings provided in answer to part c).
e) Please confirm or update the following points made in the referenced Toronto Sun article:
    1) the various offices that OPG operates in the region cost about $26 million a year.
    2) OPG expect [the $26M a year] to drop to $13 million a year in operating costs, that's even taking into account what could be generous moving allowances.
    3) Confirm and explain how the moving allowances are taken into account in the $13M a year drop in operating costs.
f) How does the referenced Toronto Sun article's $13M a year drop in operating costs compare to the referenced Clarington This Week article's $13M a year savings in lease costs? Are these both referring to the same cost savings or do they include different cost components?

Response

a) As noted at Ex. D3-1-1, p. 7, line 17, OPG currently expects to vacate leases at 11 buildings in the Greater Toronto Area. In the course of responding to this interrogatory, OPG identified that Ex. D3-1-2, Attachment 2, p. 3 erroneously stated the company would exit 12 leased office locations going forward, instead of 11. This is a typographical error and has no impact on the financial analysis underpinning the business case, which considered exit from 11 leased premises. Additionally, OPG will exit one currently owned location – the Kipling campus – as noted in Ex. D3-1-1, p. 7, line 18. The requested information for these 12 locations in total is provided below.

Chart 1

Building No.	Building	Expected Date of Termination[1]	Staff Occupancy[2]	Square Feet Leased[3]	Annual Lease Cost Savings ($M)[7]
1	700 University Avenue[4]	[redacted]	463	114,974	3.9
2	889 Brock Road	[redacted]	511	177,488	4.9
3	777 Brock Road	[redacted]	339	98,640	3.1
4	230 Westney Road[5]	[redacted]	139	54,988	1.4
5	890 Brock Road[6]	[redacted]	N/A	14,088	0.2
6	1600 Stellar Drive	[redacted]	82	21,512	0.4
7	2255 Forbes Street	[redacted]	25	158,151	1.3
8	78 Richmond Street West	[redacted]	14	12,124	0.2
9	1910 Clements Road	[redacted]	34	37,920	0.4
10	1915 Clements Road[6,8]	[redacted]	N/A	3,905	0.0
11	1340 Pickering Parkway	[redacted]	102	36,220	1.2
12	Kipling Campus[9]	[redacted]	213	N/A	N/A

[1]Represents the current estimated dates at which OPG plans to release these spaces. [redacted]

[2]Represents the approximate number of staff whose base work location is assigned to the site as at December 31, 2020.

[3]Building 12 is owned.

[4]Excludes asset service fee (net of tenant inducement) for 700 University Ave. leasehold improvements

and related assets that are included in the occupancy cost shown in Ex. L-D3-01-Energy Probe-046 (a).
[5] [redacted]
[6]This space is utilized for laboratory and other purposes whereby no staff are currently permanently assigned to this location.
[7]Based on the 2020 occupancy costs, which represent the lease and utility costs attributed to the nuclear business for each leased site listed.
[8]Occupancy costs related to 1915 Clements Road are less than $0.1M in 2020.
[9]Refer to Ex. L-D3-01-Society-007, part (n) for further details.

b) OPG assumes that CCC refers to the Clarington Campus.

OPG has not yet developed detailed staff relocation plans. At present, OPG anticipates that some of the termination dates for the current real estate interests may extend beyond the completion of the new building at Clarington due to a combination of current obligations under the lease agreements and availability of space impacted by the completion of the Darlington Refurbishment Program. OPG will continue to develop relocation plans and review assumed termination dates leading up to the completion of the new building at Clarington, based on business considerations.

c) and d)

Refer to part a) for the estimated reductions in lease and associated costs for the nuclear business based on current occupancy cost. This does not include additional reductions in these costs achieved to date through the 700 University Workplace Transformation project (Ex. L-D3-01-SEC-110) and the termination of the 1908 Colonel Sam Drive lease.

e) 1) OPG is unable to speculate on the specific basis for the referenced article. As a general matter, OPG notes that it has implemented certain reductions in its leasing footprint and associated costs since the time the article was published.

The 11 leased properties identified in part a) above have a current total operating cost of $18.0 million, of which approximately $17.0 million is attributed to the nuclear business as shown in part a).

2) and 3) Refer to parts (c) and (d) above. [redacted]

f) Refer to part e).