Society Interrogatory #17

Interrogatory

Reference:
Exhibit F3-2-1, Section 3.0, Asset Service Fees; and Table 2.

The Clarington Corporate Campus Business Case Summary (Exhibit D3-1-2, Attachment 2) describes, as a benefit of the project, savings in real estate costs.

a) What was the Cost of Capital used in the calculation of the Asset Service Fee for the Clarington Campus on Exhibit F3-2-1, Chart 2? If it is different than the approximately 6% Cost of Capital used for the calculation of rates (see Exhibit C1-1-1, Tables 1 to 5), please explain why?
b) The combined real estate related costs allocated to Nuclear for Asset Service Fees for the Kipling Ave. Office & Wesleyville Property, 700 University Ave Office, and the Clarington Corporate Campus in Exhibit F3-2-1, Table 2 (Lines 2, 3, & 4), and for the Leases & Utilities in Exhibit F3-1-1, Table 3 (Line 9), do not appear to show a material cost savings in between 2023 and 2026. Please clarify where the expected cost savings related to the Campus project appear in evidence.

Response

a) The cost of capital used in the calculation of the asset service fee for the Clarington Campus was approximately 6%.

b) As described in Ex. D3-1-2, Attachment 2, savings from the Campus project span the estimated useful life of the new building; therefore, the majority of the projected savings will be realized beyond the IR term and are not confined to the years between 2023 and 2026.

   With respect to the period between 2023 and 2026, the reductions in real estate costs for the nuclear facilities have been reflected in the application as follows:

   - In relation to annual Leases & Utilities costs attributed to the nuclear facilities, $7.0M out of the total reduction of $12.2M (Ex. F3-1-1, Table 3, line 9, cols. (h) and (k)) relates to leased sites OPG expects to exit by the end of 2026 as part of the move to Clarington.
   - In relation to annual asset service fees for the nuclear facilities, the decline for 700 University Ave. by $3.3M (Ex. F3-2-1, Table 2, line 3, cols. (h) and (k)) relates to the termination of the lease as part of the move to Clarington.

In addition, Ex. L-D3-01-Society-012 part (a) notes certain sites that OPG currently does not expect to release until shortly after the end of 2026, with related savings being realized thereafter. Annual lease and utilities costs forecasted for these sites, as attributed to the nuclear facilities, amount to $9.8M in 2026, which approximates the savings once these spaces are released.

Exhibit L-D3-01-Society-012 part (a) also notes certain sites that OPG expects to release prior to 2023, with related savings beginning to be realized in that period. Annual lease and utilities costs forecasted for these sites, as attributed to the nuclear facilities, amount to $2.0M, which approximates the savings once these spaces are released.

Based on the above reductions, the total annual savings are $22.1M, compared to $15.3M in asset service fees related to the new building at Clarington, for a difference of approximately $6.8M per year.