

SCHOOL ENERGY COALITION

**CROSS-EXAMINATION
MATERIALS**

EB-2015-0089

PANEL 2 - BUILDING

Ontario Energy Board	
FILE No.	<u>EB-2015-0089</u>
EXHIBIT No.	<u>K-2.2</u>
DATE	<u>Apr 5/16</u>
08/99	

Request 2

A full, side-by-side comparison of all occupancy costs of the Applicant before and after the new building is put into service. This should include all capital costs, all operating costs to hold or maintain the building or any previous properties used for office, warehouse, storage, or other occupancy purposes, depreciation, cost of capital including PILs impacts, property taxes, and any collateral cost changes (such as new furniture or equipment, build-out costs, write-offs of previous assets, asset retirement costs, energy, water, or similar savings, etc. as well as any related PILs impacts) Please include in the comparison, in addition to the individual data items, a calculation of the total revenue requirement relating to occupancy for the test year, and for the last prior year without the new building.

Response:

Milton Hydro has provided a side-by-side comparison of all occupancy costs before and after the new building is put into service in the following table.

	2015 Unaudited Actuals					2016 Test
	LAWSON	5TH & MAIN	TOTAL Lawson / 5th & Main	CHISHOLM	Total Lawson / 5th & Main / Chisholm	CHISHOLM
DIRECT LABOUR	15,134		15,134		15,134	19,749
MATERIAL	17,621		17,621		17,621	21,935
SNOW REMOVAL	8,736		8,736	3,684	12,420	10,000
LAWN MTCE	6,975		6,975	1,495	8,470	5,600
JANITORIAL SERVICE	25,800		25,800		25,800	45,000
HEATING, FIRE, SEPTIC	14,770		14,770	18,096	32,866	18,000
O/S CONTRACT-MAINTENANCE	24,169		24,169	54,904	79,073	25,000
SECURITY SYSTEM MTCE	2,425		2,425		2,425	2,400
PROPERTY TAXES		32,701	32,701	93,015	125,715	119,949
HYDRO, WATER, SEWAGE	49,287		49,287	27,096	76,383	200,000
Total Building Costs	164,918	32,701	197,618	198,290	395,908	467,634
RENT 8069 LAWSON (incl property tax)	355,273		355,273		355,273	
Total Building Costs Including Rent	520,191	32,701	552,891	198,290	751,181	467,634

As provided in the letter accompanying this filing, Milton Hydro requires additional time to prepare the revenue requirement relating to occupancy for the test year, and for the last prior year without the new building. Expected to be filed on Tuesday March 29, 2016.

2-Energy Probe-4

Interrogatory:

Ref: Exhibit 2, Tables 2-9 & 2-10

- a) Please update Table 2-9 to reflect actual year-to-date expenditures closed to rate base in 2015, along with the forecast for the remainder of the year of the expenditures forecast to be closed to rate base.
- b) Based on the response to part (a), please provide an updated Table 2-10 to reflect any changes in capital additions forecast for the test year as the result of changes in 2015.

Response:

- a) Milton Hydro has updated Exhibit 2, Table 2-9. This reflects our 2015 actual and projected expenditures to the remainder of the year.

2015 Projected additions - \$ 16,853,552

2015 Projected depreciation - \$2,801,987

- a) Milton Hydro has updated Exhibit 2, Table 2-10 to reflect the changes in capital additions forecast for the test year as the result of changes in 2015.

2016 Budget additions - \$ 11,957,093

2016 Budget depreciation - \$ 3,187,971

Fixed Asset Continuity Schedule
Table 2-9 (2015 Projected)
 Accounting Standard IFRS
 Year 2015

CCA Class 2	OEB Account 3	Description 3	Cost				Accumulated Depreciation				
			Opening Balance	Additions 4	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
47	1609	Capital Contributions Paid	\$ 122,349			\$ 122,349	-\$ 4,583	-\$ 3,059		-\$ 7,642	\$ 114,707
12	1611	Computer Software (Formally Known as Account 1925)	\$ 1,022,976	\$ 291,170		\$ 1,314,146	-\$ 638,768	-\$ 140,718		-\$ 779,486	\$ 534,660
CEC	1612	Land Rights (Formally known as Account 1905)	\$ -			\$ -	\$ -			\$ -	\$ -
N/A	1805	Land	\$ 69,883			\$ 69,883	\$ -			\$ -	\$ 69,883
47	1808	Buildings	\$ -			\$ -	\$ -			\$ -	\$ -
13	1810	Leasehold Improvements	\$ -			\$ -	\$ -			\$ -	\$ -
47	1815	Transformer Station Equipment >50 kV	\$ -			\$ -	\$ -			\$ -	\$ -
47	1820	Distribution Station Equipment <50 kV	\$ 1,516,192			\$ 1,516,192	-\$ 1,449,764	-\$ 23,011		-\$ 1,472,775	\$ 43,417
47	1825	Storage Battery Equipment	\$ -			\$ -	\$ -			\$ -	\$ -
47	1830	Poles, Towers & Fixtures	\$ 31,199,868	\$ 1,092,972		\$ 32,292,840	-\$ 10,568,966	-\$ 455,398		-\$ 11,031,702	\$ 21,261,138
47	1835	Overhead Conductors & Devices	\$ 22,998,751	\$ 913,178		\$ 23,911,929	-\$ 12,616,426	-\$ 380,485		-\$ 13,003,042	\$ 10,908,887
47	1840	Underground Conduit	\$ 26,162,539	\$ 1,245,285		\$ 27,407,824	-\$ 8,339,453	-\$ 567,106		-\$ 8,912,780	\$ 18,495,044
47	1845	Underground Conductors & Devices	\$ 18,700,819	\$ 811,878		\$ 19,512,697	-\$ 7,494,710	-\$ 369,731		-\$ 7,864,441	\$ 11,648,256
47	1850	Line Transformers	\$ 37,877,784	\$ 890,846		\$ 38,768,630	-\$ 18,040,731	-\$ 712,642		-\$ 18,753,373	\$ 20,015,257
47	1855	Services (Overhead & Underground)	\$ 14,797,250	\$ 628,445		\$ 15,425,695	-\$ 3,958,473	-\$ 243,666		-\$ 4,202,139	\$ 11,223,556
47	1860	Meters	\$ -			\$ -	\$ -			\$ -	\$ -
47	1860	Meters (Smart Meters)	\$ 11,625,856	\$ 285,365		\$ 11,911,221	-\$ 5,460,909	-\$ 722,424		-\$ 6,183,333	\$ 5,727,888
N/A	1905	Land	\$ 5,182,052		-\$ 1,109,265	\$ 4,072,787	\$ -			\$ -	\$ 4,072,787
47	1908	Buildings & Fixtures	\$ -	\$ 10,460,000		\$ 10,460,000	\$ -	-\$ 104,600		-\$ 105,000	\$ 10,355,000
13	1910	Leasehold Improvements	\$ 377,009			\$ 377,009	-\$ 377,009			-\$ 377,009	\$ -
8	1915	Office Furniture & Equipment (10 years)	\$ 714,887	\$ 400,000		\$ 1,114,887	-\$ 637,675	-\$ 20,000		-\$ 657,675	\$ 457,212
8	1915	Office Furniture & Equipment (5 years)	\$ -			\$ -	\$ -			\$ -	\$ -
10	1920	Computer Equipment - Hardware	\$ 1,892,372	\$ 106,393		\$ 1,998,765	-\$ 1,624,526	-\$ 87,558		-\$ 1,712,084	\$ 286,681
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)	\$ -			\$ -	\$ -			\$ -	\$ -
45.1	1920	Computer Equip.-Hardware(Post Mar. 19/07)	\$ -			\$ -	\$ -			\$ -	\$ -
10	1930	Transportation Equipment	\$ 2,661,180	\$ 440,677		\$ 3,101,857	-\$ 1,479,598	-\$ 157,469		-\$ 1,637,067	\$ 1,464,790
8	1935	Stores Equipment	\$ 281,519	\$ 78,146		\$ 359,665	-\$ 184,363	-\$ 9,324		-\$ 193,686	\$ 165,979
8	1940	Tools, Shop & Garage Equipment	\$ 420,812	\$ 28,232		\$ 449,044	-\$ 391,177	-\$ 6,715		-\$ 397,892	\$ 51,152
8	1945	Measurement & Testing Equipment	\$ 126,481			\$ 126,481	-\$ 52,515	-\$ 9,476		-\$ 61,991	\$ 64,490
8	1950	Power Operated Equipment	\$ -			\$ -	\$ -			\$ -	\$ -
8	1955	Communications Equipment	\$ 269,021	\$ 360,000		\$ 629,021	-\$ 200,060	-\$ 45,247		-\$ 245,307	\$ 383,714
8	1955	Communication Equipment (Smart Meters)	\$ -			\$ -	\$ -			\$ -	\$ -
8	1960	Miscellaneous Equipment	\$ -			\$ -	\$ -			\$ -	\$ -
47	1970	Load Management Controls Customer Premises	\$ -			\$ -	\$ -			\$ -	\$ -
47	1975	Load Management Controls Utility Premises	\$ -			\$ -	\$ -			\$ -	\$ -
47	1980	System Supervisor Equipment	\$ 122,172			\$ 122,172	-\$ 47,743	-\$ 5,375		-\$ 53,118	\$ 69,054
47	1985	Miscellaneous Fixed Assets	\$ -			\$ -	\$ -			\$ -	\$ -
47	1990	Other Tangible Property	\$ 133,004			\$ 133,004	-\$ 47,006	-\$ 13,301		-\$ 60,307	\$ 72,697
47	1995	Contributions & Grants	\$ -			\$ -	\$ -			\$ -	\$ -
47	2440	Deferred Revenue5	-\$ 51,971,243	-\$ 1,179,035		-\$ 53,150,278	\$ 13,305,772	\$ 1,101,657		\$ 14,407,429	-\$ 38,742,849
		Sub-Total	\$ 126,303,634	\$ 16,863,662	-\$ 1,109,265	\$ 142,047,821	-\$ 60,308,683	-\$ 2,975,647	\$ -	-\$ 63,339,967	\$ 80,801,054
		Less Socialized Renewable Energy Generation Investments (Input as negative)				\$ -				\$ -	\$ -
		Less Other Non Rate-Regulated Utility Assets (Input as negative)				\$ -				\$ -	\$ -
		Total PP&E	\$ 126,303,634	\$ 16,863,662	-\$ 1,109,265	\$ 142,047,821	-\$ 60,308,683	-\$ 2,975,647	\$ -	-\$ 63,339,967	\$ 80,801,054
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets), if applicable									
		Total					-\$ 2,975,647				

10	Transportation
8	Stores Equipment
8	Tools, Shop & Garage Equipment
8	Measurement & Testing Equipment

Less: Fully Allocated Depreciation	
Transportation	-\$ 157,469
Stores Equipment	
Tools	-\$ 6,715
Measurement	-\$ 9,476
Net Depreciation	-\$ 2,801,987.39

Options Considered

Use: (Sq. Ft.)	Option 11 Proposed New Construction @ Fifth Line & Main Street plus corner property	Option 12 Proposed Buy & Renovate @ 200 Chisholm Drive
Admin	26,000	32,800
Operations	37,000	59,028
Outside Storage	65,000	29,000
Total Space (Sq. Ft.)	128,000	120,828

Cost to Construct/Renovate:		
Admin	\$6,639,000	\$5,060,000
Operations	\$5,151,000	\$1,425,000
Total Cost to Construct	\$11,790,000	\$6,485,000

Total Land (acres)	6.4 +1.3(corner)	7
Land Cost	\$2,200,000+\$800,000	\$4,000,000
Site Development Cost	\$815,000	\$625,000
Total Land Costs	\$3,815,000	\$4,625,000

Building Value Pre Reno	\$0	\$3,390,000
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Total Investment	\$15,605,000	\$14,500,000
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Fifth & Main



200 Chisholm

Initial Property Options Considered

Options	Description	Notes
1	MSSC building on Steeles Ave W. is a 54 acre site owned by Mitsubishi	It has been removed from the market due to environmental problems
2	99 Peru Rd. This is an 11 acre serviced parcel is shown as industrial on the C.2.B TOM Official Plan and backs on to Magna.	Advised by TOM that there is no guarantee of industrial zoning. Could be lengthy delay in ability to build
3	2995 Peddie Rd. This is a 14.4 acre parcel that is serviced and zoned industrial.	Land acquisition cost is 60% of budget and therefore too expensive.
4	Halton Hills Banquet Center Lands (35 acres) zoned "Green Lands" according to the TOM Official Plan Schedule "B"	The asking price would be more suited to residential development as the asking price is already at the top end of serviced industrial land for sale today – even if it could be re-zoned, no industrial developer would pay that amount to develop that site for industrial use.
5	Emery Investments owns 5 properties of various acreages north of the 401 along the new James Snow extension which now under construction.	Emery was fixated on large warehouse opportunities and while mildly interested, they pretty much told us that our type of build would be a "fill in" once the large acreages were packaged off
6	Robertson building on 10 acres of land on Bronte St. N. is currently zoned "Business Park"	TOM wants this land returned to residential and there is a potential environmental issue to the north of the property.
7	East side of 5th Line south of the CP rail line. Land is designated industrial M2 zoning.	At this time, they are not interested in a severance unless they can't complete a deal with one of the 2 buyers.
8	Orlando Corporation expressed initial interest in doing a package design build on property they own on 5th Line south of the CP rail tracks on the west side zoned future industrial.	The lands are being reserved for 580,000 Sq. Ft. and up buildings.
9	High Point Business Park. 3 parcels of land on Parkhill Drive of which 95% backs on to the Hwy 25 off ramp from the 401 totaling 15.61 acres (2.67, 5.9, and 7.04) are available.	We were informed by the TOM that a request for zoning change would be denied.
10	CN property on 1st Line	Probably the most cost efficient and most available property but outside of the development area and Region would not approve us building there.

Outside Storage Space Comparisons

Cambridge

Guelph

Waterloo

Fifth and Main

200 Chisholm

Property Size

8.9 acres site

13.8 acres site

24 acres site

7.7 acres site

7 acres site

Outside Storage Space

140,600 Sq. Ft.

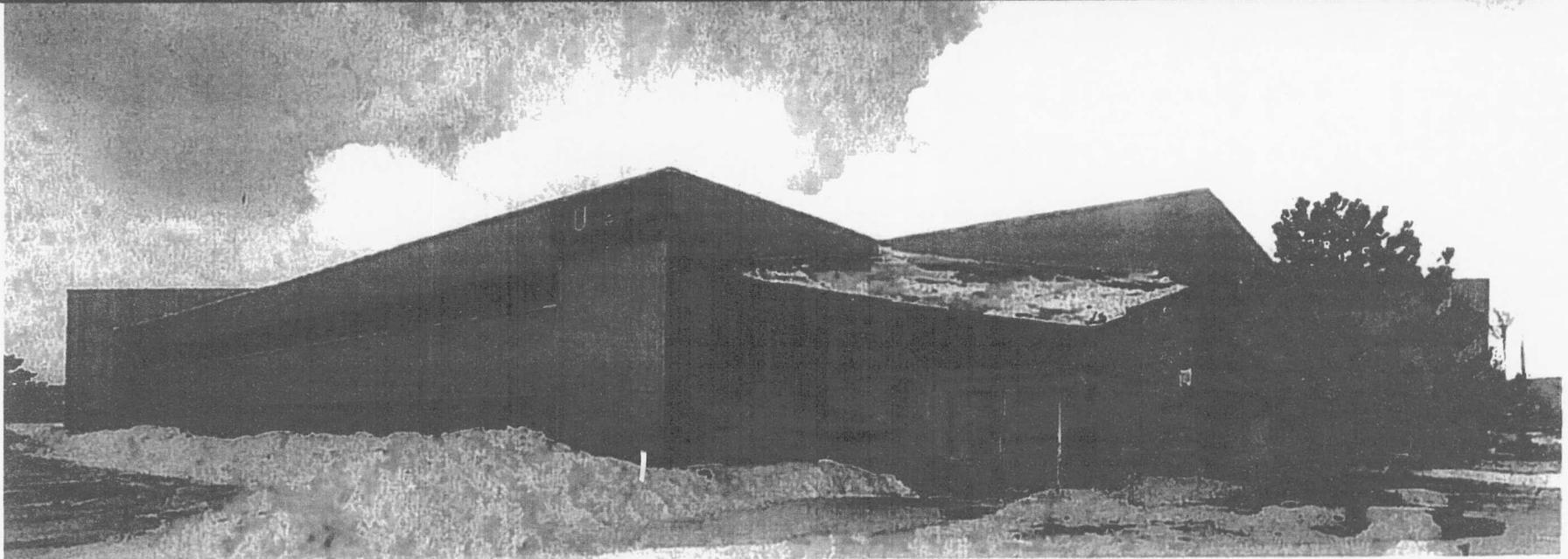
104,700 Sq. Ft.

228,100 Sq. Ft.

65,000 Sq. Ft.

29,000 Sq. Ft.

Original Property Listing - 200 Chisholm Drive



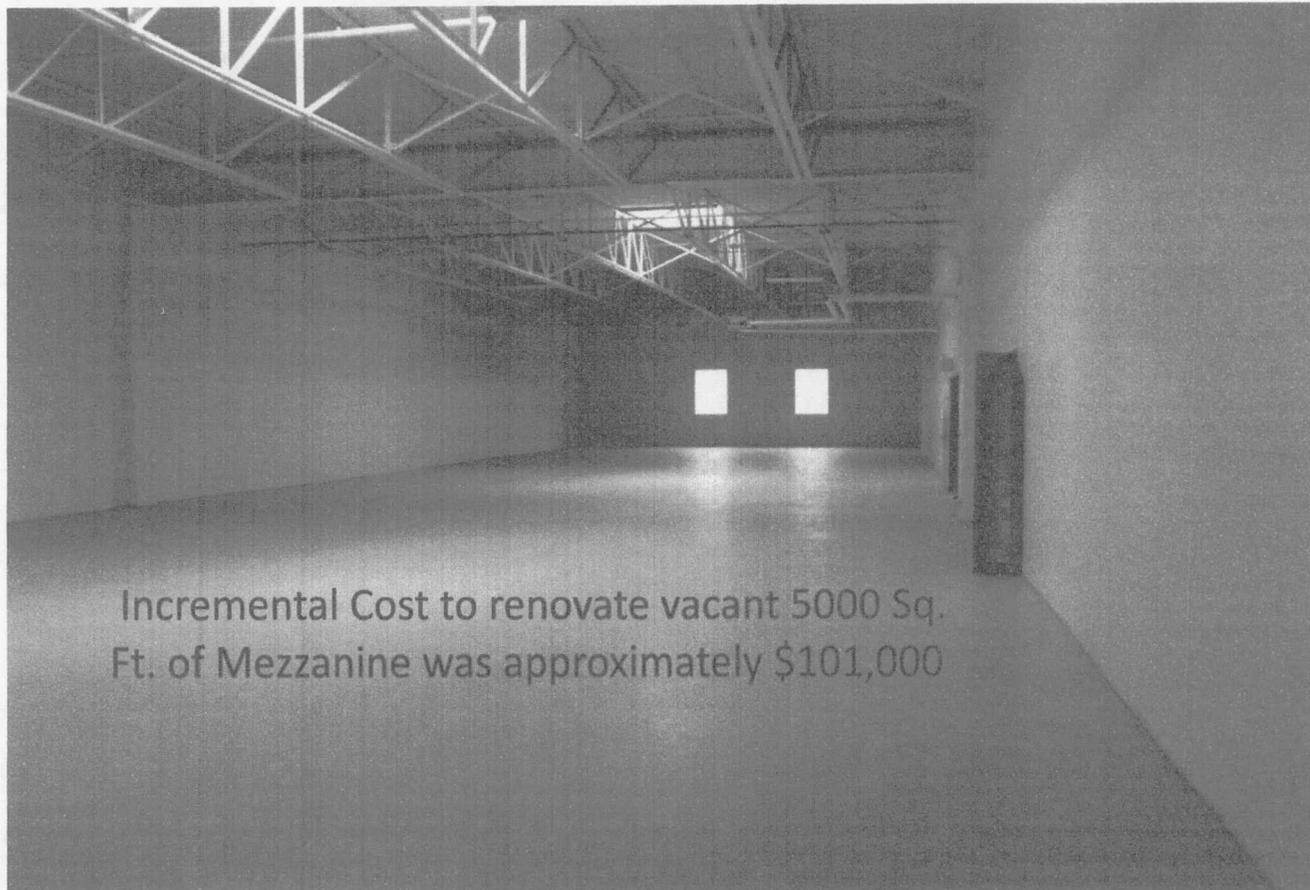
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|------------------|--------------------------------------|--------------------|--------------------------|
| > Building Area: | 1st Floor Office - 10,437 SF | > Lighting: | New T5 throughout |
| | 2nd Floor Office - 9,563 SF | > Bay Size: | 40' X 80' |
| | Total Office - 20,000 SF | > Cranes: | 2 X 10 ton, 1 X 5 ton |
| | Mezzanine - 12,800 SF | > Power: | 3000 amps, 600/347 volts |
| | Warehouse - 59,028 SF | > Building Age: | Built in 1991 |
| | Total - 91,828 SF | > Land Size: | 7 acres |
| > Shipping: | 1 truck level door, 3 drive-in doors | > Rental Rate: | \$6.75/SF Net |
| > Clear Height: | 30 feet | > Additional Rent: | TBC |
| > Zoning: | M2 | | |

Admin & Operation Space

	Listing	As Filed in Cost of Service	Reconciled as Admin/ Operations
Office	20,000	43,618	32,800 (admin)
Mezzanine	12,800		
Warehouse	59,028	48,210	59,028 (Operations)
Total	91,818	91,818	91,818

- Approximately 44,000 Sq. Ft. of building was renovated and listed as office in original cost of service submission.
- Space within the warehouse was renovated to accommodate Operations for areas such as a Metering shop, Lines Locker Room and System Control Room area.
- Because of building and fire codes regulations, the full Mezzanine was enclosed adding 12,800 Sq. Ft. to the original office space of 20,000 Sq. Ft.. Total Admin area = 32,800 Sq. Ft.. (appr 5000 Sq. Ft. of future space)

Future Mezzanine Space



Incremental Cost to renovate vacant 5000 Sq.
Ft. of Mezzanine was approximately \$101,000

Admin Space

Recent Decisions & Comparison

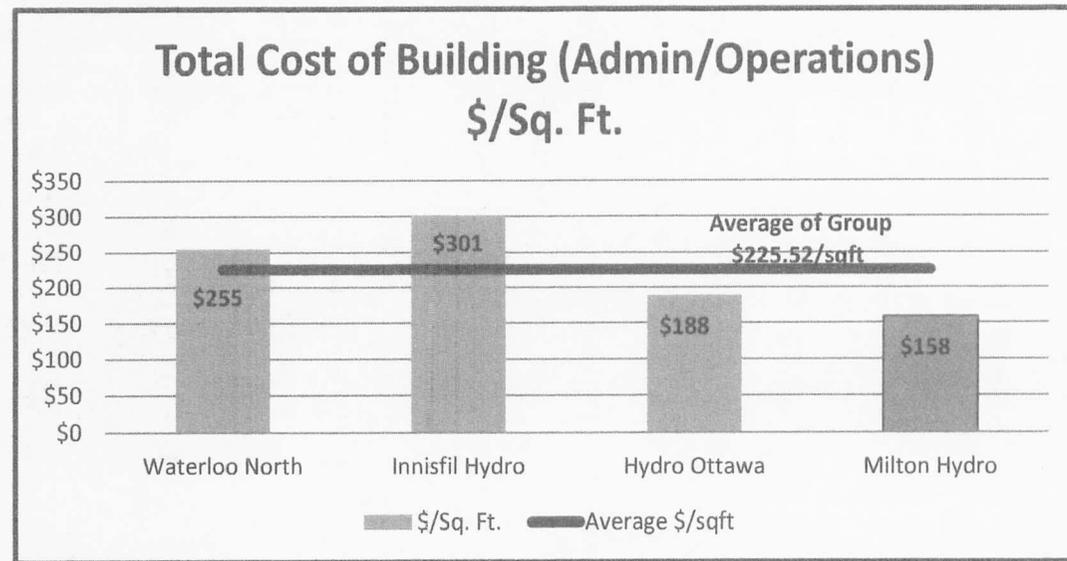
	PowerStream EB-2008-0244	Waterloo North EB-2010-0144	Enersource EB-2012-0033	Innisfil Hydro EB-2014-0086	Hydro Ottawa EB-2015-0004	Milton Hydro EB-2015-0089	
Function	Admin	Admin/Ops	Admin	Admin/Ops	Admin/Ops	Admin/Ops	Admin only
Status	<u>Approved</u>	<u>Approved</u>	<u>Granted</u>	<u>Settlement</u>	<u>Granted</u>	<u>Applied</u>	
In-Service	2008	2011	2012	2014	2016 -18	2015	2015
Total Sq. Ft.	92,000	104,000	79,000	36,172	351,000	91,828	32,800
FTEs	250	117	150	41	622	61.5	41.5
Sq. Ft./FTE	368	889	527	882	564	1,493	790

	Milton Hydro EB-2015-0089		Milton Hydro EB-2015-0089		Milton Hydro EB-2015-0089		Milton Hydro EB-2015-0089		Milton Hydro EB-2015-0089	
Function	Admin/Ops	Admin only	Admin/Ops	Admin only	Admin/Ops	Admin only	Admin/Ops	Admin only	Admin/Ops	Admin only
Status	<u>Applied</u>		<u>Deduct inside storage of 36000 Sq. Ft. (65000- 29000)</u>		<u>Deduct inside storage and 5000 Sq. Ft. of admin</u>		<u>As applied within 2021 projected employees</u>		<u>Deduct inside storage and 2021 projected employees</u>	
In-Service	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
Total Sq. Ft.	91,828	32,800	55,828	32,800	50,828	27,800	91,828	32,800	55,828	32,800
FTEs	61.5	41.5	61.5	41.5	61.5	41.5	69.5	46.5	69.5	46.5
Sq. Ft./FTE	1,493	790	908	790	826	670	1321	705	803	705

Cost to Construct Recent Decisions & Comparison

Function	PowerStream EB-2008-0244 Admin	Waterloo North EB-2010-0144 Admin/Ops	Enersource EB-2012- 0033 Admin	Innisfil Hydro EB-2014-0086 Admin/Ops	Hydro Ottawa EB-2015- 0004 Admin/Ops	Milton Hydro EB-2015- 0089 Admin/Ops	Milton Hydro EB-2015- 0089 Admin/Ops <u>With 2021 Projected employees</u>
Status	<u>Approved</u>	<u>Approved</u>	<u>Granted</u>	<u>Settlement</u>	<u>Granted</u>	<u>Applied</u>	
In-Service	2008	2011	2012	2014	2016 -18	2015	2015
Total Cost (\$K)	\$27,700	\$26,500	\$18,000	\$10,900	\$66,000	\$14,500	\$14,500
Total Sq. Ft.	92,000	104,000	79,000	36,172	351,000	91,828	91,828
FTEs	250	117	150	40.5	622	61.5	69.5
\$/Sq. Ft.	\$301	\$255	\$228	\$301	\$188	\$158	\$158
\$/FTE	\$110,800	\$226,496	\$120,000	\$265,854	\$106,109	\$235,772	\$208,633

Milton Hydro's building was constructed for \$158/Sq. Ft. which was 30% below the group average.



4.0-Staff 62

Ref: Exhibit 4, p. 22 and Exhibit 1, p. 30

With regard to the new building (200 Chisholm):

- a) What was the square footage in the previous building and what is the square footage of the new building?
- b) How many staff (FTEs) were accommodated in the previous building and what number can be accommodated in the new building?
- c) What percentage of the building is dedicated to administration as opposed to service work/operations?
- d) Please calculate the sq. footage/ FTE number.
- e) Please detail and explain any benchmarks and standards that were adopted in determining space requirements and costs for the facility, including space per employee, cost per sq. ft., number of meeting rooms, operational savings, energy efficiency etc.
- f) Was the new building constructed with future expansion in mind? To what degree?
- g) What was the size of the lot in the previous building and what is the size of the lot in the new building?
- h) What was the cost of the land for the new building?
- i) Were any sites combined and consolidated in the new building? Can Milton Hydro define any efficiency gains due to the combining of sites?
- j) Is the new building certified to a certain construction efficiency standard?
- k) Will Milton Hydro experience lower operating costs as a result of this move to a renovated building? If so, how much?

Response:

- a) The square footage of Milton Hydro's Lawson Road premise is 41,000 square feet and the new Administration and Service Centre building is 91,828 square feet.
- b) There are 59 FTEs in Milton Hydro's current building and the new building will accommodate up to 100 FTEs.
- c) The new building has 47.5% of the work space dedicated to administration and office space with 52.5% of the work space dedicated to the service centre/operations.
- d) The new building has 1,493 square feet per FTE or 1,064 square feet per FTE of office/administrative square feet which includes work stations, offices, open space, meeting rooms, lunch room, boardroom and the front lobby.
- e) Milton Hydro visited a number of other buildings with office and warehouse space to assess its own requirements. It was determined that approximately 60,000 square feet would meet Milton Hydro's current needs for up to ten years after which time an expansion would be required based on growth projections. Land and building costs were estimated to be in the range of \$15 million to \$17.5 million depending on site location. Land availability and value were also a consideration as costs ranged from \$250,000 per acre to as high as \$600,000 per acre, however many available parcels were outside the development zone of the Town of Milton. With Milton Hydro's requirement to re-locate being of a short term nature, many of the site options were not feasible. Any land within the Town was held by developers (real estate trusts) and as indicated in the reference to SEC's interrogatory 1-SEC-14 below, there was no interest in severing off a small parcel for Milton Hydro as the construction in Town is mainly warehousing facilities of 400,000 square feet and up. Zoning, severance, deep services and development charges were contributing factors.

Milton Hydro's staff and relocation committee ultimately determined that the property at 200 Chisholm, while larger than initially required, was the best option available as this site would accommodate future growth without requiring additional capital expenditures to construct an expansion to the building. The building was constructed for manufacturing with the quality of construction exceeding any current building standards that Milton Hydro could afford to build today.

The purchase price of \$158 per square foot which includes renovation costs of \$101 per square foot were lower than any costs incurred by other distributors based on a review of previous applications and interrogatory responses. Renovations include a new roof over the warehouse, new energy efficient windows and lighting and a geothermal heating/cooling system, five meeting rooms for staff, auditors, contractors and one boardroom.

Details are provided in the attachment to SEC's interrogatory 1-SEC-14 – RELOCATION COMMITTEE DOCUMENTS.

Description	Head Office & Whse	Milton Office
	Milton	Renov. Only
Capital Cost Land & Building	\$14,500,000	4,421,235
Square footage Bdlg.	91,828	43,618
FTE Employees - 2016 Test Year	61.5	41
Gross sq. ft per employee	1493	1064
Capital Cost / gross sq. ft.	\$158	\$101

- f) By purchasing an existing building and renovating to meet Milton Hydro's needs, the building came in at the same cost as a new smaller building that Milton Hydro would have constructed with expansion capability for the future. Therefore, the building at 200 Chisholm is expansion ready and the cost of adding additional employees is not expected to be a significant impact on Rate Base and therefore the customers.
- g) Milton Hydro's current lease property is 4.02 acres and the new property on Chisholm Drive is 7 acres.
- h) The land for the building has been appraised \$4,040,000 and is included in Milton Hydro 2014 financial statements.
- i) Milton Hydro owned property at the corner of Main Street and Fifth Line which was being used for outside storage. Chisholm Drive has sufficient space to house the outside storage so the property at Main and Fifth was sold. Milton Hydro expects to gain efficiencies for its line crews as all material will be stored at 200 Chisholm thereby saving time in travelling to a second yard.

- j) The existing building was constructed to LEED Silver standards however it was not certified.

- k) Milton Hydro does not expect lower operating costs.