

Colm Boyle
T: 416-367-7273
cboyle@blg.com

John Vellone
T: 416-367-6730
jvellone@blg.com

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto ON M5H 4E3
Canada
T 416-367-6000
F 416-367-6749
blg.com



File No. 88175.42

October 28, 2025

BY EMAIL & RESS

Mr. Ritchie Murray
Ontario Energy Board
2300 Yonge Street, 27th floor
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Mr. Murray:

Re: Oshawa PUC Networks Inc. ("Oshawa Power") - Application for 2026 Distribution Rates ("Application") - EB-2025-0014 Evidence Update

Further to hearing this morning, please find enclosed the requested unredacted pages that School Energy Coalition ("SEC") asked to be placed on the record. Oshawa Power reiterates that disclosure of this information has a significant potential to adversely affect the competitive bids that will be received on the new building and could result in material increase in the building cost that will ultimately be paid by ratepayers in a future ICM. Despite this caution, SEC and the interveners supporting the motion insisted that Oshawa Power publicly disclose the enclosed information regarding total building costs.

Yours truly,

BORDEN LADNER GERVAIS LLP

A handwritten signature in black ink, appearing to read 'Colm Boyle', is written over a horizontal line.

Colm Boyle

CB/JV

- b) At this time, Oshawa Power has not yet finalized the decision on which type of ERP solution it will use. This decision will be made upon completion of the RFP process, which has not yet concluded.
- c) As noted in b), the decision about which type of solution has not been made. The \$500K will be capitalized, which is an estimate of the costs associated with the interface of a cloud solution with existing on-premise systems. See Section 4.2 in the ERP Business Case in the Application (Appendix A of the Distribution System Plan in Exhibit 2), as well as the response to 9-Staff/CCMBC/CCC-218.

1-SEC/Staff/CCC/PP/CCMBC/VECC-9

Ref. 1: Exhibit 1, p.10

Ref. 2: Exhibit 2, p.53, 141

Question(s):

- a) Please provide all business cases, budgets, estimates, forecasts, presentations, plans, memoranda, or other documents relating to the “new operational & administrative building in the North of its service territory”, or to the land purchase for that purpose.
- b) The facilities administrative budget is \$871k in 2026. What are the estimated quantitative administrative expense savings as a result of the expected new facility (for example, savings from rent)? If quantitative estimates cannot be provided, what qualitative savings are expected? Given that Oshawa PUC Networks plans to file an ICM for the new facility, is it fair to say that Oshawa PUC Networks would not require \$871k annually for the facilities administrative budget over the entire IRM period?
- c) Please explain why Oshawa PUC Networks believes facilities capital expenditures will increase in 2025-2030 to \$100k, given the expenditure was \$25k in 2024 and given that Oshawa PUC Networks is preparing to relocate to a new facility in the coming years.

- d) Please confirm that the timing of the ICM request is expected to be in Oshawa PUC Networks' 2027 IRM application.
- e) Please advise whether the planned ICM request will occur after Oshawa PUC Networks has already invested significantly in its new administrative and operational facility.
- f) Please discuss what options Oshawa PUC Networks had considered before it purchased land for its new administrative and operational facility (e.g., new lease, purchase of an existing building, etc.).
- g) Please provide any benchmarking analysis completed for the proposed new administrative and operational facility relative to other recent similar facilities constructed by other LDCs.
- h) Please provide an estimate of the annual revenue requirement impact of the new administrative and operational facility and the related distribution bill impact for all rate classes after the asset is placed in service.
- i) Please confirm that the large CWIP balance that was accrued in 2024, as shown in Appendix 2-AB, is related to the land purchased for Oshawa PUC Networks' proposed new administrative and operational facilities. Please provide the value of the land purchased as reflected in the CWIP balance and discuss the assets that constitute the remaining balance in CWIP in 2025 and 2026.

Oshawa Power Response

- a) Pursuant to the decision of the OEB on Oshawa Power's motion for determination of threshold question related to issue 7.3, Oshawa Power is providing current estimated forecasts of its new building and land costs.

As attached as Attachment 1-2, Oshawa Power received a Class B Estimate from its independent consultant A.W. Hooker on June 4, 2025 (subsequent to the filing of this application) that estimates the construction costs based on design information received to date. The accuracy of the estimate is intended to be +/- 10% to 15%. A.W. Hooker independently estimates the total hard construction cost for the building to be approximately \$36.8M.

Oshawa Power recognizes customer concerns regarding increasing electricity costs and remains committed to maintaining superior cost performance compared to other LDCs. Oshawa Power has been focused on value engineering the new building to manage costs closely, which is reflected in the fact that estimated building costs have been reduced since the preliminary figures used for Customer Engagement on the Distribution System Plan (see PDF page 282 of Exhibit 1). Oshawa Power notes that the tariff trade dispute between the United States in Canada may result in substantial increases to construction costs for some building components, especially as a result of 50% tariff of copper and 25% on steel and aluminum.

As attached as Attachment 1-3, Oshawa Power retained Cushman & Wakefield to assist with a market search and site analysis within the municipal Oshawa boundary to determine appropriate, cost effective and timely occupancy of a new location. Cushman & Wakefield evaluated a variety of options for land acquisition, including new construction with a land lease, renovating an existing facility, new construction with land purchase, and so on.

Cushman & Wakefield states that industrial property with office components are in high demand in the region with vacancy rates between 2-5%. The specific requirements for Oshawa Power operations, which include office, garage, warehouse and a significant amount of outdoor storage, made finding a suitable property that can be modified in a cost-effective manner to be extremely difficult. Significant demand for industrial property in this region is reflected in elevated purchase prices. The land for the building was purchased for approximately \$11.4M.

The above attachments reflect the best available information Oshawa Power has at this time with respect to the current capital construction expenditures for the new facility which exclude such costs as furniture & equipment, municipal fees, as well as consultants. Oshawa Power expects that total costs for the new facility will continue to change in advance of the ICM application, especially given the ongoing and rapidly evolving trade dispute between the United States and Canada. It is for this reason the estimated forecast costs of the new building are

to be considered preliminary and do not prejudice any updates or changes that may be incorporated into a future ICM application. Oshawa Power will file all required information to support a future ICM application at that time.

- b) As stated in Exhibit 4, p.60, the \$871k budget for 2026 covers general maintenance, repair and security of the Oshawa Power facilities, as well as lease paid for rental of the existing administrative and operational facility. It includes all subcontractor, labour expenses incurred to repair, test, inspect and document etc. any buildings, fixtures, furniture and equipment within the Oshawa Power facilities.

Given that design remains ongoing for the new building, operational costs of the new facility are not fully known at this time. While it may be true there could be savings from the elimination of rent, this needs to be balanced against potentially higher OM&A costs that result from Oshawa Power moving to a larger building to satisfy operational needs. Moreover, it is not a correct assumption that the entire \$871k will be solely allocated to OM&A for the new building. Oshawa Power has other facilities across its service territory that are within the scope of this budget. Oshawa Power disagrees with the statement that “Oshawa PUC Networks would not require \$871k annually for the facilities administrative budget over the entire IRM period.”

Therefore, to account for the variance in the amount budgeted and the actual spent on avoided rent and OM&A costs for the new building, Oshawa Power proposes two distributor-specific deferral accounts. Oshawa Power has included draft Accounting Orders as part of its proposal as Attachment 1-4 to this response; all of which are proposed as 1508, Other Regulatory Assets sub-accounts. These two accounts are contingent upon subsequent prudence decisions.

The OEB’s Test for the Establishment of New Deferral and Variance Accounts requires that distributor seeking to establish new deferral and variance accounts show causation, materiality and prudence.

Oshawa Power demonstrates this in the Table below.

IRR Table 1-5: Test for Establishment of New DVAs

	OEB Test	Oshawa Power Proposed Accounts
Causation	The forecast amount to be recorded in the proposed account must be clearly outside the base upon which rates were derived.	The amounts to be recorded in the two proposed accounts relate to the implementation of the New Facility which itself is not included in rate base.
Materiality	The annual forecast amounts to be recorded in the proposed account must exceed the OEB-defined materiality threshold and have a significant influence on the operation of the distributor.	The materiality threshold provided by the OEB is distributor specific. As a distributor with an approved base revenue requirement of greater than \$10 million, but less than \$200 million, Oshawa Power's materiality threshold is equal to 0.5% of the distribution base revenue requirement. This results in a materiality threshold of \$195,000 as shown in Exhibit 1, Table 1-46. The anticipated amounts in the new deferral and variance accounts meet the materiality threshold.
Prudence	The nature of the amounts and forecast quantum to be	The amounts to be recorded in the proposed deferral and

	recorded in the proposed account must be based on a plan that sets out how the amounts will be reasonably incurred, although the final determination of prudence will be made at the time of disposition.	variance accounts are based on the best available information for the new building provided through interrogatory responses.
--	---	--

Oshawa Power submits that these deferral and variance accounts ensure that savings arising from the new building are recognized as soon as possible to the benefit of customers.

- c) For the reasons that follow, Oshawa Power is of the view that a capital budget of \$100,000 is prudent to be prepared and have a reasonable amount of capital funding available for unplanned replacement and failures that may occur during the period of the Cost of Service Application.

Note that Oshawa Power identified an error in Appendix 2-AA where 2024 facilities capital costs were incorrectly allocated to connections, and facilities costs should have been \$163,302. The budget of \$100,000 actually represents a decrease of approximately 39%.

The \$100,000 budget for 2025, 2026 and 2027 is well below actual historical OM&A costs for 2024 in an old 1931 building that Oshawa Power will remain in for this period. The capital reduction is based on a reactive strategy to capital expenditures and these expenditures are made only if absolutely necessary in order to keep the facility functioning until the new facility is available.

The \$100,000 budget for 2028, 2029 and 2030 is prudent to have a reasonable amount of capital funding available in order to be prepared for costs required for the larger building that can only be identified once the new facility is functional, occupied and being used by Oshawa Power employees. The facilities capital budget is also intended to cover buildings located at municipal substations that would require unplanned capital expenditures in order to remain functional and to

operate in a safe manner because these buildings house medium voltage electrical equipment as part of Oshawa Power's distribution system. Oshawa Power's facilities budget also remains unchanged from the \$100K ask in its 2021 test year (of the 2021 rate application). Material and labor cost inflations make the 2026 test year budget lower in comparison.

- d) Yes, subject to the best of Oshawa Power's knowledge and belief and any unforeseen circumstances that may arise during the construction of the building.
- e) Only the land has been purchased to date. While there may be committed costs at the time of ICM, it is unlikely Oshawa Power will "already invested significantly in its new administrative and operational facility."
- f) Please see the Cushman & Wakefield report provided in response to question a), Attachment 1-3. Options analysis relating to the building will be provided in the ICM application.
- g) Please see response to question a). Benchmarking analysis relating to the building will be provided in the ICM application.
- h) Please see response to a). Annual revenue requirement and bill impacts relating to the building will be provided in the ICM application. Moreover, Oshawa Power does not have adequate evidence at this time to provide fair and reasonable estimates of such annual revenue requirement and bill impacts.
- i) Confirmed. The value of the land (\$11.4M) is included within the 2024 CWIP balance (\$22.4M). Apart from land, the 2025 and 2026 CWIP amounts were estimated based on historical CWIP amounts and not on specific assets. The 2025 CWIP (\$17.8M) was calculated by adding the 2023 CWIP amount plus the land purchase, and the 2026 CWIP (\$18.2M) was an increase of 2% over the 2025 CWIP.

1-SEC/CCMBC-10

Ref. 1: Exhibit 1, p.18

Question(s):

- a) Please restate the table on this page replacing 2021 OEB Approved with 2021 Actuals.

Oshawa Power Response

a) See updated Table below.

IRR Table 1-6: Restated Table 1-4 – 2026 vs. 2021 Revenue Requirement

Revenue Requirement Components	2021 Actuals	2026 Test Year	Variance 2026 to 2021	% Variance 2021 to 2026
RATE BASE CALCULATION				
Fixed Assets Opening Balance	\$131,135,061	\$167,647,493	\$36,512,433	28%
Fixed Assets Closing Balance	\$137,696,393	\$176,674,454	\$38,978,061	28%
Average Fixed Asset Balance for Year	\$134,415,727	\$172,160,974	\$37,745,247	28%
Working Capital Allowance	\$7,432,848	\$11,797,711	\$4,364,864	59%
Rate Base	\$141,848,574	\$183,958,685	\$42,110,111	30%
COST OF CAPITAL				
Cost of Debt	\$2,637,135	\$3,800,586	\$1,163,451	44%
Return on Equity	\$5,067,000	\$6,622,513	\$1,555,513	31%
Regulated Return on Capital	\$7,704,135	\$10,423,099	\$2,718,964	35%
REVENUE REQUIREMENT				
OM&A	\$13,300,173	\$22,271,990	\$8,971,817	67%
Property Taxes	\$135,660	\$164,562	\$28,902	21%
Depreciation	\$6,876,345	\$9,467,348	\$2,591,003	38%
Payments in Lieu of Taxes (PILs)	\$0	\$0	\$0	No change
Service Revenue Requirement	\$28,016,313	\$42,326,999	\$14,310,686	51%
Revenue Offsets	(\$2,773,173)	(\$3,478,107)	(\$704,934)	25%
Base Revenue Requirement	\$25,243,140	\$38,848,892	\$13,605,752	54%

1-SEC/PP-11

Ref. 1: Exhibit 1, p.24

Question(s):

Please provide a summary of all changes that will be required to forecast investments in system infrastructure currently in the Application to comply with the OEB's recently announced changes to the Distribution System Code to implement the Cost Allocation Model (CAM). Without limiting the generality of the question, please estimate the increase in customer contributions, if any, expected for each year of the DSP as a result of the CAM.

Oshawa Power Response

Oshawa Power is not expecting the OEB's implementation of the cost allocation model to increase customer contributions within the 2026-2030 period and thus does not expect any changes to its forecast investment currently in the Application.

1-SEC/CCMBC/VECC-12

Ref. 1: Exhibit 1, p.26

Question(s):

Please restate Table 1-7 to include all capital investments related to the new operational and administrative building, including but not limited to land, buildings, improvements, furniture, equipment, and intangibles. Please use the most recent estimates of the costs of those items, and provide the source of those estimates.

Oshawa Power Response

Please see Table below.

IRR Table 1-7: Restated Table 1-7 – Historical and Forecast Capital Expenditures

DSP Category	OEB- Approved	Actuals (\$000's)					Forecast (\$000's)								
	2021 Test Year	2021	2022	2023	2024	Land	2025	Building ¹	2026	Building ¹	2027	Building ¹	2028	2029	2030
System Access	\$5,911	\$4,219	\$4,276	\$7,704	\$4,140		\$7,995		\$9,186		\$9,270		\$9,356	\$9,443	\$9,532
System Renewal	\$6,198	\$6,507	\$6,538	\$12,069	\$4,585		\$7,948		\$8,045		\$8,756		\$7,056	\$7,421	\$8,108
System Service	\$1,109	\$2,828	\$953	\$1,294	\$1,805		\$1,093		\$1,336		\$300		\$778	\$962	\$588
General Plant	\$1,775	\$1,046	\$1,271	\$1,721	\$576	\$12,637	\$2,716	\$10,146	\$1,680	\$28,327	\$1,655	\$9,913	\$1,730	\$1,155	\$802
TOTAL EXPENDITURES	\$14,993	\$14,601	\$13,039	\$22,788	\$11,106	\$12,637	\$19,752	\$10,146	\$20,247	\$28,327	\$19,981	\$9,913	\$18,920	\$18,980	\$19,030
Capital Contributions	\$2,043	\$2,049	\$1,639	\$3,179	\$2,303		\$2,343		\$3,228		\$3,253		\$3,277	\$3,303	\$3,328
NET CAPITAL EXPENDITURES	\$12,949	\$12,552	\$11,400	\$19,609	\$8,804	\$12,637	\$17,409	\$10,146	\$17,019	\$28,327	\$16,729	\$9,913	\$15,642	\$15,678	\$15,701
2021 Actuals to 2026 Test Year Change															
NET DSP EXPENDITURES		\$69,774							\$80,769						
DSP Expenditures Change														\$10,995	16%

Sources:

- Land Purchase – Actuals
- Building Construction – A.W. Hooker Class B Estimate



New HQ Location Summary Report

Prepared for

Oshawa Power

Better never settles

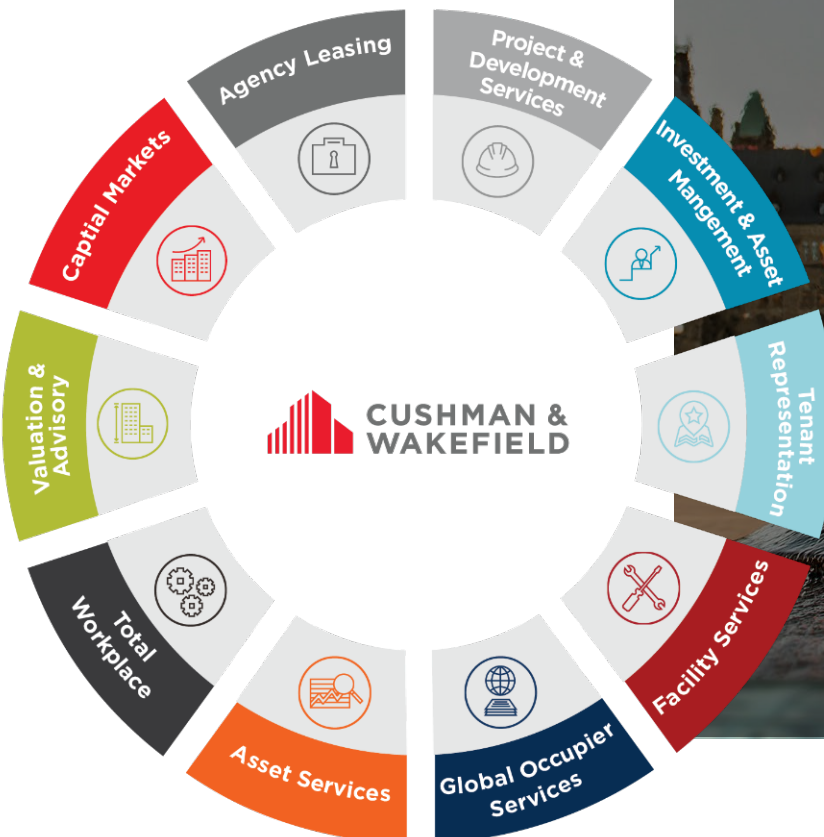


Cushman and Wakefield is a global real estate advisory firm with over 50,000 employees.

With 20+ offices in Canada, Cushman & Wakefield provides occupier and owner real estate services across the country.

The company acquired the bench strength of Royal LePage Commercial in 2005 and has since continued to expand its service offering. At present, the Canadian offices have over 2,500 employees.

Services provided include investment sales, agency leasing, transaction management, asset services, facility services project management, total workplace and valuation and advisory.



\$7.2B

Transaction Value

2,303

Transaction Count

22

Offices

10

Provinces

370

Advisors

2,427

Employees

October 21, 2024

Daniel Arbour, CEO
Oshawa Power
100 Simcoe Street S.
Oshawa, ON L1H 7M7

As requested, this report summarizes the work performed by Cushman and Wakefield to determine the optimal location for Oshawa Power's New Headquarters.

Oshawa power required a market search and site analysis process within the municipal Oshawa boundary to determine appropriate, cost effective and timely occupancy of a new location. Cushman and Wakefield identified opportunities within the municipal boundary of Oshawa that were zoned both industrial and office, greenfield and brownfield, that met requirements, feasibility and financial goals. This market search yielded 11 potential sites. These were a mix off market and on-market opportunities. The sites were analyzed with pros/cons and 5 sites were selected for a short list. Further analysis of the 5 sites revealed that 3 of the 5 were suitable for financial analysis.

The advantages and disadvantages of these sites were compared, a proforma was created and next steps were identified.

The scope of work included the following activities:

- Confirmation of Area Requirements
- Preparation of Scorecard for Site Evaluation
- Evaluation of Baseline Option (locate to a 'land lease' on HOPA property)
- Selection of Alternative Sites (both brownfield and greenfield)
- Shortlist of Proposed Sites to Evaluate
- Costing Analysis
- Recommendation of Site
- Broker Opinion of Value for 2 Owned Sites (Pole Yards) (450 Stevenson Road and 124 Colborne Street)

Timeline of Work

- Engagement with Cushman and Wakefield – May 2023
- Report 1 – May 2023, Initial Draft of Site Options
- Report 2 – June 2023, Proforma Analysis of Shortlisted Site Options
- June-October 2023, Exploration of Phillip Murray Site with Letter of Intent
- October 2023, Market Survey for Properties Available for Lease
- October 2023, Market Scan for Alternative Sites (2072 Thornton, 1877 Thornton)
- November 2023 – Identification of Northwood Site, 2072 Thornton Road
- Engagement of Engineer/Architect, Due Diligence

During the first phase of the work, preliminary area requirements were confirmed for the office space, garage space, warehouse space and the site. It was determined that the site should accommodate the following:

- Office Space = 35,000 SF (Additional space would be required to accommodate HOPA of 8,400 SF if that site was chosen.
- Warehouse Space = 10,000 SF
- Garage Space = 20,000 SF
- Outdoor Yard and Parking = 60,000 SF and 55,000 SF *respectively*

Due to the above requirements plus circulation/roads, the site required was sized at a minimum of 6-7.5 acres.

After the area requirements were established, a scorecard was developed for the comparison of the sites. Criterion included land size, building size, outdoor storage feasibility, feasibility of purchase/timing, condition, proximity to roads, etc. Overall pros and cons were developed for each site and used to compare, contrast and eliminate options.

The following long list of sites were evaluated utilizing the scorecard methodology:

EXECUTIVE SUMMARY

MARKET SCAN COMPARISON SUMMARY

● PRELIMINARY
SHORTLIST

SHORTLISTED FOR
FINANCIAL FEASIBILITY

#	ADDRESS	COMMENTS
● 1	850 Champlain Avenue	Off market opportunity, renewed Penske lease for 15 years, 2 buildings (office + Harley dealership)
2	1189 Colonel Sam Drive	Vacant possession is not possible. Can't put industrial component without losing most of the parking. May need minor variance or ZBLA to allow industrial.
● 3	1908 Colonel Sam Drive	Greenfield, OPG site, parcel severance. Timing due to severance may prolong schedule.
4	1755 Thornton Road North	Too small. Only 4 acres of developable land. Challenging topography: mainly wooded with minimal flat areas.
5	575 Thornton Road South	Too small. Priced for future residential development, which make the land a premium investment.
6	894 Ritson Road South	Too small. Existing environmental contamination. Existing building needs to be demolished
● 7	991 Simcoe Street South	Greenfield, remediated, land size irregular which may reduce price, central location.
8	Northwood Business Park	Services will be at the corner of Thornton Road North and Conlin Road W later this year. Site is too large, but CW could find a buyer to sever a parcel for Oshawa Power. Timing may preclude this.
9	78 Richmond Street West	Lot is far too small for any expansion. Does not have the ability to add an industrial component as zoning does not allow.
● 10	1401 Philip Murray Ave.	Existing building could convert to garage/warehouse and partial office space, new office building facing lake. Has parking. Good location. Good views.
● 11	HOPA site option	Greenfield, land lease, potential for income with tenants.

*Graphic from Original Report prepared
by Cushman and Wakefield, May 2023*

From this list of sites, there were various reasons why several were eliminated. The 850 Champlain address was eliminated due to the existing tenant lease. 1908 Colonel Sam was eliminated as the timing was prohibitive. The 1755 Thornton site was eliminated due to size of developable acreage (it was too small). Please see the notes in the graphic above in the comment section for further explanation.

Therefore, 3 sites were used to create a Proforma Analysis that represented the range of potential costs to compare. This would act as a basis for further analysis.

The 3 sites chosen for further evaluation were as follows:

- The 'HOPA' site (land lease)
- 1401 Phillip Murray (existing facility, renovation)
- 991 Simcoe Street (raw land, new build)

The analysis concluded the following:

New Construction, Land Lease: While the HOPA had the lowest initial cost, it was not the best investment. At the end of its life, there would be no value left in the building to leverage for further investment. Additionally, the space would be shared with staff from HOPA and the site offered limitations due to the unknown expansion or future construction of potential adjacent buildings.

Renovation of Existing Facility: The Phillip Murray site offered an opportunity that was beneficial, and the location was ideal. Furthermore, it offered the shortest timeline for completion, however, during evaluation, the site was purchased by another group and a sale/leaseback was cost prohibitive. There were no other potential renovation sites that were deemed suitable for a variety of reasons: too large, too cost intensive, not the right location.

New Construction, Land Purchase: The Simcoe site represented a land purchase with a new build. This option was evaluated for capital cost, operational cost and long-term investment. However, the land geometry was not ideal, and it was determined that a site that offered better geometry for site circulation would be explored. Therefore, it was determined that the team would **consider an alternate site for land purchase and new construction.**



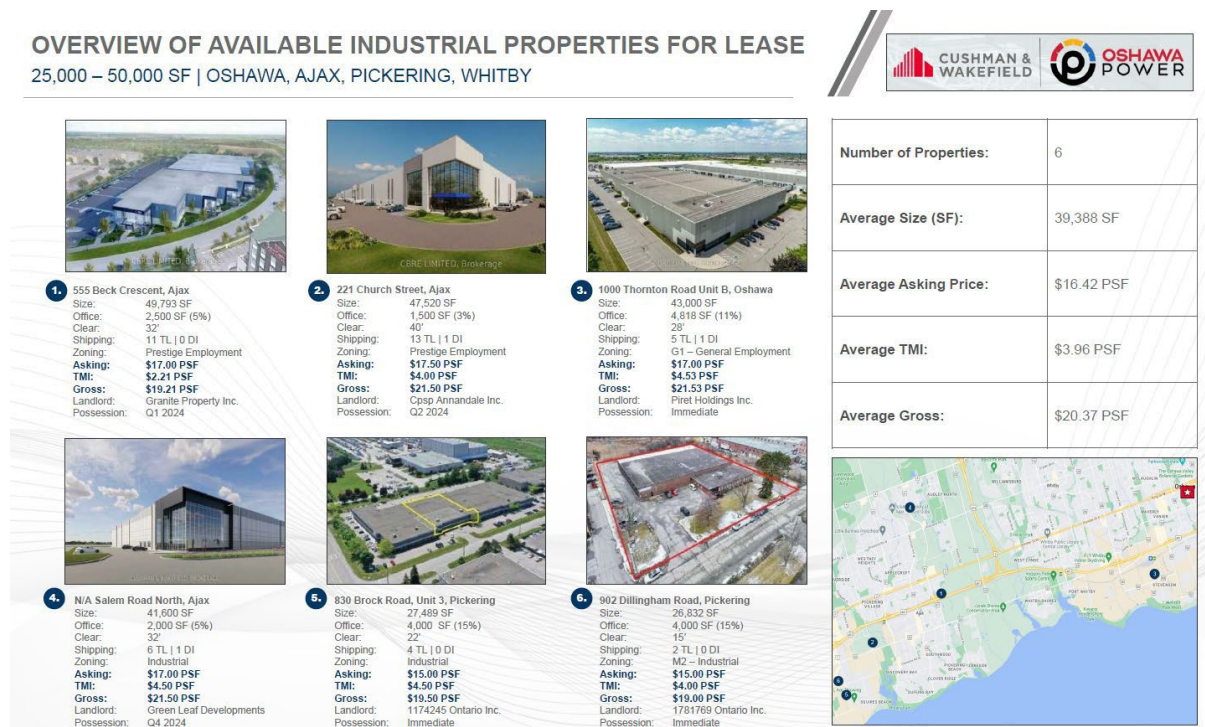
*Graphic from Original Report prepared
by Cushman and Wakefield, June 2023*

After the Phillip Murray site was eliminated from the options, the Cushman and Wakefield team scanned the market in October 2023 for new options. **This included sites available for lease and land available for purchase.**

For leased sites, the team identified 6 sites for consideration and compared them to area benchmarks for costs. These sites included the following:

- 555 Beck Crescent, Ajax
- 221 Church Street, Ajax
- 1000 Thornton Road, Oshawa
- Salem Road North , Ajax
- 830 Brock Road, Pickering
- 902 Dillingham Road, Pickering

As 5 of these 6 sites were outside of the municipality of Oshawa, they were not considered for relocation but were compared for benchmarking purposed only.



Industrial properties with office components are in high demand in the region. In fact, Industrial vacancy rates continue to hover between 2-5% in the region, which makes it very difficult to lease property in the area. Because of the **specific requirements for Oshawa Power, which include office, garage, warehouse and a significant amount of outdoor storage,** finding a suitable property that can be modified in a cost-effective manner proved to extremely difficult. The few options that were identified, specifically 1000 Thornton Road, Unit B, was not suitable for Oshawa Power due to lack of outdoor storage, potential service truck/garage access and collocation with other tenants which was not desirable.

Office buildings (those zoned strictly for office) that were identified did not allow outdoor storage or garage space, so these were not explored.

Therefore, it was determined that the team would **consider a land purchase and new construction** that offered suitable land geometry, access for service trucks, parking for employees and could meet the requirements for Oshawa Power (office, warehouse, garage, outdoor storage).

After a market scan, two sites that were previously not for sale became available:

- 2072 Thornton Road, identified in November 2023
- 1877 Thornton Road, identified in November 2023

Both sites were raw land with the opportunity for construction and were located within the growing area north of Oshawa in the Northwood Business Park vicinity. After a tour of the sites, 1877 Thornton was eliminated due to limited buildable acreage. 2072 Thornton Road became the focus of the go-forward option as it contained several key benefits:

- Corner Lot (Conlin Road and Thornton Road)
- Regular geometry: 409 ft by 635 ft of frontage and rectangular in shape
- Permitted uses acceptable (per zoning, industrial and commercial allowed)

2072 Thornton Rd N Oshawa, ON L1L 0P5

Land For Sale - 6.50 AC



PROPERTY FACTS

Property Type	Land	Proposed Use	Warehouse
Property Subtype	Industrial	Total Lot Size	6.50 AC

DESCRIPTION

Prime 6.5-acre industrial land with services available at lot line ready for development is now available for sale in Northwood Business Park! This property is situated beside Amazon's 300,000 robotic distribution center and under-construction cold storage facility. It's also near Durham

EV main bus terminal (opening in 2026) and across the University of Oshawa site, as well as the future Community Center for North Oshawa (opening in 2026). Significant cost savings: NO Development Charges

Cost Analysis and Assumptions

The costs analysis for comparing the initial proforma was created with the following included:

- Siteworks (Including Parking)
- Building Shell (Office, Warehouse and Garage)
- Tenant Improvements (Interiors)
- Furniture
- Fit-up Allowances
- Professional Fees (Arch, Eng, Design)
- Development Management
- Green Building Premium %
- Contingency
- Municipal Costs
- Financing Costs
- Move Costs
- Demolition Costs
- Fibre Connection Costs
- Land Costs

These costs represented the capital outlay required for the project and were based on square footage assumptions and preliminary site indicators, not on actual drawings or soil conditions. Therefore, a contingency of 15% was included. Building costs were developed using a combination of RS Means and Cushman and Wakefield's benchmarking. Costs for the Phillip Murray (renovation) were developed after an inspection and were confirmed by engaging the expertise of a contractor.

During the process of developing preliminary costs for comparison, it was determined that a 2-story building was less costly than a 3-story building and had a negligible impact on land size. Therefore, it was recommended that Oshawa Power proceed with a 2-story building for the office space.

Construction costs have escalated significantly over the last 5 years, especially during and after the pandemic. Factors include supply chain issues, rising transportation costs and shortage of skilled trades. For all cost estimates, Cushman and Wakefield errs on the conservative side and cites the Ontario Construction Report:

Special to Ontario Construction Report, dated February 6, 2024, www.ontarioconstructionreport.com

Toronto's construction sector has seen a dramatic increase in costs, ranking second in the world in terms of the surge in building expenses. This trend is highlighted in a new global ranking by Australian price comparison service Compare the Market, which used data from construction tenders.

The data, gathered from construction tenders, indicates a 40.5% increase in Toronto's building costs from January 2020 to August 2023. This surge is part of a broader global pattern, with cities like Singapore also experiencing substantial cost hikes. Analysts attribute these rising costs primarily to the supply chain disruptions brought on by the COVID-19 pandemic, which has posed significant barriers to new construction projects across the globe.

An article in [Storeys](#) states that in Toronto, these challenges are compounded by factors unique to the city. Building costs have been on an upward trajectory since 2018, a trend linked to various factors, including heightened borrowing costs and a shortage of labor. Additionally, the city's approach to construction bidding, which restricts open bidding to a select few constructors, has contributed to keeping construction prices elevated.

Cost Analysis and Assumptions

Additionally, the same report discusses Nationwide Cost Surges citing raw material prices and relevance to the demand for housing – which drives up prices overall as both commercial and housing construction companies compete for the same skilled tradespersons.

Also used for comparison is information from Altus, which benchmarks costs per building type, private and public across Canada. Comparisons are cited below

Cost Comparison from GTA to Ottawa Region

Altus offers comparative figures for Ottawa/Gatineau to the GTA. The following chart utilizes data source from this guide. The chart illustrates the differences in SF from the GTA to Ottawa over a 7-year period. The data below references municipal office buildings only including tenant fit-out. The chart points to the notable spread between Ottawa and the GTA in the year 2022, 2023 and 2024 and to the marked increase within each market, most notably Toronto which has seen more than \$230 cost per SF over the 7-year period.

Oshawa, as part of the overall Greater Toronto Area, is subject to the nuances of the Toronto construction market. Prices may be slightly less expensive, but likely marginal as the labour pool and supply chain is the same.

Altus Guide	GTA/Tor \$ PSF Range	Ottawa/Gat \$ PSF Range	Difference (Low to High)
YEAR 2024	\$425-\$550	\$370-\$465	\$55 to \$85 PSF
YEAR 2023	\$405-\$540	\$360-\$450	\$45 to \$90 PSF
YEAR 2022	\$375-\$500	\$325-\$385	\$50 to \$115 PSF
YEAR 2021	\$285-\$395	\$245-\$340	\$40 to \$55 PSF
YEAR 2020	\$260-\$365	\$245-\$335	\$15 to \$30 PSF
YEAR 2019	\$205-\$270	\$220-\$275	-\$15 to -\$5 PSF
YEAR 2018	\$195-\$260	\$220-\$275	-25 to -\$15 PSF
Market Spread	\$230-\$290	\$150-\$190	

As seen in the chart above, costs for the Toronto area range between \$425-\$550 for calendar year 2024. Costs for Ottawa in the year 2020 ranged from \$245-\$335.

Please also note that between the years 2022 and 2024, costs in the GTA have risen about \$25 per SF on the low end. Given this logic, costs will reach \$450-\$560 (conservatively) by the year 2026 (mid-point of construction for Oshawa Power).

Cost Analysis and Assumptions

BBA (Barry Bryan Associates) Class D Cost Analysis Assumptions

BBA Architects were engaged through a competitive RFP process and hired to create a concept with drawings for the Thornton site. This allowed their team to develop more specific area requirements and Class D cost estimates giving a greater degree of certainty for budgeting. Barry Bryan estimated a range of cost between \$35M (\$541 per square foot) as a baseline option without a net zero premium. For a building with a net zero premium, they estimated \$41.5 M for \$643 per square foot. These costs include 11.4% escalation to year 2026, which is typical to the mid-point of construction.

Using the last 3 years 2022, 2023, 2024 as a benchmark, the Altus guideline may predict construction to increase by \$25 per SF per year on the low-end. Given that logic, costs per SF for the Toronto region would range from \$475-\$560 PSF by year 2026. **The projected cost of \$541 PSF estimated by BBA falls within this range.**

Moreover, the spread between Ottawa and the GTA per SF from 2020 to 2026 will be more than \$200 per SF according to Altus, which is more than the range of the actual predicted spread between the two regions, which is \$169 per SF (\$541-\$372).

Therefore, it is the opinion of Cushman and Wakefield, given the information provided, that the costs estimated by BBA Architects are well within the normal range provided by Altus, a leading authority of costing across Canada and are comparable to Ottawa Power.

The following is a summary of the Class D analysis provided by BBA and the land costs for the new site.

	Size (SF or Acreage)	Cost	Cost/Per
Oshawa Power HQ (Source BBA, Cost Estimate, Baseline Building , proportioned to office only)	64,995	\$34,970,676	\$ 541 SF
Oshawa Power HQ (Source BBA, Cost Estimate, Net Zero Building , proportioned to office only)	64,995	\$41,580,491	\$ 643 SF
Oshawa Power HQ	6.5 Acres	\$11,425,00	\$1,757,000 per acre

On the following page, is a table that illustrates comparable land values.

Comparable Land Prices

The following are comparable land prices for the Oshawa/Ajax/Whitby region.
The average cost per acre is \$1,884,727.

	Transaction Date	Address	Municipality	Price \$	Price \$/Acre	Use	Acreage
1	6/21/2024	2072 Thornton Road North	Oshawa	11,425,000	1,757,421	Industrial	6.50
2	4/4/2024	100 Beck Crescent	Ajax	10,700,000	2,529,551	Commercial	4.23
3	12/20/2023	Champlain Avenue	Whitby	14,844,600	1,483,125	Industrial	10.01
4	12/7/2023	5515 Garrard Road	Whitby	4,000,000	1,188,707	Industrial	3.37
5	12/6/2023	640 Taunton Road West	Oshawa	16,000,000	1,584,158	Commercial	10.10
6	4/3/2023	2150 Thornton Road North	Oshawa	23,000,000	1,564,838	Industrial	14.70
7	3/15/2023	650 Beck Crescent	Ajax	12,250,000	1,472,533	Commercial	8.32
8	2/21/2023	1900 Boundary Road	Whitby	35,000,000	2,178,378	Industrial	16.07
9	12/9/2022	600 Conlin Road West	Oshawa	42,929,250	2,537,490	Industrial	16.92
10	7/19/2022	500 Salem Road	Ajax	12,000,000	2,906,977	Industrial	4.13
11	5/6/2022	1 Keensford Court	Ajax	6,100,000	1,528,822	Industrial	3.99
				17,113,532	1,884,727		8.94

ERTH application & decision comparison details								
	Waterloo North	InnPower	Algoma Power	Milton Hydro	ERTH	ERTH [no land]	Oshawa Power [class B, high level estimated soft costs, land]	Oshawa Power [minus land]
EB#	EB-2010-0144	EB-2014-0086	EB-2019-0019	EB-2015-0089	EB-2024-0021	EB-2024-0021	Not filed	Not filed
Year In Service (YIS)	2011	2015	2022	2015	2025	2025	2027	2027
Function*	Admin/ Ops.	Admin/ Ops.	Admin./ Ops.	Admin/ Ops.	Admin./Ops.	Admin./Ops.	Admin./Ops.	Admin./Ops.
Type of Project	New Build	New Build	New Build	Retrofit	New Build	New Build	New Build	New Build
Building Sq ft	104,000	36,172	41,703	91,828	50,624	50,624	61,301	61,301
Location**	Waterloo	Innisfil	Sault Ste Marie	Milton	Ingersoll	Ingersoll	Oshawa	Oshawa
Acres	20	7	7	7	6	6	6.5	6.5
FTEs	125	55	60	59	39	39	105	105
Customers	52000	19703	12332	42082	24571	24571	65909	65909
Requested Cost Recovery	\$26,681,739	\$13,246,704	\$14,100,000	\$14,460,000	\$33,439,000	\$27,222,000	\$61,023,000	\$48,385,912
Land costs included***	??	??	??	??	\$6,217,000	NA	\$12,637,088	NA
OEB-approved CAPEX (YIS)	??	\$10,896,704	\$12,690,000	\$12,524,798	\$29,500,000	\$23,283,000	\$61,023,000	\$48,385,912
Inflation to 2025 (ERTH application)****	\$58,236,000	\$19,129,000	\$15,361,000	\$24,594,000	\$29,500,000	\$23,283,000	NA	NA
Escalation to 2027	\$61,782,572	\$20,293,956	\$16,296,485	\$26,091,775	\$31,296,550	\$24,700,935	\$61,023,000	\$48,385,912
Benchmarks								
Customers/acre of land	2600	2815	1762	6012	4095	NA	9431	NA
Building Sq.Ft./FTE	832	658	695	1556	1298	1298	583	583
Building Sq.Ft./Customer	2.00	1.84	3.38	2.18	2.06	2.06	0.93	0.93
Total cost/Customer	\$1,188	\$1,030	\$1,321	\$620	\$1,274	\$1,005	\$926	\$734
Total cost/FTE	\$494,261	\$368,981	\$271,608	\$442,233	\$802,476	\$633,357	\$580,067	\$459,942
Total cost/Sq.Ft.	\$594	\$561	\$391	\$284	\$618	\$488	\$995	\$789

* unclear for which LDCs this is was a single consolidated HQ or if they have multiple locations

** insufficient GTA comparators for Oshawa, only GTA comparator was not a new build

*** ERTH application did not show land costs for comparators

**** do not know ERTH's inflationary factors to 2025, assumed 3% in 2026 and 3% 2027 given macroeconomic uncertainty but subject to change