



STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

M. JODI RELL
GOVERNOR

CRISTINE A. VOGEL
COMMISSIONER

March 13, 2006

Mark Mininberg
President
HES Energy, LLC
P.O. Box 2190
1080 Chamberlain Hill Road
Middletown, Connecticut 06457

Re: Certificate of Need Determination Request; Report Number: 06-30705-DTR
HES Energy, LLC and Participating Member Hospitals
Constructing Fuel Cell Powered Generating Facilities for Member Hospitals

Dear Mr. Mininberg:

On March 7, 2006, the Office of Health Care Access (“OHCA”) received your Certificate of Need (“CON”) Determination request on behalf of HES Energy, LCC and ten member hospitals regarding your anticipated participation in the Connecticut Clean Energy Fund’s Connecticut 100 Program. The Connecticut 100 Program is an initiative to further develop the use of renewable energy sources in the State of Connecticut. OHCA has reviewed the information submitted and makes the following findings:

1. HES Energy, LLC (“Petitioner”) was founded in 1966 and offers a wide array of energy services to health care institutions. Current services include electricity and fuel procurement, on-site power generation, energy management and conservation services. The Petitioner is also developing alternative fuel capabilities for its member hospitals.
2. Currently twenty-two Connecticut hospitals are under long-term power contracts arranged by the Petitioner at significant discounts to the prevailing market rates.
3. The Petitioner proposes to construct ten individual fuel cell¹ powered generation facilities on land, which will be leased from ten Connecticut host hospitals.

¹ A fuel cell is a device that combines hydrogen fuel and oxygen from the air to produce electricity, heat, and water. Fuel is converted directly to electricity. A fuel cell operates at higher efficiencies than an internal combustion engine, thereby extracting more electricity from the same amount of fuel.

An Equal Opportunity Employer

410 Capitol Ave., MS#13HCA, P.O.Box 340308, Hartford, CT 06134-0308

Telephone: (860) 418-7001 Toll-Free: 1-800-797-9688

Fax: (860) 418-7053

4. The proposed host hospitals are as follows: Bridgeport Hospital, Danbury Hospital, Greenwich Hospital, Hartford Hospital, Manchester Memorial Hospital, Saint Francis Hospital and Medical Center, Hospital of Saint Raphael, Saint Vincent's Medical Center, Stamford Hospital and Waterbury Hospital.
5. A fuel cell is a device that combines hydrogen fuel and oxygen from the air to produce electricity, heat, and water. Fuel is converted directly to electricity. A fuel cell operates at higher efficiencies than an internal combustion engine, thereby extracting more electricity from the same amount of fuel.
6. The State of Connecticut has created a new program that allows hospitals to further reduce their energy costs by hosting fuel cell generating facilities. The proposed installations will sell electricity to the Connecticut Light and Power and United Illuminating ("state's power grid") and in return will provide all of the fuel cell thermal output to the host hospitals at no cost.
7. The Petitioner and the ten member hospitals will be submitting a proposal to the Connecticut Clean Energy Fund ("CCEF") as part of its 'Project 100 Program. Under the competitive program the state will award long-term power purchase agreements to projects that utilize renewable energy sources.
8. The CCEF is expected to issue requests for proposal within the next six (6) weeks and then will grant the next round of awards within a three (3) month period.
9. The state-sponsored power agreements will provide the revenue base for operating each fuel cell installation for a term of fifteen (15) years and will allow the Petitioner to provide each host hospital with free thermal energy as well as a long-term lease payment.
10. The proposed project offers an opportunity for the state to obtain multiple benefits from the use of the Project 100 funding. The project will accomplish the following:
 - Provide power to support the states' power grid from multiple sites;
 - Replace oil-fired energy with clean fuel cell energy, thereby reducing air pollution in the proposed urban areas;
 - Provide financial support to the state's urban hospitals;
 - Create multiple construction projects in the state's urban areas; and
 - Procure nearly \$100 million in equipment and services from Connecticut-based manufacturers and contractors.
11. Hospital members will agree to have a 2.4 mega-watt fuel cell installed on their respective campuses and in return receive all of their thermal output for 15 years at no cost. Each hospital would also receive a lease payment for use of approximately 5,000 square feet of its energy plant space.

12. The electrical output of each proposed fuel cell facility will be sold to the power grid and after paying for the capital and operating costs of the fuel cell units would generate enough revenue to make the project financially viable.
13. The Petitioner estimates that the savings that will be generated for each hospital over the course of the fifteen (15) year contract will, on average, be as follows:
 - \$5,250,000 attributable to fuel savings; and
 - \$400,000 attributable to lease payments for use of energy plant space.
14. This project will not result in a change to the delivery of health care services provided by each member hospital.
15. No capital expenditures for the proposal will be borne by any member hospital.

Based on the above findings, OHCA has determined that the proposed construction of ten fuel cell powered generation facilities on land leased from ten Connecticut host hospitals will not result in a change to the delivery of health care services provided by the member hospitals. Additionally, there is no capital expenditure associated with the proposal for any member hospital participating in the program. Therefore, CON approval is not required pursuant to Sections 19a-638 and 19a-639 of the Connecticut General Statutes for the Petitioner and the member hospitals to move forward with their proposal.

Thank you for providing information to OHCA regarding your proposal. If you have any questions concerning this letter, please contact Jack A. Huber, OHCA Health Care Analyst. He may be reached at (860) 418-7034.

Sincerely,

Signed by Cristine A. Vogel
Commissioner

CAV:jah