

OFFICE OF FISCAL ANALYSIS

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HB-5456

AN ACT AUTHORIZING THE PURCHASE OF THE CAPITOL DISTRICT ENERGY CENTER COGENERATION ASSOCIATES ENERGY PRODUCTION PLANT.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 23 \$	FY 24 \$
Treasurer, Debt Serv.	GF - None	See Below	See Below
Department of Administrative Services; Judicial Dept.; Legislative Mgmt.	GF - Potential Savings; Potential Cost Avoidance	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill enables the Commissioner of the Department of Administrative Services (DAS) to purchase the energy production plant in Hartford which produces and provides steam and heated and chilled water for the Capitol Area System, including certain state agencies. It is anticipated that the purchase would produce long-term savings and cost avoidance to the agencies impacted, according to projections by the DAS that reflect increasing efficiencies in the facility's operation due to planned investments in its infrastructure. The DAS projections demonstrate state agency savings of over \$20 million in total over twenty years relative to the current contract to purchase energy from the facility, in addition to the avoidance of potential future costs to the agencies consuming energy from the facility as planned or unplanned maintenance and repair costs are incurred and passed on to the state.

There is no anticipated, additional projected cost to the State Treasurer's debt service line item because General Obligation bond funds authorized for the program (over \$15 million in total) have already been allocated and made available.

Electric ratepayer impact

The energy production plant in Hartford has been decommissioned as a generator of electrical energy. However, some electricity is consumed in operating the facility. Purchase of the facility by the state would result in a shift in accounting for the cost of electricity to run the facility. Instead of being a component of the overall cost of procuring energy from the third-party operator of the facility as it is done currently, the state agency DAS (as a potential future owner) would need to negotiate and pay for electricity directly via Northeast Utilities. Overall usage and rates are uncertain, pending improved efficiencies and negotiations.

The Out Years

The potential, estimated savings indicated above of over \$20 million in total is through calendar year 2040.