



DEPARTMENT OF ADMINISTRATIVE SERVICES

DATE: July 9, 2019
FROM: Doug Moore, Director, Properties and Facilities Management
TO: Noel Petra, Deputy Commissioner, DAS
RE: Capitol Area System District Heating and Cooling Loop Charges

A handwritten signature in blue ink, appearing to be "DM", is written over the "FROM:" line of the memo.

Sections 4a-2 and 4b-17 of the Connecticut General Statutes authorizes the Commissioner of DAS and/or his designee to provide energy products and services through the Capitol Area System (CAS) to any building owned by, or leased to, the state or any instrumentality of the state and section 4b-12 gives the Commissioner of DAS the supervision, care and control of the following buildings ("the Buildings"):

- **The State Office Building, 165 Capitol Avenue, Hartford, CT**
Chilled water 325 tons per hour; hot water 13,980 MMBTU
- **25 Sigourney Street, Hartford, CT**
Chilled water 1,250 tons per hour; hot water 6,000 MMBTU
- **18/20 Trinity Street, Hartford, CT**
Chilled water 250 tons per hour; hot water 3,000 MMBTU
- **30 Trinity Street, Hartford, CT**
Chilled water 175 tons per hour; hot water 2,000 MMBTU
- **79 Elm Street, Hartford, CT**
Chilled water 400 tons per hour; hot water 3,000 MMBTU
- **410-474 Capitol Avenue, Hartford, CT**
Chilled water 675 tons per hour; hot water N/A

The provision of hot water and chilled water to heat and cool such buildings shall be in accordance with the following (the "Agreement"):

1. Requirements; Demand Volume. The Buildings will purchase all of the Buildings' requirements for hot water and chilled water to heat and air condition, at the rates set forth in Schedules A and B which are attached hereto, and specifically made a part hereof. Commencing upon the date of this memo, the minimum demand for chilled water shall be as indicated above, measured in tons per hour on an hourly basis during the month of February. The minimum demand for hot water shall be as indicated above, measured in MMBTUs per hour for an hourly basis during the month of July. The foregoing demand volumes may increase or decrease from time to time in accordance with the terms and conditions set forth in this memo. The CAS has and will have and maintain sufficient plant capacity to fulfill its obligations; the foregoing shall in no way affect the CAS's power to adjust rates in the prescribed manners hereunder.

2. Demand Charge and Consumption Charge Distinguished. The demand charge as set forth in Schedules A and B is the mechanism whereby CAS/DAS recovers a return on the capital investment required to serve the Buildings as well as to reserve the capacity necessary to meet the Buildings' peak hourly requirements for hot water and chilled water to heat and air condition the Buildings. The demand volume set forth in Paragraph 1 together with its corresponding charge is applied constantly and consistently except as may be renegotiated from time to time pursuant to the terms contained herein.

The consumption charge as set forth in Schedules A and B is the mechanism whereby CAS/DAS recovers the fixed and variable costs associated with producing the hot water and chilled water delivered to the Buildings. The consumption charge is applied only when the Buildings are actually using hot water and chilled water and the charge is determined according to how much hot water and chilled water the Buildings use as set forth in the consumption charge rates in Schedules A and B.

3. Effective Dates. The terms herein shall be effective upon signature, and shall remain in effect until terminated in accordance with its terms.

4. The Buildings Facilities. All piping, valves, regulators and other equipment under the supervision, care and control of the Buildings shall remain under the supervision, care and control of the Buildings, as well as the inlet strainer furnished by CAS/DAS. The Buildings shall properly maintain such equipment and system at all times.

5. CAS/DAS Facilities. All valves, piping, meters, submeters, regulators, and other equipment under the supervision, care and control of CAS/DAS, with the express exception of the inlet strainer, shall remain under the supervision, care and control of CAS/DAS. CAS/DAS shall properly maintain such equipment at all times.

6. Metering; Access to the Buildings' Premises. The Buildings shall provide CAS/DAS adequate space at the Buildings' premises in which to meter hot water and chilled water usage. CAS/DAS shall be allowed access to the Buildings' premises at all reasonable times for the purposes of operating, inspecting, reading, repairing, maintaining, or altering any of CAS/DAS equipment or meters located within the Buildings' premises. Any lease, sublease or conveyance of any part of the Buildings' premises in which CAS/DAS equipment is located shall specifically be made subject to CAS/DAS right of access.

7. Control of Hot Water and Chilled Water. The Buildings shall be responsible for the control and possession of hot water, chilled water, and return water from the time the hot water or chilled water passes the outlet side (or the Buildings' side) of the CAS/DAS inlet service valve until the return water passes the inlet side (or the Buildings' side) of CAS/DAS's outlet service valve. After hot water and chilled water have passed the first of these two points, and before the return water has passed the second of these two points, CAS/DAS shall have no responsibility for anything which may be done, happen, or arise

with respect to such hot water, chilled water, and return water. Nothing herein shall affect CAS/DAS's responsibility for the accurate metering of hot water and chilled water nor shall it affect CAS/DAS's right of access to perform such metering or maintenance of CAS/DAS's equipment located on the Buildings' premises.

8. Scheduled Service Interruptions. CAS/DAS reserves the right, at reasonable times and upon five (5) days written notice to the Buildings, to interrupt the supply of hot water or chilled water, or both, for the purpose of performing necessary maintenance, repairs, or connections to its mains or pipes. CAS/DAS shall exercise due diligence and shall act with reasonable dispatch in restoring service in such instances. To the extent practicable, such interruptions shall be scheduled during the Buildings' non-business hours.

9. Suspension of Charges. If as a result of any cause, the Buildings' use of hot water or chilled water, or both, is reduced or discontinued and unless this Agreement is assigned pursuant to Paragraph 13, all consumption charges to the Buildings hereunder will be reduced or suspended accordingly to reflect actual consumption for the period that usage is reduced or discontinued. In such an event, the Buildings' demand charges, at the level prevailing when such cause occurred, shall continue unless such reduction or discontinuance of service is attributable solely to the CAS/DAS.

10. Service; Tenancy of Buildings. Notwithstanding any other provision of this Agreement to the contrary, in the event that hot water or chilled water service, or both, to be provided by CAS/DAS hereunder becomes unavailable and such unavailability adversely affects the tenancy of the Building, the Building may advise the CAS/DAS of its intention to terminate this Agreement by providing 90 days written notice.

11. New Rate Schedules. In the event the CAS/DAS, during the term of this Agreement, shall pursuant to Section 4b-17 of the Connecticut General Statutes effect a new schedule of charges or amend the schedule of charges applicable to the hot water and chilled water service furnished to the Building, the CAS/DAS shall make such schedule of charges available to the Buildings.

12. Regulation. Hot water and chilled water furnished pursuant to this Agreement shall be subject to regulations prescribed by any federal, state, or local regulatory agency and/or commission having jurisdiction over the distribution of hot water or chilled water or both to CAS/DAS customers. The CAS/DAS represents that no approval or authority from any government agency, which it does not currently possess, is necessary for it to enter into or to undertake the obligations of this Agreement. The CAS/DAS and the Buildings agree that each will conform with and abide by all applicable rules, regulations, orders, and decisions of governmental bodies, whether adopted prior or subsequent to the date of this Memo.

13. Assignment of Agreement. This Agreement shall be binding upon the successors and assigns of the parties hereto. It shall be assigned by the Buildings to any person or entity to whom ownership of the premises served is transferred and the transferee shall assume and agree to pay all demand and commodity charges in accordance with this Agreement and to assume all undertakings of the Buildings with respect to the premises for the balance of the term of this Agreement. Upon such assumption, the Buildings shall be relieved of its obligations for future charges and undertakings and a subsequent owner of the premises shall be similarly relieved upon the same assumption by its or his transferee.

14. Notices. All notices shall be in writing and, if to the CAS/DAS, addressed to it as follows:

DAS Business Office
450 Columbus Boulevard,
Hartford, CT 06103

DAS CAS Operations
450 Columbus Boulevard, Suite 1403
Hartford, CT 06103

DAS Facilities Management
450 Columbus Boulevard, Suite 1403
Hartford, CT 06103

Or such other address or addresses as from time to time may be specified in such a notice.

Schedule A
Hot Water Service Rate

Demand Charge

\$0.46 per million BTUs (MMBTU)

Adjustment to Demand Volume

The level of hot water demand at which the Purchaser is to be billed shall be the greater of (1) the level specified in Paragraph 1 of this Agreement, and (2) the maximum number of MMBTU delivered in any consecutive sixty (60) minute period in any month since the previous December 31.

Adjustment to Demand Charge

A. Standard Plant and Property Expenditures

The rate at which chilled water demand is billed in any month to the Building may be adjusted as of the first day of January in each of the years in the Agreement term to reflect changes in DAS's customer load and additions and retirements to DAS's plant and other increased and decreases in DAS's fixed costs, to the extent such adjustments are reasonable and prudent and will provide the Building with continuation of service or improvement in service.

B. Efficiency Improvements

In addition, at the time of commencement of utilization of equipment installed to effect improvements in efficiency, DAS may add a surcharge to the Building's demand charge with respect to particular expenditures described below, provided all of the following conditions are met:

1. Said expenditure is reasonably expected to produce savings in the Building's expenses and other costs, including the amount of energy consumed, sufficient to amortize the cost of the efficiency improvement in five (5) years or less through the demand charge surcharge; and
2. DAS provides the Building, prior to making such expenditure, a written evaluation by an independent qualified third party, which evaluation supports DAS's conclusions that said expenditure satisfies the terms of the preceding paragraph. Notwithstanding the foregoing, no evaluation from a third party shall be required for cases in which the investment is a) less than \$1 million; or b) made pursuant to or consistent with methods of effecting savings already in use at DAS's plant or at like facilities. Whenever a third party evaluation is not required under this paragraph, DAS shall provide the Building, prior to making such expenditure, DAS's written evaluation that supports DAS's conclusions that said evaluation satisfies the terms of the preceding paragraph; and
3. Said expenditure does not exceed \$5 million; and

4. Said expenditure does not result in a fundamental alteration in the manner in which hot water is produced or distributed.

Expenditures that so qualify under the preceding Paragraphs 1 to 4, shall be the basis for a surcharge to the Building's demand rate, but only in the proportion that the Building's then current demand volume bears to the total demand volumes of DAS's other customers. This surcharge shall be established at a level to permit DAS to recover the qualifying expenditure(s), including all associated carrying costs and professional fees from all of its customers over a period corresponding to the simple payback period of the investment or five (5) years, whichever is less. Such surcharges shall remain in effect as surcharges only until such time as the basic demand rate is adjusted under this Schedule, at which time the expenditure that resulted in the surcharge shall be considered as additions to DAS's plant. At the time, the efficiency of each improvement shall be audited by an independent auditor mutually acceptable to the parties. If such audit concludes that the expenditure by DAS has met or will meet the payback criterion of Paragraph 1 above, DAS's investment (less accumulated depreciation) in its entirety will be added to DAS's plant. If such audit concludes that any of DAS's investments have not or will not produce the level of savings required by said Paragraph 1, such investment will also be added to DAS's plant, but only to the extent to which the investment has produced or is projected to produce actual savings in the period prescribed in said Paragraph 1.

Consumption Charge

The charges are not fixed, due to the variable cost of electricity. Historically, an annual price range could be determined.

Schedule B
Chilled Water Service Rate

Demand Charge

\$7.68 per ton

(One ton is defined as 12,000 BTUs per hour and one hour is defined as any period of sixty (60) consecutive minutes.)

Adjustment to Demand Volume

The level of chilled water demand at which the Building is to be billed shall be the greater of (1) the level specified in Paragraph 1 of this Agreement, or (2) the maximum number of tons of demand of chilled water delivered in any consecutive sixty (60) minute period in any previous twelve (12) months.

Adjustment to Demand Charge

A. Standard Plant and Property Expenditures

The rate at which chilled water demand is billed in any month to the Building may be adjusted as of the first day of January in each of the years in the Agreement term to reflect changes in DAS's customer load and additions and retirements to DAS's plant and other increased and decreases in DAS's fixed costs, to the extent such adjustments are reasonable and prudent and will provide the Building with continuation of service or improvement in service.

B. Efficiency Improvements

In addition, at the time of commencement of utilization of equipment installed to effect improvements in efficiency, DAS may add a surcharge to the Building's demand charge with respect to particular expenditures described below, provided all of the following conditions are met:

1. Said expenditure is reasonably expected to produce savings in the Building's expenses and other costs, including the amount of energy consumed, sufficient to amortize the cost of the efficiency improvement in five (5) years or less through the demand charge surcharge; and
2. DAS provides the Building, prior to making such expenditure, a written evaluation by an independent qualified third party, which evaluation supports DAS's conclusions that said expenditure satisfies the terms of the preceding paragraph. Notwithstanding the foregoing, no evaluation from a third party shall be required for cases in which the investment is a) less than \$1 million; or b) made pursuant to or consistent with methods of effecting savings already in use at DAS's plant or at like facilities. Whenever a third party evaluation is not required under this paragraph, DAS shall provide the Building, prior to making such expenditure, DAS's written evaluation that supports DAS's conclusions that said evaluation satisfies the terms of the preceding paragraph; and

3. Said expenditure does not exceed \$5 million; and
4. Said expenditure does not result in a fundamental alteration in the manner in which chilled water is produced or distributed.

Expenditures that so qualify under the preceding Paragraphs 1 to 4, shall be the basis for a surcharge to the Building's demand rate, but only in the proportion that the Building's then current demand volume bears to the total demand volumes of DAS's other customers. This surcharge shall be established at a level to permit DAS to recover the qualifying expenditure(s), including all associated carrying costs and professional fees from all of its customers over a period corresponding to the simple payback period of the investment or five (5) years, whichever is less. Such surcharges shall remain in effect as surcharges only until such time as the basic demand rate is adjusted under this Schedule, at which time the expenditure that resulted in the surcharge shall be considered as additions to DAS's plant. At the time, the efficiency of each improvement shall be audited by an independent auditor mutually acceptable to the parties. If such audit concludes that the expenditure by DAS has met or will meet the payback criterion of Paragraph 1 above, DAS's investment (less accumulated depreciation) in its entirety will be added to DAS's plant. If such audit concludes that any of DAS's investments have not or will not produce the level of savings required by said Paragraph 1, such investment will also be added to DAS's plant, but only to the extent to which the investment has produced or is projected to produce actual savings in the period prescribed in said Paragraph 1.

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The charges are not fixed, due to the variable cost of electricity. Historically, an annual price range could be determined.