



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Saint Francis Hospital and Medical Center

Docket Number: 03-30011

Project Title: Participation in a Fuel Cell Pilot Program Through the Installation and Operation of a Fuel Cell

Statutory Reference: Section 19a-639 of the Connecticut General Statutes

Filing Date: March 20, 2003

Hearing: Waived

Decision Date: April 10, 2003

Default Date: June 18, 2003

Staff Assigned: Harold M. Oberg

Project Description: Saint Francis Hospital and Medical Center (“Hospital”) proposes to participate in a pilot program of the Connecticut Clean Energy Fund (“CCEF”) to develop fuel cell technology by overseeing the installation and operation on the Hospital’s main campus of a fuel cell from UTC Fuel Cells, a unit of United Technologies Corporation, at a total capital expenditure of \$1,874,000. The total capital expenditure for the proposal will be funded entirely through a grant from CCEF.

Nature of Proceedings: On March 20, 2003, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Saint Francis Hospital and Medical Center for its participation in a pilot program of the Connecticut Clean Energy Fund to develop fuel cell technology by overseeing the installation and operation on the Hospital’s main campus of a fuel cell from UTC Fuel Cells, a unit of United Technologies Corporation, at a total capital expenditure of \$1,874,000. The Hospital is a health care facility or institution as defined in Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

The Hospital requested a waiver of hearing for the CON application pursuant to Section 19a-643-45 of OHCA's Regulations, and claimed that the CON application is non-substantive as defined in Section 19a-643-95(3) of OHCA's Regulations. On March 25, 2003, the Hospital was informed that the CON application was eligible for consideration of waiver of public hearing, and a notice to the public was published in the *Hartford Courant*. OHCA received no comments from the public concerning the Hospital's request for waiver of hearing during the public comment period, and therefore on April 8, 2003, OHCA granted the Hospital's request for waiver of hearing.

OHCA's authority to review and approve, modify or deny the CON application is established by Section 19a-639, C.G.S. The provisions of this section as well as the principles and guidelines set forth in Section 19a-637, C.G.S., were fully considered by OHCA in its review.

Findings of Fact

Each finding of fact included in this Final Decision has been taken from the CON application and related CON filings. A source reference is included with each finding of fact. All CON applicants must attest to the accuracy and correctness of the information submitted to OHCA as part of the CON application process.

Clear Public Need

1. Saint Francis Hospital and Medical Center ("Hospital") is an acute care general hospital located at 114 Woodland Street and 500 Blue Hills Avenue in Hartford, Connecticut. The Hospital's total licensed bed capacity of 682 beds and bassinets includes 617 licensed beds and 65 licensed bassinets. (*March 20, 2003, CON Application, Page 421*)
2. The Hospital proposes to participate in a pilot program of the Connecticut Clean Energy Fund ("CCEF") to develop fuel cell technology by overseeing the installation and operation on the Hospital's main campus of a fuel cell from UTC Fuel Cells, a unit of United Technologies Corporation, at a total capital expenditure of \$1,874,000. The total capital expenditure for the proposal will be funded entirely by a grant from CCEF. (*March 20, 2003 CON Application, Cover Letter and Page 9*)
3. The Connecticut Clean Energy Fund, also known as the Renewable Energy Investment Fund, is a renewable energy investment fund created pursuant to Section 16-245n of the Connecticut General Statutes ("C.G.S.") and has offices at 999 West Street in Rocky Hill, Connecticut. It is administered by Connecticut Innovations, Inc., which constitutes a public instrumentality and political subdivision of the State of Connecticut under Section 32-35, C.G.S. (*March 20, 2003 CON Application, Page 71*)
4. A fuel cell is an electrochemical device that combines hydrogen fuel and oxygen from the air to produce electricity, heat and water. Fuel cells operate without combustion and are virtually pollution free. Since the fuel is converted directly to electricity, a fuel cell can operate at much higher efficiencies than internal combustion engines, extracting more electricity from the same amount of fuel. (*March 20, 2003 CON Application, Page 3*)

5. The fuel cell itself has no moving parts making it a quiet and reliable source of power. Fuel cells are attractive because they reduce the frequency, duration and cost of power outages, increase the reliability of power, and reduce electric energy costs. Fuel cell power installations are also exempt from air emission permitting requirements. *(March 20, 2003 CON Application, Page 4)*
6. In 2001, CCEF and UTC Fuel Cells launched a fuel cell initiative, a future oriented project designed to develop a sustainable market for fuel cell energy. UTC Fuel Cells is the world leader in fuel cell production and CCEF is a fund administered by the State of Connecticut that invests in initiatives to promote and develop renewable energy sources. *(January 17, 2003 Letter of Intent, Project Description)*
7. Under the fuel cell initiative, CCEF purchases fuel cells from UTC Fuel Cells and places them at various locations in the state to test the benefits and feasibility of the fuel cell's use. CCEF received 31 proposals and chose eight finalists that represent a cross-section of the state economy in order to test the effectiveness of fuel cells. CCEF will place each fuel cell at its designated location and will monitor the viability and benefits of this new technology. *(January 17, 2003 Letter of Intent, Project Description)*
8. Saint Francis Hospital and Medical Center was chosen as one of the sites for a fuel cell placement because of the unique qualities the Hospital holds as an urban hospital. CCEF and UTC Fuel Cells wish to enter the health care industry because it will be critical to making the fuel cell pilot project a successful, sustainable alternative to traditional energy sources. *(March 20, 2003 CON Application, Page 4)*
9. The Hospital proposes to install one fuel cell, known as the PC25C fuel cell, on the Hospital's main campus in Hartford. This fuel cell has the capability to produce 200 kilowatts of electricity and 900,000 BTU's of usable heat. The CON proposal would enhance the Hospital's existing heating and cooling system by reducing emissions and lowering its energy costs. The backup system for the fuel cell would be the traditional electric grid at the Hospital, which is also backed up by diesel generators. The Hospital's power requirements would not in any way be jeopardized as a result of the CON proposal. *(March 20, 2003 CON Application, Page 4)*
10. The Hospital anticipates that the CON proposal would commence in April 2003 and would be completed in January 2004. *(March 20, 2003 CON Application, Page 12)*

Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicant's Rates and Financial Condition

11. The Hospital's CON proposal includes the following capital expenditure components: *(March 25, 2003 Supplemental CON Application Filing, Page 2)*

Table 1: Hospital's Proposed Total Capital Expenditure

Description	Amount
PC25C Fuel Cell	\$ 839,300
Stack and Fuel Processor Replacements	375,000
Installation Costs	659,700
Total Capital Expenditure	\$ 1,874,000

12. The Hospital would fund the CON proposal's total capital expenditure of \$1,874,000 entirely through a grant from the Connecticut Clean Energy Fund. *(March 20, 2003 CON Application, Page 9)*
13. The Hospital's CON proposal would not result in any increase in the Hospital's patient rates, patient revenues or total operating costs. Total energy cost savings for the first and second full years of operation of the fuel cell are projected to be \$28,000 and \$21,000, respectively and would be divided between the Hospital and CCEF. The Hospital projects that its share of the total energy cost savings for the first and second full years of operation of the fuel cell would be \$9,500 and \$11,750, respectively. *(March 20, 2003 CON Application, Pages 424 and 429)*
14. The Hospital's projected payer mix during the first three years of the installation and operation of the fuel cell would not be affected by the CON proposal. *(March 20, 2003 CON Application, Page 423)*

Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines

The following findings are made pursuant to the principles and guidelines set forth in Section 19a-637, C.G.S.:

15. There is no State Health Plan in existence at this time. *(March 20, 2003 CON Application, Page 3)*
16. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(March 20, 2003 CON Application, Page 3)*
17. The Hospital has no teaching or research responsibilities that would be affected as a result of the proposal. *(March 20, 2003 CON Application, Page 7)*
18. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(March 20, 2003 CON Application, Page 7)*
19. The Hospital has implemented various activities to improve productivity and contain costs that involve energy conservation, reengineering, group purchasing and the application of new technology. *(March 20, 2003 CON Application, Pages 6 and 7)*
20. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(March 20, 2003 CON Application, Pages 384 – 392)*

Rationale

Saint Francis Hospital and Medical Center (“Hospital”) proposes to participate in a pilot program of the Connecticut Clean Energy Fund (“CCEF”) to develop fuel cell technology by overseeing the installation and operation on the Hospital’s main campus of a fuel cell from UTC Fuel Cells, a unit of United Technologies Corporation, at a total capital expenditure of \$1,874,000. The total capital expenditure for the Certificate of Need (“CON”) proposal would be funded entirely by a pilot program grant from CCEF.

In 2001, CCEF and UTC Fuel Cells launched a fuel cell initiative, a future oriented project designed to develop a sustainable market for fuel cell energy. UTC Fuel Cells is the world leader in fuel cell production and CCEF is a fund administered by the State of Connecticut that invests in initiatives to promote and develop renewable energy sources. Under the fuel cell initiative, CCEF purchases fuel cells from UTC Fuel Cells and places them at various locations in the state in order to test the benefits and feasibility of the fuel cell’s use. CCEF will place fuel cells at eight designated locations and will monitor the viability and benefits of this new technology.

The Hospital proposes to install one fuel cell, known as the PC25C fuel cell, which would have the capability to produce 200 kilowatts of electricity and 900,000 BTU’s of usable heat. The fuel cell would enhance the Hospital’s existing heating and cooling system by reducing emissions and lowering the Hospital’s energy costs, and would not jeopardize in any way the Hospital’s power requirements. The Hospital anticipates that the CON proposal would commence in April 2003 and would be completed in January 2004. OHCA finds that the Hospital has clearly demonstrated the need for the CON proposal based upon the environmental, power enhancement and power reliability benefits that are likely to result from the installation and operation of the fuel cell on the Hospital’s main campus.

The total capital expenditure of \$1,874,000 for the CON proposal will be funded entirely through a grant from the Connecticut Clean Energy Fund. The Hospital’s CON proposal would not result in any increase in the Hospital’s patient rates, patient revenues or total operating costs. Total energy cost savings for the first and second full years of operation of the fuel cell are projected to be \$28,000 and \$21,000, respectively and would be divided between the Hospital and CCEF. The Hospital projects that its share of the total energy cost savings for the first and second full years of operation of the fuel cell would be \$9,500 and \$11,750, respectively. Therefore, OHCA finds that the Hospital’s CON proposal is both financially feasible and cost effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Saint Francis Hospital and Medical Center to participate in a pilot program of the Connecticut Clean Energy Fund to develop fuel cell technology by overseeing the installation and operation on the Hospital’s main campus of a fuel cell from UTC Fuel Cells, a unit of United Technologies Corporation, at a total capital expenditure of \$1,874,000, is hereby GRANTED.

Order

Saint Francis Hospital and Medical Center (“Hospital”) is hereby authorized to participate in a pilot program of the Connecticut Clean Energy Fund to develop fuel cell technology by overseeing the installation and operation on the Hospital’s main campus of a fuel cell from UTC Fuel Cells, a unit of United Technologies Corporation, at a total capital expenditure of \$1,874,000, subject to the following conditions:

1. This authorization shall expire on April 30, 2005. Should the Hospital’s fuel cell installation and operation project not be completed by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. The Hospital shall not exceed the approved capital expenditure of \$1,874,000. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised CON project budget.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

By Order of the
Office of Health Care Access

Date signed:
April 10, 2003

Signed by:
Mary M. Heffernan
Commissioner

MMH:ho

Table Descriptions

**Saint Francis Hospital and Medical Center
Participation in a Fuel Cell Pilot Program Through the Installation and Operation
of a UTC Fuel Cell
CON Final Decision, Docket Number 03-30011**

Table 1

Title: Hospital's Total Proposed Capital Expenditure

The total capital expenditure for the proposal is \$1,874,000 and includes \$839,300 for the PC25C fuel cell from UTC Fuel Cells, \$659,700 for construction-related installation costs, and \$375,000 for stack and fuel processor replacements.