



Letter of Commitment

Trane U.S. Inc. ("Trane") is pleased to have the opportunity to work with the County of Lake ("County") to develop a Firemain Linked Auxiliary Supply/Hydraulic Energy Storage Facility (the "Project") pursuant to the award by County to Trane of the Project under the Request for Qualifications for Resilience Related Energy Services issued by the County on January 28, 2020. The Project is contemplated to include A Firemain Linked Auxiliary Supply Hydraulic Energy Storage (FLASHES) system.

Upon signing this Letter of Commitment, the County will provide access to the site(s) and to County personnel as may be reasonably required in order for the Trane Development Team to complete, as may be necessary or advisable, its feasibility study, develop a system design, complete all documents, forms and analysis required in order to obtain available government or utility incentive programs or grants with respect to the Project, including but not limited to Community Microgrid Enablement Program (CMEP), Microgrid Incentive Program (MIP), Building resilient Infrastructure Communities (BRIC), and Build Back Better (B-3) (the "Grants"). The County agrees to reasonably cooperate with Trane in the application for the Grants. Trane personnel shall obey all County safety rules, regulations, and instructions provided while accessing any County site or facility.

In the event Trane, in collaboration with the County, in its own name or in the name of the County, is able to secure grants for the Project in an amount sufficient, in Trane's discretion, to finance the cost of the Project, Trane will present, and the parties will negotiate in good faith and execute the contracts necessary to continue developing the Project in accordance with mutually agreed upon timeline. By executing this Letter of Commitment, each party agrees to exercise good faith efforts to pursue the implementation of the Project. This shall include committing the time and resources necessary to negotiate a further development agreement and the definitive agreements as may be customary, necessary or advisable for the implementation of the Project.

Confidentiality: The parties understand and agree that the solutions proposed by Trane in connection with the Project are the confidential and proprietary property of Trane, have executed the mutual Nondisclosure Agreement attached hereto and agree to be bound by such Nondisclosure Agreement for the duration of the Development Period.

Exclusivity: In consideration of the significant resources invested by Trane in connection with the Project during the Development Period and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the County agrees that for the period commencing as of the effective date of this Letter of Commitment and ending as of the earlier of (i) the termination of the Letter of Commitment by Trane in writing, (ii) the execution of the Franchise Agreement, the Option and other relevant definitive agreements, or (iii) the expiration of the tenth (10th) anniversary of the effective date, the County will develop the Project or any similar project exclusively with, by or through Trane, where similar is defined as a microgrid associated with a closed-loop pumped hydro or other energy storage asset, and where Trane has completed and submitted an initial technical review on the project concept to the County.

Impact on LOC of Feasibility Grant (s). Trane has or will be applying for feasibility study grants that can cover some of the costs of developing this project, but the number and value of grants that will be awarded is unknown at this time. Should any grant funding applied for by Trane on the County's behalf be secured during



the period of this LOC that can help pay for feasibility studies, the parties will jointly review the specific terms of the grant offer, consider the costs and benefits of any additional scope that could be added to the LOC in terms of improving capital grant viability, and any associated changes in the dollar value of the termination fee, in order to either develop a mutually agreeable change to this LOC or reject the offered grant funding.

In the event that Trane is unable to secure the required Grants on or prior to October 31st, 2022, this Letter of Commitment shall terminate, and the County shall have no further obligation hereunder except as provided in the Confidentiality and Exclusivity provisions which shall survive the termination or expiration of this LOC for any reason for the period set forth therein.

This project is expected to deliver a minimum 12% Internal Rate of Return on the Investor Proforma (sample proforma provided to the County on 09 September, 2021 as part of the Preliminary Review). If Trane is able to obtain and secure a combination of debt interest, first cost, tax equity, grants, and revenues such that the Internal Rate of Return achieved on the investor proforma meets or exceeds 12%, this shall be called the "Trigger Event".

On achieving the Trigger Event the County shall have the following obligations:

- a. County to pursue public education activities to build support for project
- b. County/Trane to begin CEQA analysis at Trane's expense
- c. County and Trane to proceed with good faith negotiation towards Definitive Agreement(s)

Following the Trigger event if the parties are unable to agree on a further development agreement and/or other definitive agreements as may be customary, necessary or advisable in order to implement the Project, within ninety (90) days from the date of the last approved Grant (which timeline may be extended by the parties in good faith by mutual agreement), the County will pay a fee to Trane in the amount of \$100,000 (One Hundred Thousand Dollars) (the "LOC Fee") for services and time invested by Trane within 30 days of the date of Trane's invoice.

Upon payment by the County of the LOC Fee, neither party shall have any further responsibility or liability to the other party, except that the provisions under the heading Confidentiality and Exclusivity shall survive the termination of this Letter of Commitment and payment of the LOC Fee in accordance with their terms.

Neither party is obligated to enter into an agreement to proceed with the Proposed Transaction. Any obligations other than those explicitly agreed to here are subject to the negotiation and execution of a definitive agreement between Trane and the County. Notwithstanding the foregoing, the parties agree that the provisions of this Letter of Commitment under the heading Confidentiality and Exclusivity shall be binding upon the parties in according with their terms and shall survive the termination or expiration of this Letter of Commitment.

This Agreement, and any subsequent agreements between the parties, shall be governed by and construed under the laws of the State of California excluding its "choice of law" or "conflict of law" rules with venue being proper in the County of Lake Superior Court.



Trane U.S. Inc.
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Rocklin, Calif.
www.TraneTechnologies.com

TRANE, INC.

County of Lake

By: _____

By: _____

Name:

Name:

Title:

Title: