



## Legislation Details (With Text)

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**File created:** 7/14/2022      **In control:** BOARD OF SUPERVISORS  
**On agenda:** 7/19/2022      **Final action:**  
**Title:** 10:00 A.M. - a) Consideration of an Update from the County of Lake's Energy Services Company (ESCo), Trane US Inc., Regarding Recent Progress on the N. Lakeport FLASHES Energy, Disaster and Climate Change Resiliency Projects; and b) Consideration of Next Steps and Potential Direction to Staff to Develop a Letter of Commitment to Further the N. Lakeport Projects  
**Sponsors:** Administrative Office  
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**Attachments:** 1. Lake BOS 19.July.2022 CMEP update \_PGE, 2. 2022-07 Trane Board Presentation Slides (Final)

Date	Ver.	Action By	Action	Result
7/19/2022	1	BOARD OF SUPERVISORS		

### Memorandum

**Date:** July 19, 2022  
**To:** The Honorable Lake County Board of Supervisors  
**From:** Susan Parker, County Administrative Officer  
**Subject:** a) Consideration of an Update from the County of Lake's Energy Services Company (ESCo), Trane US Inc., Regarding Recent Progress on the N. Lakeport FLASHES Energy, Disaster and Climate Change Resiliency Projects; and b) Consideration of Next Steps and Potential Direction to Staff to Develop a Letter of Commitment to Further the N. Lakeport Projects

#### Executive Summary:

As you will recall, on September 21, your Board approved a Letter of Commitment (LOC) with Trane. With adoption of that LOC, the County committed to coordinating with Trane to pursue grant funding, and declared our intention to move forward with N. Lakeport FLASHES project, if it proved to be viable, in the interest of bringing disaster and energy resiliency benefits to critical infrastructure facilities and surrounding areas. Under the terms of that letter, a \$100,000 termination fee would be required if the County elected not to move forward, despite the project having proven feasible:

<https://countyoflake.legistar.com/LegislationDetail.aspx?ID=5140574&GUID=5BB629E7-35FB-469F-A259-78704707F341&FullText=1>

Environmental Review for energy projects of this scale typically occurs under a formal Development Agreement, and not an LOC. However, because in this case, the late spring window wherein this

work must be undertaken was expected to lapse prior to completion of a Development Agreement, and your Board therefore acted to amend the September LOC on March 8, 2022, to facilitate Trane undertaking this work:

<https://countyoflake.legistar.com/LegislationDetail.aspx?ID=5470456&GUID=9BC6A1FF-39EF-4F64-8FF4-D89CB43036C2>

As your Board will remember, the September 2021 Letter of Commitment noted the project was, “expected to deliver a minimum 12% Internal Rate of Return,” in order to be viable for development via a public-private partnership. Trane recently met with Administrative Office staff, and County staff and Trane have reached the level of confidence required to necessitate consideration of next steps to develop the projects.

Therefore, representatives from Trane are present to provide an update regarding recent progress on the N. Lakeport FLASHES Projects, and background toward development of the best possible way forward.

At this stage, three potential pathways are available to your Board:

1) Act to terminate the September LOC (as amended March 8), which will immediately stop work on the N. Lakeport Projects, and require the County to pay a \$100,000 termination fee.

2) Provide direction to staff to initiate a “Tender for Offers,” process, for marketing to potential investors. This pathway would require considerable work on the part of Trane, and cannot entirely be defined without further discussion held with potential participants. Under this scenario, a Letter of Commitment would soon be brought back to your Board, and the termination fee would be expected to fall in the range of \$600,000-1.5M.

3) Provide direction to staff to develop a Letter of Commitment authorizing Trane to engage in “Bilateral Negotiation.” With this option, Trane would expect to first come back to your Board to your Board (and/or appointed staff) to conduct a workshop to more fully understand the County’s position regarding what constitutes an optimal financial partner, and then bring back a Letter of Commitment more formally delineating next steps and Trane and County responsibilities. The expected termination fee, following this pathway, is \$250,000-300,000.

Thank you for attending to this important update, and we look forward to your consideration and discussion of next steps, and potential direction to staff.

**If not budgeted, fill in the blanks below only:**

Estimated Cost: \_\_\_\_\_ Amount Budgeted: \_\_\_\_\_ Additional Requested: \_\_\_\_\_ Future Annual Cost: \_\_\_\_\_

**Consistency with Vision 2028** (check all that apply):

☐ Not applicable

☒ Well-being of Residents  
☒ Economic Development  
☒ Community Collaboration

☒ Public Safety  
☒ Infrastructure  
☐ Business Process Efficiency

☒ Disaster Prevention, Preparedness, Recovery  
☐ County Workforce  
☐ Clear Lake

## Recommended Action:

(a) Informational report, no action. (b) Consider direction to staff to act on one of the available pathways briefly described above, or alternative action (e.g., return with additional information).

