



## Legislation Text

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### Memorandum

**Date:** September 21, 2021

**To:** The Honorable Lake County Board of Supervisors

**From:** Carol J. Huchingson, County Administrative Officer

**Subject:** Consideration of a Letter of Commitment Between the County of Lake and Trane Technologies Enabling Pursuit of Grant Funding Toward a Firemain Linked Auxiliary Supply Hydraulic Energy Storage (FLASHES) System Project in North Lakeport

#### Executive Summary:

As you will recall, on Tuesday, August 31, your Board approved submittal of an application for a PG&E Better Together Resilient Communities grant by Trane Technologies, on behalf of the County of Lake. You approved submittal of that application on the basis of its potential to provide funding toward feasibility studies on multiple potential Lake County energy and disaster resilience projects, including a Firemain Linked Auxiliary Supply Hydraulic Energy Storage (FLASHES) System project in the North Lakeport area:  
<https://countyoflake.legistar.com/LegislationDetail.aspx?ID=5118972&GUID=F8DDCC22-1152-46EC-8858-AE07B148DA39>

If we are to see such a large scale energy project come to fruition in Lake County, Capital Grants are a key piece to the puzzle, and significant engineering work and other efforts, beyond what can be afforded by the PG&E grant, alone, must be undertaken for our County to be competitive for such funding opportunities. Therefore, the attached Letter of Commitment (LOC) presented for your Board's consideration is the logical next step in evaluating the viability of the North Lakeport FLASHES Project.

As you may be aware, the United States Economic Development Administration's (EDA's) Build Back Better Regional Challenge (B-3) is a \$1 billion dollar funding opportunity facilitated by the American Rescue Plan Act, seeking to "Provide a transformational investment to 20-30 regions across the country that want to revitalize their economies," in areas including Planning and Infrastructure development. Technical Assistance funding (Phase 1, ca. \$500,000 per awardee) applications are due October 19. Approving the LOC today is necessary to meet that deadline.

Your Board will recognize, in Lake County, improving disaster and energy resilience are foundational elements, as we seek to build a brighter future. Relationships we have been able to cultivate with Sonoma Clean Power and other regional partners have positioned us well for B-3.

The nature of the project proposed by Trane also presents the County a competitive advantage when pursuing grant funding. Trane's FLASHES model is a novel combination of well-established technologies, and one that is replicable across the State of California, at a time when wildfire suppression, for example, has never been more important.

In addition to potential community benefits and energy and disaster resilience for critical infrastructure facilities in the North Lakeport Area, specifically, our Regional B-3 application will also bring greater potential for Technical Assistance funding for a FLASHES project currently being pursued by Hidden Valley Lake Community Services District.

As your Board is aware, more than 5,500 Lake County residents live in the Hidden Valley Lake area, and thousands more live in relatively close proximity. This portion of our county has been repeatedly affected by wildfire and PSPS Events, and enhancing disaster and energy resiliency there could have considerable ancillary benefits.

Provided your Board continues to proceed in good faith toward development of the North Lakeport Project, as described in the Letter of Commitment, there will be no County financial obligations created as a result of today's action.

If we continue, in good faith, the County, with the exception of a modest amount of staff time, pays \$0 out of pocket, over the life of the project, and may see considerable community benefits and even revenue, if the appropriate complement of grants and investor contributions can be obtained. While it is difficult to project what revenue may ultimately be realized, Trane also represents there is no scenario wherein the project could be both viable, as defined in the LOC, and result in an annual loss of revenue for the County; if it will not be profitable, it will not proceed.

Trane will be undertaking considerable work, predominantly at their own risk, as is customary under the Energy Services Performance Contracting model. Only if the County decides to change course, and forego the project, despite Trane meeting the "Trigger Event" criteria outlined in the LOC, will the County be obligated to pay a \$100,000 termination fee.

At future stages of this process, termination fees will escalate, in consistency with increased costs and risk assumed by Trane. However, again, those termination fees will only be triggered if the County elects not to proceed, despite Trane presenting a viable project.

Finally, if Trane is unable to secure Grants on or prior to October 31, 2022, the LOC terminates with no obligation on the part of the County. If no grants are obtained, all work done up to that point will constitute a loss for Trane.

After significant consideration, staff recommends your Board Approve the Letter of Commitment.

**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:**

Approve the Letter of Commitment between the County of Lake and Trane Technologies enabling pursuit of grant funding toward a Firemain Linked Auxiliary Supply Hydraulic Energy Storage (FLASHES) System Project in North Lakeport.