

Avalon Geothermal - 240 West Moana Lane

October 25, 2023



Avalon Geothermal - 240 West Moana Lane

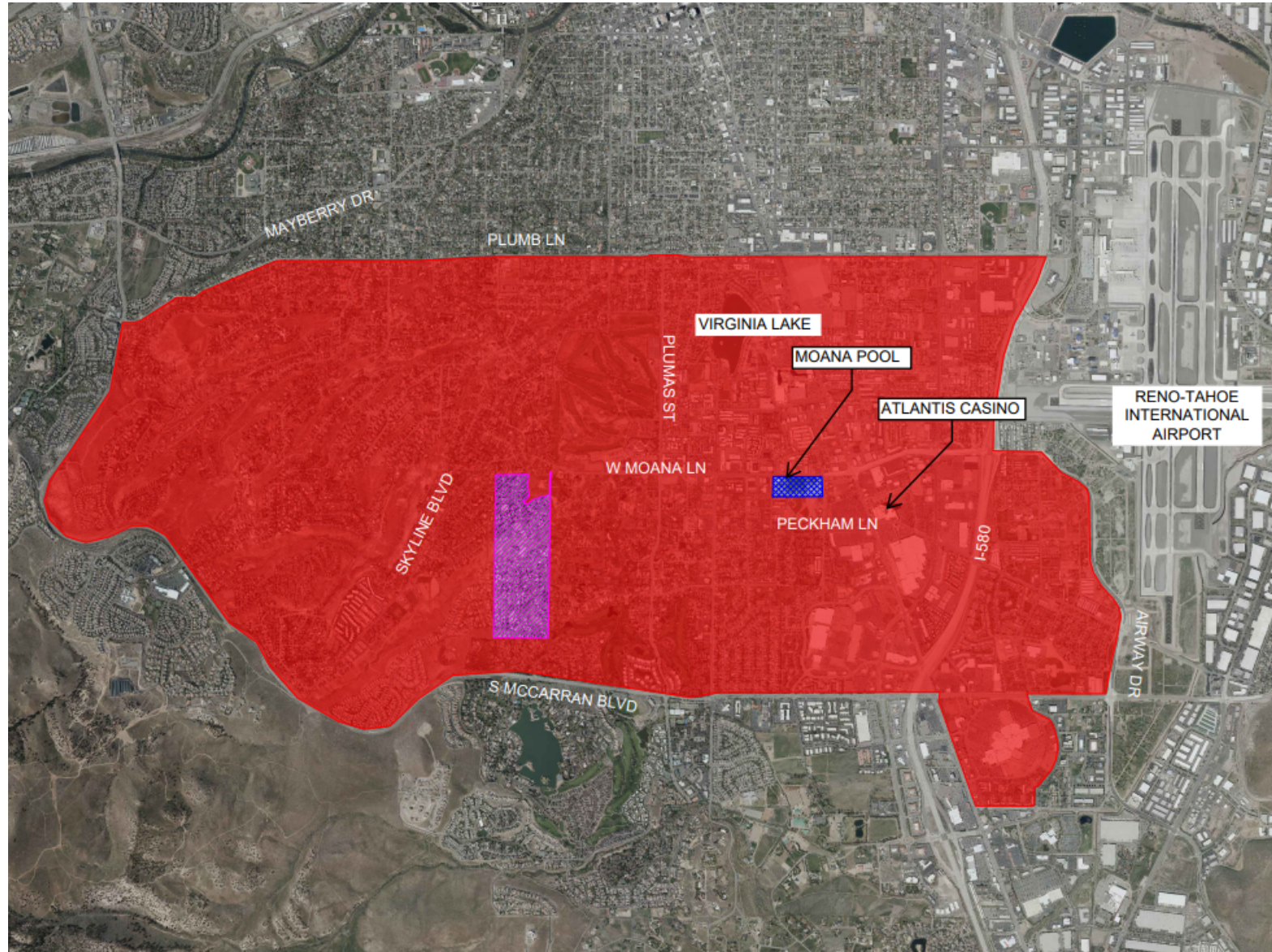
What this agenda item is:

1. Lease Agreement - Allows Avalon to drill a geothermal well at their expense on City-owned for compensation to the City.
2. Authorize the City Manager to finalize easement for underground piping if Avalon determines the geothermal resource is viable to sell to other customers.
3. Authorize the City Manager to finalize a Heat Service Agreement for Moana Springs Community Aquatics and Fitness Center.

What this agenda item isn't:

- Guarantee that a geothermal resource is viable at this location.
- Franchise Agreement

Avalon - Service Territory Expansion



Avalon Terms - Resource Rights Compensation

Lease Agreement

- 25 years, with 10-year extension option
- \$5,500 per year rental fee; ceases upon commencement of royalties
- Agreement can be terminated by City if due diligence is not met by Avalon

Royalties (at standard Federal BLM rate)

- 1.75% gross revenues 1-10 years
- 3.50% gross revenues after 10 years

Lease Agreement Key Terms

- ✓ **Expenses related to exploration, drilling, operating, and maintaining well on City Property** - Avalon is responsible
- ✓ **Inspection Rights/Books & Records** - Avalon shall provide all data, logs, production reports & technical information shall be provided to the City annually in an acceptable format.
- ✓ **Fees & Bonding** - Avalon is responsible for all fees and bonding required by State or any other governmental agency.
- ✓ **Reclamation** - Avalon is responsible for any environmental, reclamation, and restoration matters to the extent Avalon causes the condition.
- ✓ **Mineral Rights** - City Retains all mineral rights.

Breach of Agreement Resulting in Termination

- Failure to pay any installment of royalty or rental after 30 days in default.
- Failure to perform work specified in the agreement

Avalon Agreement Performance Timeline

October 31, 2024

Geotechnical Work

The Lease may be terminated by City if this work has not occurred.

October 31, 2025

Construction of Geothermal

The Lease may be terminated by City if this work has not occurred.

October 31, 2026

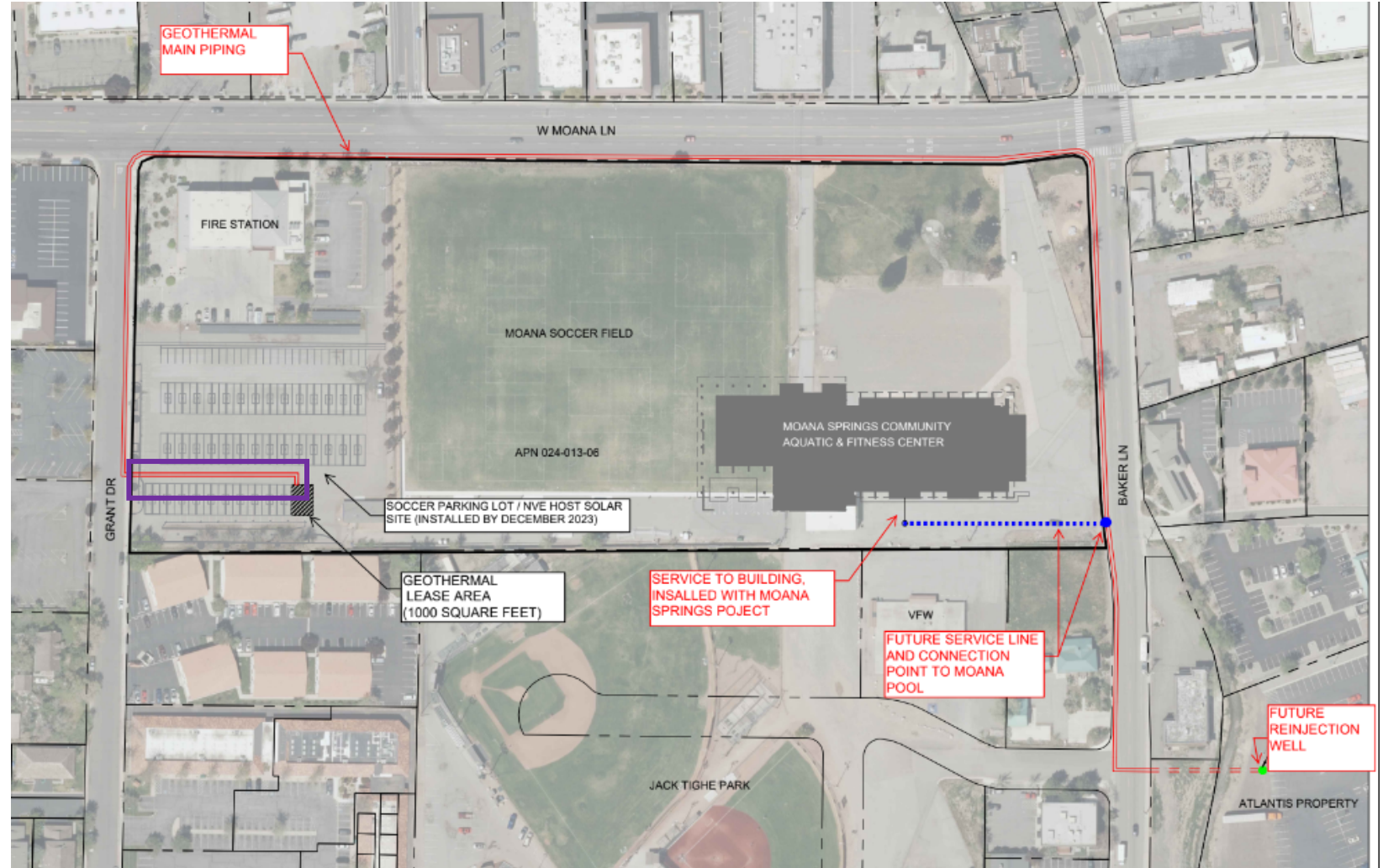
Start up & Operations of Geothermal

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Easement for Underground Pipeline on City Owned Property

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Heat Service Agreement

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The Public Utilities Commission of Nevada approves the rate for geothermal district heating.

Filed rate formula for Avalon customers:

- Customer estimated heat load (therms) multiplied by the filed rate.

Recommended Motion

I move to approve the Geothermal Lease Agreement with Avalon Geothermal and direct staff to finalize the Utility Easement and Heat Service Agreement with authorization for the City Manager to sign the Utility Easement and Heat Service Agreement.