



C I T Y O F
RENO

Memorandum

DATE: September 18, 2024

TO: Mayor and City Council

THROUGH: Jackie Bryant, Interim City Manager **Approved Electronically**

FROM: Suzanne Groneman, Sustainability Manager

DEPT: City Manager's Office

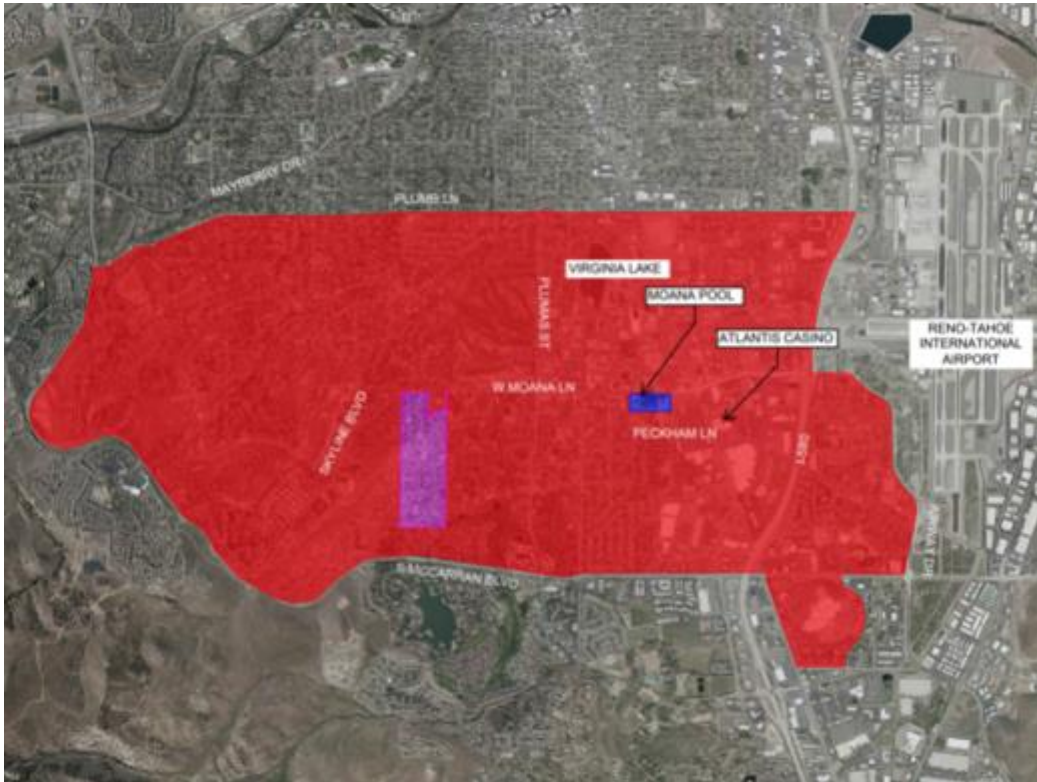
SUBJECT: Avalon Geothermal Status

This memo provides an update on the status of Avalon Geothermal (Avalon), the operator of the district heating system in Reno that presently serves over 100 homes around Manzanita Lane (Ward 2). Avalon does not presently serve any commercial customers. On September 11, 2024, the City of Reno was notified of a complete shutdown following a leak that caused roadway damage. The letter states that due to ongoing maintenance and repairs, the system is no longer profitable. It advises customers to utilize backup natural gas for heating, including water heating, this winter. It further states Avalon is looking into all options including a reduction in or discontinuation of service. A copy of the letter is attached.

Upon receiving the letter, Staff reached out to Avalon to inquire about the status of their operations and the lease agreement* between the City of Reno and Avalon for a well on the Moana Springs Aquatic Center parcel. Avalon stated they would provide an update in a few weeks. Staff also contacted the Public Utilities Commission of Nevada (PUCN) to inquire if Avalon had filed with them for a reduction in service or significant repair, and they had not. However, the PUCN contacted Avalon and requested the required paperwork and report.

*The lease will terminate if the geotechnical work is not complete by October 31, 2024

Avalon exclusive right boundary (granted by the PUCN)



Status message on Avalon website

— SYSTEM
Status

Manzanita Estates: System is offline OFFLINE

Warren Estates: System is offline OFFLINE

CONTACT

Cyro Energy

PUCN.gov NV Division of Minerals



Avalon
geothermal

September 11, 2024

Dear Customer of Avalon Geothermal,

As you are aware, the Avalon Geothermal heating system (the "System") had to be shut down after experiencing a leak yesterday, following a similar leak last week. These operational challenges are not aligned with the high level of reliability that we expect from our business and point to the need for further evaluation of the viability of the System.

To date, Avalon Geothermal has invested hundreds of thousands of dollars in the System. However, given the cost to operate, the ongoing investment in capital improvements, and expenses related to administrative services such as billing and collections, the System is simply unprofitable. Given the age of the System and the growing frequency of maintenance requirements, the System's owners are considering all options at this time, which unfortunately may include reduction of service or discontinuance of service options.

Each Avalon Geothermal Residential Service Agreement requires customers to have back-up services for home heating. **Please plan on utilizing your back-up service for all home heating needs (including water) in the coming weeks and likely for this coming 2024/2025 Winter.**

We ask for your patience as options are considered, and we thank you, our customers, for your utilization of this System, which was ahead of its time when initially built. Please feel free to reach out to us with your questions or concerns by contacting Katy Stephens at katy.stephens@cyrqenergy.com or 1 775-441-1420

Yours sincerely,

Patrick Walsh-Snow
Chief Operating Officer
Cyrq Energy (Owner of Avalon Geothermal)