



City of Ketchum
City Hall

December 20th, 2021

Mayor Bradshaw and City Councilors
City of Ketchum
Ketchum, Idaho

Mayor Bradshaw and City Councilors:

Recommendation To Approve Agreement #20705 with Natural Energy Resources

Recommendation and Summary

On May 3rd, the City Council approved an initial Memorandum of Understanding (MOU) with Natural Energy Resources which has been extended several times. The revised MOU no longer has a date specific expiration; it now contains a cancelation process which can be initiated by either party. Staff will be proposing an Interim Budget Request in January related to a professional services contract to complete a business case evaluation which would be equally funded between both parties.

"I move to approve Agreement #20705 with Natural Energy Resources"

The reasons for the recommendation are as follows:

- The Council has set a specific timeline to achieve clean energy goals. Geothermal is a renewable and clean energy source.
- This agreement will allow for a continued due diligence effort to evaluate potential public uses, production capacity/water rights, and high-level financial analysis.
- The federal government has recently approved a infrastructure bill which contains a significant focus on clean energy/climate change. Potential public ownership of this asset increase likelihood to receive federal funds.

Introduction and History

Over the last several months, staff has held meetings with the owners of Guyer Hot Springs System. The system is currently serving several private homes along Warm Spring Road. Guyer Hot Springs was originally part of a resort facility which closed in 1929. The water source was later used to heat the Bald Mountain Hot Springs Lodge on Main Street.

The proposed MOU provides for a mutual framework to conduct due diligence associated with potential public uses of the hot water. The due diligence will build upon previous efforts conducted in 2013 by ERO Resources and in 2007 by Idaho Department of Water Resources.

Congress and the Administration are working on a new infrastructure bill that will have a significant focus on clean energy and climate protection projects. Currently the hot springs is privately owned and used for private purposes. Should the due diligence show that a public-private partnership is

viable; receipt of federal funds would be more likely to a publicly owned system that demonstrates public benefit.

Sustainability Impact

Geothermal is a proven clean energy resource for many communities. The due diligence period will allow for a greater analysis of direct heating opportunities versus electrical generation.

Financial Requirement/Impact

The MOU outlines that each party will bear their own costs associated with due diligence activities such as consulting resources. Staff did receive a draft scope of work from Brown and Caldwell to complete a business case evaluation. Staff anticipates placing an Interim Budget Request and contract on January 3rd for consideration.

Attachment:

1. Agreement #20705

MEMORANDUM OF UNDERSTANDING
between
THE CITY OF KETCHUM AND
NATURAL ENERGY RESOURCES, INC.

This Memorandum of Understanding (MOU) is by and between the City of Ketchum, Idaho and Natural Energy Resources, Inc., an Idaho Corporation, effective to September ____, 2021.

Section 1. Recitals

1. The City of Ketchum (City) is a municipal corporation of the State of Idaho, empowered under Idaho Code Title 50, Chapter 3 to contract and be contracted with and to pursue and promote public safety and the welfare of the public.
2. The Natural Energy Resources, Inc., is an Idaho Corporation with general authority and control over the facilities commonly known as the Guyer Hot Springs System (System).
3. The System may have the potential to provide certain clean energy resources and water benefits, which may be of use and benefit to the designated clean energy goals and water services of the City.
4. The Parties desire to conduct a due diligence investigation of the System for consideration and further evaluation of public acquisition and use by the City.
5. The Parties desire to enter into this MOU as a recitation of the purposes and understanding of the initial cooperative efforts of the Parties to conduct a due diligence investigation.

Section 2. Terms of Understanding.

1. The Parties will cooperate to request and provide access as reasonably needed to investigate the current state and status of the System.
2. The Parties will cooperate on an inventory and evaluation of current and potential future water rights tied to the System.
3. The Parties will cooperate on, and the City will further explore at its discretion, the potential public uses and benefits for the water of the System.
4. The Parties understand that a key term of any future public acquisition would likely include the provision certain amounts of water to the properties of Carbon Hill, Inc. and David Cimino.

5. Each party has agreed to split any due diligence costs equally; assumes liability for its own individuals, employees, and agents; and is responsible for its own appropriate insurance in connection with any investigation activities under this due diligence.
6. The Parties understand and agree that this MOU is solely related to cooperation on a due diligence investigation, and that any further actions or agreement between the Parties will require subsequent and additional agreements in writing. This MOU is investigatory only and does not serve as a firm commitment by either party to proceeding on a public acquisition of the System.
7. This MOU shall stay in effect until either party issue a thirty (30) day notice to cancel.

CITY:

CITY OF KETCHUM, IDAHO, an Idaho municipal corporation

Date

By: Neil Bradshaw
Its: Mayor

ATTEST:

Tara Fenwick, City Clerk

Natural Energy Resources, Inc.
An Idaho Corporation

Date

By: Brian Barsotti
Its: Director