

Bitcoiners call for PUD to change high-density rate proposal

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Andrew Wendell, customer service director for the Chelan County PUD explains a new proposed rate class during a public-information meeting Tuesday evening at the PUD Auditorium in Wenatchee. Some 20 members of the public attended the meeting. World photo/Christine Pratt

WENATCHEE — The Chelan County PUD has proposed to charge a specific group of very-high-energy-use customers more than it charges anyone else to preserve its strong financial portfolio without the need to double the electric rates paid by everyone else in the county.

Is this fair?

It's not, several customers said Tuesday evening, if they've already made investments in their Chelan County-based businesses and built business models on the utility's current, lower commercial and industrial rates.

"You guys deceived me and led me astray," customer Jay Byers told commissioners, PUD staff and some 23 members of the public gathered at the PUD Auditorium Tuesday. "If you raise the rate on me, you're raising the rate on 50 commercial businesses."

Byers said he owns a commercial building in Cashmere with a variety of tenants. One of them, "Hash the Planet," subleases space for "Bitcoin-mining" operations — high-capacity computer data centers that fall within the PUD's proposed new rate category of "high-density" energy usage.

Customers in this proposed new category would pay just over 5.036 cents per kilowatt hour for the electricity they use and be subject to other costs.

They currently pay the PUD's the commercial rate of 3.40 cents per kilowatt hour or the industrial rate of 2.04 cents per kilowatt hour, depending on the amount of electricity they use.

PUD officials Tuesday said the higher rate is necessary to stay within PUD revenue projections without having to approximately double the rates paid by all other customers.

“The proposed rate gets us to economic neutrality,” Wright said. “It’s neutral to the rest of the people in Chelan County. The big question is, ultimately, what’s good for Chelan County?”

Byers said he spoke extensively with PUD staff 18 months ago — long before the specifics of the new rate proposal were announced — to learn about costs and requirements before investing some \$800,000 to equip his building with enough electric infrastructure to support Hash the Planet’s high-usage needs.

Daniel Conover, managing partner of Hash the Planet, said the higher rate would erase his profit margin, forcing him to shut down or look for rental space in an area with lower power rates. He said his partner have already invested \$330,000 in start-up costs.

That would leave building owner Byers with a big, wired space and no tenant to recoup his costs. A PUD moratorium is in place for new high-density customer hookups.

Byers Tuesday suggested the PUD exempt existing high-density energy users from their proposed new rate or phase in the higher rate over time.

Those are suggestions that PUD General Manager Steve Wright said others had also made during two public meetings in Chelan and Leavenworth.

Other suggestions include charging a lower rate, but requiring these high-density customers to cover the costs, up front, of the new electrical equipment needed to supply power to the business. This is something the Grant and Douglas County PUDs already require.

Wright said staff and commissioners will study all suggestions.

The high-density use discussion dates to 2014, when the utility received new-hookup inquiries that totaled some 220 average megawatts of electricity — more than the 185 megawatts the utility currently needs to power the entire county.

In a typical year, the annual growth in demand for PUD power totals one to three average megawatts of electricity. An increased demand of 220 megawatts would use up much of the surplus energy the utility now sells outside the region. It depends on that revenue to subsidize local rates and keep them low, officials have said.

Bitcoin miners, lured to the region by PUD power rates that are the lowest in the country, were thought to be behind the spike in inquiries, utility officials have said.

Urged by staff, commissioners agreed in December 2014 to impose a moratorium on all new applications for large amounts of power — 1 average megawatt or more — to give staff time to study how to handle a potential spike in demand. The moratorium was later refined to only “high-density” applicants whose businesses would use 250 kilowatt hours of electricity per square foot of space per year.

Property developers and managers with commercial space to lease have said the moratorium could slow the county’s economy and job creation, including from other types of technology companies that don’t use as much electricity. They’ve urged the utility to lift the moratorium as soon as possible.

Malachi Salcido, owner of the HVAC and data-center development firm, The Salcido Connection, Tuesday questioned the PUD’s decision to impose the moratorium based on inquiries rather than actual applications for new hookups.

Wright and PUD Commissioner Dennis Bolz defended the decision.

“The exposure we could get and impact on district finances were significant enough that it did not make sense to wait,” Wright said. “When you see big issues coming up, you should get out in front of them.”

Commissioners will further discuss the moratorium Monday. They could vote on the proposed new rate class Feb. 1 and decide the future of the moratorium in March.

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