



## Chelan PUD commissioner: Grant PUD not out of power

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Business



WENATCHEE — Chelan County PUD Commissioner Dennis Bolz has retracted a statement he's made in several public forums that Grant County PUD is out of power and that its own general manager says so.

"My apologies to Tony for not being more clear on what he was saying," Bolz said Thursday of Grant PUD General Manager Tony Webb. "My conversation with Tony was very abbreviated."

Bolz has used the comment as a pillar of his argument against selling electricity to "bitcoin mining" operations at the same low rate as any other commercial or industrial customer — to avoid running out of power, like Grant.

Webb said Wednesday that he never told Bolz Grant PUD was out of power.

"I think he misunderstood," Webb said.



The point he was making to Bolz, Webb said, is that prospective customers seeking large amounts of electricity may have to wait a while to get it, depending on where in Grant County they want to locate. And they, the customers, have to pay up-front all the costs of getting that electricity to their location.

The lead time to order new transformers, expand substations or build new substations could take as long as two years and cost hundreds of thousands to millions of dollars.

"We're obligated to serve," Webb said. "We don't turn anyone away. We have plenty of power."

Big differences in how the two utilities have grown over the years, and their own very different contractual obligations, mean the two have taken different approaches to keeping rates low while maintaining long-term stability.

Chelan PUD needs about 200 megawatts to power the entire county. Annual growth in demand has historically been in the 1 percent to 3 percent range, although it has been higher in recent years. It's also contracted to sell large amounts of power at cost to Alcoa, Puget Sound Energy and Douglas County PUD.

It generates a lot more power than it needs to fulfill these obligations. It sells its surplus energy on a regional wholesale market and uses the revenue to stay financially stable and subsidize local rates, which aren't high enough to cover the cost of delivering the power.

With the arrival of sprawling computer data centers and big industry, the Grant PUD needs more than 500 megawatts to power the county — more than twice as much as Chelan. Over the last decade its annual growth rate is nearly 5 percent.

Its contracts are structured differently than Chelan's. The contracts produce a fund it can use to buy power on the wholesale market to cover local demand if the utility's share of generation from its dams is insufficient.

It continues to generate a net surplus of electricity, which it also sells on the regional wholesale market. It earned just over \$49 million last year from surplus energy sales. It expects to earn \$57.5 million from it this year.

At current levels of expected growth, Grant PUD could reach the contractual limits of the low-cost power it can take from its Columbia River dams in about seven to 10 years, Kevin Nordt, the utility's chief financial officer, has said.

That doesn't mean the utility will be out of power, but rather it may have to turn to the higher-priced market to buy what it needs beyond dam generation.

They're preparing for a future that would allow them to continue to give below-cost benefits to "core" customers — residential, small business and farm irrigators — by requiring other customers, including the big data centers, to pay more than what it costs to supply the power. Higher rates for some customers — not revenue from surplus power sales — will keep rates lower for others.

The first of what could be 10 consecutive years of rate increases happened last year. Each is intended to generate an extra 2 percent of additional rate revenue per year. The size of the hike varies by rate class.

If commissioners choose to abide by the current plan, by 2024 no single rate class will pay more than 15 percent above its cost of service or less than 20 percent below.

This currently isn't the case. Irrigators last year paid about 40 percent less than the cost to supply their power. Residential customers paid about 24 percent less.

With rate subsidies supplied by other rates, Webb says the utility will use its revenue from surplus sales for other expenses, like paying down or restructuring debt.

At the Chelan PUD, officials have experienced a spike of inquiries for large amounts of power since 2014. PUD staffers suspect that bitcoin mining has fueled the spike.

Bitcoin miners have small, specialized computer data centers that PUD officials say use an extraordinarily large amount of electricity to process the digital currency "bitcoin."

Bitcoiners have said they arrived here because Chelan, Douglas and Grant PUDs have the country's lowest electric rates.

Chelan PUD staff has proposed charging 5.036 cents per kilowatt hour to any business that uses 250 kilowatt hours per square foot of operational space.

Grant treats bitcoiners as any other commercial or industrial customer whose energy uses falls between 200 kilowatts and 5 megawatts of electricity — "Large General Service, Rate Schedule 7."

Grant PUD currently has about 10 bitcoin customers that collectively use about 10 average megawatts of electricity. Chelan's approximately 17 mining operations currently use just over 4 average megawatts. Douglas PUD officials say they aren't accurately able to distinguish bitcoiners from other customers.

Bolz said he realizes that contractual differences mean Chelan PUD doesn't have the same options as Grant for managing growth in energy demand.

But some of the tools both Grant and Douglas PUDs use — requiring the customer to pay the build-out costs up front — could be part of the Chelan PUD's ongoing discussion on how best to serve an emerging class of high-energy power without forcing residential and other commercial customers to pay more.

A moratorium on new hookups for these high-energy users has been in place in Chelan County for more than a year and is now set to expire in October.

Commissioners expect to vote on the proposal sometime this summer.

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