

# Large Load Power Supply Framework, Proposed Microsoft Contract

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# Why we are here

## Previous steps

- Introduced large load power supply guiding principles, framework
- Developed large load contract template

## Today's objectives

- Introduce proposed contract template for service to large loads
- Get feedback on Microsoft data center contract



# Key Points

1. Large Load framework is designed not to affect rates or reliability of other customers
2. Chelan PUD will maintain control of its assets and manage them for the benefit of its customer-owners



# What is a large load?

Energy-intensive industries that rely heavily on electricity for operations, generally more than 5 average megawatts a year

*Examples: Manufacturing, metal production, refining, cement and mineral processing, data centers*

Large load rates and terms are negotiated to ensure rates of other customers (including residential) are not affected

# Large Load Guiding Principles

## Neutral-to-positive for other customers

- Maintain reliability
- Maintain stable and predictable rates
- Protect local hydropower by maintaining wholesale marketing and hedging strategy

## Preserve local control

## Comprehensive and durable framework

- Serve all large load customers comparably and consistently

# Where will the energy come from?

## Possible sources of energy for large loads:

- 1) Short-term supply (1-5 years): Chelan PUD procures wholesale energy and resells to large load customer.
- 2) Customer choice: Customer procures/identifies wholesale energy, which Chelan PUD purchases. PUD resells to customer. *\*Chelan PUD retains ability to approve or reject sources of energy.*
- 3) Negotiated contract: At the Board's discretion, a customized agreement can be created, if it is determined to be in the best interest of existing customers and aligned with our energy marketing strategy.

**Options 1 and 2 do not include Chelan PUD hydropower. Option 3 may be from Chelan PUD's hydropower if authorized by the Board, and in the best interest of existing customers**



# Public comment

- Large-load companies must pay their fair share. Customers made comparisons to past conversations about cryptocurrency.
- Customers highly value low rates.
- Concern about priority of service in the event of energy shortfall.
- Concerns about relationship with large-load companies changing over time.
- Concerns about job creation proportionate to energy usage
- Guiding principles and framework look correct, need to allocate enough power to meet historical customer base, pleased with approach
- Concerns about large loads exhausting finite hydropower resources



# Contract Aligns with Guiding Principles

## Guiding Principles

### Principle #1: Neutral-to-positive for other customers

- ☐ Maintain reliability and compliance of electricity service
- ☐ Maintain stable and predictable rates for other customers
- ☐ Protect existing management of hydro resources through wholesale marketing and hedging strategy

## Contract Template

- ✓ PUD can interrupt service to a large load if it causes reliability problems for other customers
- ✓ Service to large loads is contingent on identifying separate power supply
- ✓ Large-load customers pay all costs they cause
- ✓ Designed not to affect rates of other customers
- ✓ Large-load customers bear risks of future power supply availability and costs
- ✓ Does not commit Chelan PUD's hydropower to serve large loads power needs



# Contract Aligns with Guiding Principles

Guiding Principles	Contract Template
<b>Principle #2: Preserve local control</b>	<ul style="list-style-type: none"><li>✓ Serve businesses in the community while protecting autonomy over Chelan PUD hydroelectric and transmission assets</li><li>✓ Elected Board of Commissioners retains ongoing oversight of rates</li></ul>
<b>Principle #3: Comprehensive and durable framework</b> <input type="checkbox"/> Serve all large load customers comparably and consistently	<ul style="list-style-type: none"><li>✓ Template contract is reusable for future large loads</li><li>✓ Contract is adaptable for changes in laws and markets</li></ul>

# Proposed power supply for Microsoft data center

## August – December 2025\*

- Chelan PUD surplus power (up to 18 MW)
- Priced at market value of energy, capacity, and environmental attributes
- Consistent with staff recommendation in July and August 2024

## 2026-2040: To be decided

- Possible sources: Third-party generation identified by Microsoft or Chelan PUD
- If authorized by the Board, and in the best interest of existing customers, may be from Chelan PUD's hydropower

\* *Will not affect rates of other customers*

# Summary

Contract with Microsoft aligns with guiding principles

1. Large Load framework is designed not to affect rates or reliability of other customers
2. Chelan PUD will maintain control of its assets and manage them for the benefit of its customer-owners



# Next Steps

## **June 2-12 public comment period**

Gathering comments at public meetings, and via email at [contactus@chelanpud.org](mailto:contactus@chelanpud.org)  
More information available at <https://www.chelanpud.org/learning-center/large-loads>

## **June 4 public meeting, 5:30 p.m.**

Confluence Technology Center, presentations by Chelan PUD, Microsoft

## **June 16, 1 p.m. board of commissioners meeting**

Commissioners to consider authorizing execution of contract with Microsoft and to update Rate Schedules 4 and 36.

## **August**

Microsoft intends to start operations

# Public comments, questions

- Please speak into the microphone
- State your name, address
- Please limit comments to three minutes