



Bitcoiners say proposed new power rate would break them

by [Christine Pratt](#) Dec. 8, 2015, 4:30 p.m.

MORE INFO

If you go

Meetings to further discuss the moratorium on high-intensity users of Chelan PUD power will happen:

Jan. 4: PUD boardroom, 327 N. Wenatchee Ave., Wenatchee, 5:30 p.m.

Jan. 5: PUD Chelan office, 1034 E. Woodin Ave., 6 p.m.

Jan. 18: PUD Leavenworth office, 222 Chumstick Highway, 5:30 p.m.

Feb. 1: Public hearing in Wenatchee boardroom, 1 p.m.

March 7: Public hearing and moratorium vote, Wenatchee boardroom, 1 p.m.

WENATCHEE — Companies that lease space to “crypto-currency miners” say the Chelan County PUD’s proposed new rate for high-intensity energy users would force them to relocate to surrounding counties, collectively taking about 50 family-wage jobs with them.

“The rate would kill us,” Jared Richardson, founder of Dedicated Hosting Services, said Monday of the proposed 5.036 cents per kilowatt hour that PUD staff has proposed for this class of customers.

High-intensity customers 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.

John Stoll, the PUD’s director of customer service, said the proposed high-intensity rate is necessary to cover the ongoing cost to serve these customers and the impact to PUD revenues of having less surplus power to sell at higher prices to buyers outside the county.

The PUD depends on revenue from surplus power sales to keep county rates low.

Richardson said his company employs 14 people and operates a data center in Entiat with leased space and capacity for “data miners,” people who use specialized, high-capacity computers to compete for and process transactions in the digital currency “bitcoin.”

He said the new rate would result in a 6 percent operational loss per day and oblige him to move to Douglas or Grant counties or even China, where business costs are lower.

Malachi Salcido, whose Salcido Connection heating and air-conditioning company has recently expanded to include crypto-currency hosting services, agreed.

“The proposed new high-density load rate would increase our major operating cost — electricity — by over three times our current rate and threatens the solvency of not only our data space development activities but our entire organization,” he told commissioners Monday. “At a minimum... the rate would cause irreversible damage to our organization.”

Salcido has two data centers he has specially wired and cooled for bitcoin mining operations, one in Wenatchee in one of the two Go USA buildings and another in the old Tree Top building in Cashmere.

The PUD charges him a special “primary industrial” rate of 1.35 cents per kilowatt hour because he maintains much of his buildings’ electrical infrastructure, himself, he said. He told commissioners that standard data centers, like the big centers in Quincy, are not set up to host Bitcoin mining, which requires very high-capacity, specialized computers.

Three representatives from Yahoo! Japan, which leases a floor of the Confluence Technology Center for a data center, said during a break in the commission meeting Monday that their operation doesn’t mine crypto currency, but would also have to pay the proposed high-intensity rate.

Atsushi Sugimoto, the company’s controller, said the higher rate could cause them to move to another county when their current lease expires in 2016.

Salcido and Richardson recommended the Chelan PUD instead do what the Douglas and Grant PUDs do — charge them for any infrastructure upgrades needed to supply the power, but keep their energy rate in line with other commercial or industrial users. PUD commissioners imposed a moratorium in December 2014 on new applications for 1 megawatt or more of electricity.

The moratorium was in reaction to a spike in power inquiries earlier that year thought to be driven by crypto-currency miners or the data centers that cater to them.

Taken together, these inquiries for power totaled more than the approximately 300 megawatts the utility needs to power the entire county, PUD officials have said.

Stoll said the proposed new rate, costs and application process is necessary to protect PUD revenues and power supply from a potential onslaught of these power-hungry mining operations.

Richardson said that the PUD’s concern about a potential boom in crypto currency operations could be reactionary, since most of the inquiries for power likely would not have become official applicants for lack of funding.

Commissioners lifted that moratorium Monday on all but the high-intensity applicants and approved a series of public hearings in January for further discussion. They plan to vote on the remaining, high-intensity moratorium March 7.

Matthew Hepner, executive director of the Certified Electrical Workers of Washington, an industry advocacy group, said Monday that the partial removal of the moratorium will help preserve electrical worker jobs and said he's hopeful the commissioners would go on to lift the moratorium on high-intensity applicants.

He, Salcido and Richardson all questioned the need for such a moratorium and higher rates on a growing customer sector when a lot of PUD power will go unused by Alcoa, which has announced curtailment of its Wenatchee Works aluminum smelter. Contractual obligations with Alcoa dictate how that power is used, PUD officials have said.

"I have faith the commissioners, especially when dealing with the Alcoa concerns, are very aware that action will have to be taken," Hepner said. "Times are changing."

PUD staff is also proposing big increases in application and engineering fees associated with new requests for large amounts of electricity. The fees cover engineering analysis of the cost and feasibility of serving the applicant.

Applicants for more than 300 kilowatts of electricity but less than a megawatt would pay \$3,000 for these fees, up from the current \$450. Applicants for between 1 megawatt and 5 megawatts of electricity would pay \$5,000, up from the current \$2,000.

Commissioners took no action Monday on the recommended increases.

Reach Christine Pratt at 509-665-1173 or pratt@wenatcheeworld.com. Follow her on Twitter at [@CPrattWW](https://twitter.com/CPrattWW).