CLEARING UP
Energy and Utility News for the Pacific Northwest and Western Canada
Energy NewsData, Seattle & San Francisco: June 19, 2015 • No. 1702

Chelan PUD Staff Offers Three Models for Energy-Intensive Load Rates

As the July review date of Chelan County PUD's temporary moratorium on new large loads approaches, the board is considering three models for developing a new rate class based on energy use intensity. One uses the gross cost of serving such loads, another would set prices based on the PUD's future wholesale sales position, and the third would use the PUD's renewable energy portfolio to set rates. Board members weren't ready to select a preferred model at their June 15 meeting and directed staff to come up with some numbers to go with the options. ***PUD could also extend or amend the moratorium.***

(entire story below)

Energy-Intensive Load Rate o *from [4]*

As the July review date of Chelan PUD's temporary moratorium on new large loads approaches, the board is considering three models for developing a new rate class for customers with loads of 1 MW or more. Only large-load customers with high Energy Use Intensity rates—those using large amounts of electricity per square foot of floor space per year—would be covered by the new rate class if the board decides to move forward with it.

Creating the new rate class is among the options the PUD is considering for handling an influx of requests for new service from data processing and bitcoin mining operations (CU No. 1700 [11]). The board was first alerted to the problem last year, and in December implemented a moratorium on accepting applications for new loads of 1 aMW or more at a single location (CU No. 1677 [15]).

Commissioners were briefed on the three models during their June 15 board meeting.

One is based on the gross cost of serving such loads, the second would set prices based on the PUD's future wholesale sales position, and the third would set rates based on the PUD's renewable energy portfolio. **The gross-cost model would** use the gross cost of energy in the district's portfolio of esources—its hydro projects and its share of the Nine Canyon wind farm, along with the costs of

delivering energy to the customers, said Andrew Wendell, Chelan's director of customer services. The latter component has quite a bit of variability, based on direct allocations—"how we currently allocate costs and how we might do that in future"—and the cost of future infrastructure, he said.

The second approach, based on the PUD's future wholesale sales position, looks at energy from the purchaser's perspective, Wendell said—that is, a utility or direct power purchaser of Chelan's block or slice products— and the price of unhedged wholesale energy sales, all based on five-year forward pricing. Delivery costs would also be added.

Energy and slice products are revenue generators for Chelan, Wendell said. "The idea is that these mining operations and data processors use 10 to 100 times more energy [than a typical industrial customer], so they are potentially eroding that business model for us" by using power that Chelan could otherwise sell for profit, he told *Clearing Up.*

"Can we still find a way to provide them power in our service territory, but is reflective of the revenues [acquired through block and slice sales]?" he asked. "They are relatively temporary and transient," he added, so in that sense are similar to five-year block and slice sales.

The third approach is based on the cost of energy from Chelan's share of Nine Canyon Wind Project, a 95.9-MW project developed by Energy Northwest, plus delivery costs. "One of the characteristics of these large loads is they really don't have the energy conservation potential that other industrial and commercial customers do, so they are not able to participate in conservation in the traditional sense," Wendell said. "As we add load on our system, that increases our conservation obligation and the overall cost of conservation to all of our customers," as well as the PUD's renewables requirements under I-937. "These folks aren't necessarily contributing to the cost of energy conservation," he said. Setting their rate based on the PUD's renewables costs "gets at both of those points."

Regardless of the model, the proposed rate class would apply throughout Chelan County, except for the Stehekin area, which isn't served by a transmission line and has limited power resources. Power customers with a measured or calculated Energy Use Intensity (EUI) rating at or above an established threshold would be covered by the new rate. Existing customers with a high EUI rating would be

transferred to the new rate, as well as new customers with the right criteria.

Board members weren't ready to select a preferred model during the meeting and directed staff to come up with additional information, including some numbers to go with the options. "This is not a short-term phenomenon; it's probably long-term and permanent, so we have an obligation to get

it as right as we can for people of Chelan County," said Commissioner Randy Smith.

The board has a number of options, Wendell said, including extending or amending the current moratorium while options for a new rate class are further developed. The PUD could end the moratorium, but there are "obvious and inherent risks in doing that," Wendell said.

Some data miners have gotten around the moratorium by applying for loads of just under 1 MW, he pointed out.

Meanwhile, the PUD has increased its deposit requirements for such customers and is instituting changes to its line extension policy for service upgrades associated with such loads, he said.

Commissioners also received an update on how much electricity such customers are already using. At their previous meeting on June 1, staff indicated the load was 1.5 MW. With May data now in hand, usage has increased to almost 2 MW, Wendell told the board. While that represents only 1 percent of Chelan's total annual system average load of 200 MW, data processing operations have accounted for a significant portion of load growth, he said. "If it continues, I think we will have more challenges."

Chelan's board of commissioners will also hold a public hearing on the moratorium on July 6

[Jude Noland].