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High-density power users invited to state their case

Bitcoin miners, server farms and landlords who have spent millions prepping buildings to accommodate high-density power users are getting an opportunity to make their case about the public benefits of the industry at a Feb. 3 community forum.

Criticism of the high-density load (HDL) power users includes concerns that server farms and bitcoin miners provide relatively few jobs to offset the costs of tying up power that could be sold on the market or used by other industries that would produce more jobs.

The forum, at 5:30 p.m. Feb. 3 at the Confluence Technology Center, 285 Technology Center Way, Wenatchee, was put together by industry advocates and Chelan County Public Utility District staff members at the suggestion of the Chelan County PUD Commissioners who are considering establishing an electric rate of 5.03 cents per kilowatt hour for customers with intense energy use of 250 kilowatt hours per square foot or more per year.

As is, HDL users pay either a commercial rate of 3.4 cents/KWh or the industrial rate of 2.04 cents/KWh.

The PUD currently has a moratorium on new high-density load customers, which is set to expire March 7. The moratorium was put in place in 2014 after a surge in requests for high density power hookups raised concerns about the system impacts of committing to that much additional power and the potential for such a rapid increase in load growth.

The Chelan County PUD system generates about 2,000 megawatts of power. Of that, 185 average megawatts (aMW) is used by Chelan County customers, with 1 aMW enough to power 417 households. In 2014, the PUD received 34 inquiries totaling 220 aMW. The PUD typically receives requests for between 1 and 3 aMW in load growth requests each year.

With the moratorium in place, the plan was to study the potential impacts and figure out how best to handle it.

The result was a proposal for the new rate, which was the topic of a series of evening meetings in January, held in Leavenworth (Jan. 4), Chelan (Jan. 5) and Wenatchee (Jan. 12).

At those meetings, several data processors said the new rate would cut profit margins and put them out of business or force them to move to an area with lower power rates, which would mean Douglas or Grant counties.

Similar concerns came from landlords and contractors who are leasing and modifying the spaces, some of whom already have invested in electrical upgrades and equipment required for high density load user tenants.

Jay Byer, owner of the 106,000-square-foot Mission District building in Cashmere who has been leasing 13,000-square feet of space to a server farm business for the past 18 months, is one of those. Byers said he asked PUD staff before investing \$800,000 in improvements in the building, which will top \$1 million when it's done.

"I feel really deceived on this," he told the PUD commissioners at the Jan. 12 meeting. "I wanted to make sure when I started this that I wouldn't get in trouble."

He met with PUD staff some 18 months ago when he started talking to a bitcoin hosting company interested in locating in his building.

"I wanted to make sure we could get the power and everything would be all right and rates wouldn't change," he said.

After getting the OK from the PUD, he moved forward.

"I made the agreement with these guys that I would build the server system and in two years they will buy it for \$3 million more than I put into it. I own the server system and they run the computers," he said. "They told me if the rate goes up, they will just move. I will lose \$4 million if you do this."

Byers said he believes his facility and tenant should be grandfathered in at the current rate.

Byers' tenant, Daniel Conover of Hash the Planet, said the rate proposal took him by surprise. He questioned why the PUD did not contact the existing customers directly.

But he confirmed Byers' assertion.

"We're here because of the power. It's that low low rate. If it went up to 5 cents, I would leave," he said. "If we all picked up and left, would that be beneficial to the PUD?"

Malachi Salcido, who has developed much of the former Tree Top facility in Cashmere for high density server operations and is in the process of building out similar space in the Go USA building in Wenatchee, is not a fan of the new rate. His business model is based on existing power rates, he said. Changing it mid-stream "blows that up." Like Byers, he consulted with PUD staff before getting into the projects.

He is one of those helping organize the Feb. 3 forum to share some of the benefits of the high density load users missing from the arguments presented on the rate proposal at the meetings so far.

"I am very excited about the prospects moving forward in the emerging technologies that we represent," he said.

In addition to giving the high density load users an opportunity to present their cases on Feb. 3, the PUD commission announced at Jan. 19 meeting that it will look at some options brought up during the three community meetings.

Those options include some rate structure alternatives ranging from "grandfathering" existing HDL customers at current rates to increasing upfront cost recovery.

A public hearing on the rate proposal is set for 1 p.m. Feb. 1 at the regular commission

meeting at the Chelan County PUD Auditorium, 327 N. Wenatchee Ave., Wenatchee, but commission members said they likely would not make a final decision on the proposed rate at that meeting to provide some time for some alternatives to be explored.

The commission has the option of continuing the hearing, which would provide time for the potential HDL rate customers to host a forum to present information on their business models, potential high density loads under current and proposed rates and the economic impacts of high density loads in Chelan County.

A hearing on the moratorium is set for March 7.