Common Ground | Salcido makes the case against high density rates

by Rufus Woods Jan. 30, 2016, 5:50 p.m.

Business

Malachi Salcido sees the potential for the Wenatchee Valley to be a hub for entrepreneurs to develop emerging technologies without damage existing ratepayers, if Chelan County Public Utility District can find a more creative way to address the challenge of high-density loads rather than creating a significantly higher rate for those users.

Salcido and others involved in Bitcoin and blockchain technologies in the valley are hosting a public workshop on Wednesday at 5:30 p.m. at the Confluence Technology Center to talk about the regional economic development potential.

A year ago, PUD commissioners imposed a moratorium on high-density loads because of the flood of inquiries from data miners about tapping into the inexpensive local power rates. The PUD received inquiries that totaled more than the current county load, which led to the legitimate concern that such a rapid load expansion would upend the economics of the utility and lead to increased rates for existing customers.

Salcido told me he appreciates the need for the utility to maintain the economic integrity of the system but said there more creative ways the utility can evolve than creating a new, higher rate for high-density loads. He acknowledged that it would not have been prudent for the commissioners to allow huge amounts of power to be sold at the low county rate.

The 41-year-old entrepreneur, who grew up in the valley, went to Wenatchee Valley College and later Central Washington University, owns the Salcido Connection, a successful construction and services company. The firm in the last two years has made long-term investments in Chelan and Douglas counties to serve small enterprises that are working with blockchain and Bitcoin technology.

He has a vested interest in the outcome of the PUD decision, but it's worth thoughtfully considering his arguments. He's interested in the PUD's financial success and also the financial health of the valley. Salcido and his wife have four children and see themselves as part of this community for the long term.

To many people, the Bitcoin and blockchain technologies seem difficult to understand and maybe a tad dodgy. Salcido, who has background in construction and refrigeration

plus a degree in accounting and finance, explained in layman's terms how it works by focusing on how these new approaches could transform financial transactions.

In a nutshell, legacy financial systems depend upon relatively cumbersome verification systems between institutions and banking systems. Bitcoin and blockchain approaches are built upon a distributed consensus model, with data networks worldwide verifying all transactions. Distributing the workload across a network is faster and in theory impossible to be manipulated by a single party. All of the players have to agree on the data, or the questionable transaction is rejected.

This distributed consensus model is roughly analogous to how computing changed in the switch from monolithic mainframe computer systems to networking powerful independent workstations. One workstation failure wouldn't take the whole system down.

More than 40 banks are funding the blockchain technology because they see the potential it has to revolutionize business on a local and global scale. It could do for the economic system what the Internet did for and to so many other industries.

Large financial institutions are investing in blockchain technology, Salcido told me, because they see the potential in a verifiable global system to increase transaction speed, which is the key to economic growth.

Chelan County will never see a large data center because it has very little flat land, he said. But if we play our cards right, Salcido said, the PUD could systematically allow for smaller amounts of high-density power at the local rate to be made available in a way that wouldn't significantly impact rates and in a way that would attract more young, talented entrepreneurs to test their technologies here that could be brought to scale elsewhere, including Douglas and Grant counties.

He noted that the PUD, in its recently completed strategic plan, had high-density loads as a potential economic threat to the system. Threats, he told me, can also turn out to be great opportunities for creative thinking.

Salcido's entrepreneurial bent, his commitment to the community and his creative mindset impressed me. Perhaps a creative solution can be developed that allows our valley to crack the door open a bit for emerging technologies without putting the system at risk.

This situation points up the woeful lack of an economic development strategy for the valley that includes input from the private and public sectors.

The world is changing in dramatic ways and it seems to me we need to keep an open mind about how we can most effectively leverage our assets to build a stronger, more vibrant region. rwoods@wenatcheeworld.com 509-665-1162

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Rufus Woods

I have been a bit skeptical about the economic value in North Central Washington from the techies who are doing Bitcoin mining, but after doing some additional research and discussing the subject with local entrepreneur Malachi Salcido, I'm beginning to warm to the idea that there may be an economic opportunity for the region.

In the interest of full disclosure, I know enough about this subject to be dangerous, here are some of the things I'm learning.

Most of the press about digital currency Bitcoin has focused on the controversies surrounding it. Some think that Bitcoin is just a fad that will fade away while others believe that it holds the key to the currency system of the future. It is worrisome that the Bitcoin system has enabled transactions for arms, drugs and the like.

But the approach that is being used — blockchain's distributed consensus model — is for real. None other than Marc Andreessen of Silicon Valley has claimed it's the most important invention since the Internet.

Here's how Mike Gault of Guardtime describes the technology in a posting for Re/code, a technology web site.

"A blockchain is essentially just a record, or ledger, of digital events — one that's "distributed," or shared between many different parties. It can only be updated by consensus of a majority of the participants in the system. And, once entered, information can never be erased. The bitcoin blockchain contains a certain and verifiable record of every single bitcoin transaction ever made."

The Economist magazine had this to say of blockchain technology in the October 15 issues:

"Other applications for blockchain and similar "distributed ledgers" range from thwarting diamond thieves to streamlining stockmarkets: the NASDAQ exchange will soon start using a blockchain-based system to record trades in privately held companies."

The bottom line is that blockchain has proven to be a viable approach that financial institutions like NASDAQ are putting into place. It's likely to revolutionize trade, finance and who knows what else.

So we should be wary of dismissing out of hand the value of Bitcoin and blockchain approaches. It's why Salcido and others are keen on encouraging Chelan PUD commissioners to consider all of the implications before making a decision on what to do about high-density loads.

The world is changing dramatically and all of us need to be in learning mode as we address the challenges ahead of us. rwoods@wenatcheeworld.com 509-665-1162