TUESDAY, JANUARY 26, 2016

The Wenatchee World

World Editorial Board | PUD rates and the Bitcoin effect

World Editorial Board | Jan. 25, 2016, 8:29 a.m.

Commentary

The people of Chelan County are asked to accept the risk. Their power rates may rise, perhaps substantially. The electricity their dams generate will not be sold to provide rate-reducing revenue or visible economic growth, but to power unseen ephemeral businesses with banks of computers, producing wealth for someone they do not know, in forms they do not understand. The financial plans and projections of their public utility will be shredded. The future will be clouded, uncertain, filled with unknown consequences.

The commissioners of the Chelan County PUD have done the right thing — step back, call a pause, and consider policies in the best interest of their ratepayers and the county economy. The businesses in focus are so-called Bitcoin miners, who set up power-hungry data centers in leased space and set their servers to work automatically digging for cyber wealth. Bitcoin is an arbitrary, unbacked, independent, and questionable digital currency, and the miners somehow compete with other miners around the world for Bitcoin transactions. We do not understand how this works, or how long it will work. We need not make a value judgment on these new businesses. The point is that the sudden arrival of Bitcoin miners, lured by our cheap and plentiful electricity, could consume a very large share of the surplus power now sold to keep Chelan County's rates low. In a matter of months the PUD had inquiries for 220 megawatts of power, when the entire county now uses only 180 megawatts. A Bitcoin miner can use as much power as 1,500 homes.

Absent a change in policy, it becomes possible that Chelan County's surplus power will disappear as if someone flipped a switch. That would be disruptive to the point where PUD residential rates may be forced to double, the PUD says. The Bitcoin miners are not comparable to the large data centers that fund their own infrastructure and buy power under negotiated mutually beneficial contracts. They just want a great deal of power, off the rack.

Facing this, the PUD commissioners are considering a rate of 5.036 cents per kilowatt hour for businesses that use 250 kilowatts per square foot, but less than 5 megawatts. That is estimated to give Bitcoin miners a "neutral" impact on PUD rates. For some Bitcoin miners that would double power costs, a serious blow when you consume enough electricity to run a small town. It will put them out of business, they say, even though the 5-cent rate will still be among the lowest in the nation.

The commissioners wisely delayed a vote on imposing the new rate. They continued a moratorium on new high-energy businesses. They want to learn more. This is prudent. The issue is complex and filled with unknowns. The wrong policy could have an impact on future economic growth. Building owners who made large investments based on the current PUD policy stand to shoulder a significant loss. There may be alternatives, such as charging the businesses the full cost of their hookup, as is done in Douglas and Grant counties, or phased-in rate hikes.

But for the ratepayers, the owners of the utility, the stakes are great. The potential consequences should be clear before we shoulder the risk. Is there a rate structure that will serve the interest of all the county? Should the ratepayers risk a rise in their power rates and shoulder all its regressive effects to serve mysterious businesses that may not be here tomorrow? The ratepayers should be aware of the consequences. A rate to protect their interests is not unreasonable. As for the miners, treat them fairly, but do not ask the ratepayers to bear too great a burden on their behalf.