



GRANT COUNTY INTERNATIONAL AIRPORT FOREIGN TRADE ZONE #203

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July 27, 2018

Board of Commissioners
Public Utility District No. 2 of Grant County, WA
PO Box 878
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RE: Proposed Rate Adjustment for Evolving Industries

The Port of Moses Lake is writing to express our significant disappointment with the Grant PUD Board of Commissioners reluctance to move forward with the rate adjustment for so-called "evolving industries" in the form of the proposed rate schedule 17. We would like to note that the Port has previously communicated to you our support for this proposal. We wish to commend PUD staff for their many months of work on the proposed rate and believe this proposal was and continues to be responsive to the concerns of Grant PUD businesses and ratepayers regarding the impact of "evolving industries", primarily Bitcoin miners, on our communities.

Based on press coverage and audio recordings of your July 10th meeting, it is clear that the opposition to the proposed rates by existing Bitcoin operations has resulted in the Board of Commissioners reluctance to approve the proposed rates. Some of you have expressed the opinion that these existing Bitcoin operations are not causing harm to the PUD system (and by extension its existing traditional customers). The Port of Moses Lake takes a very different view of this, and believes there is ample evidence before the Commission and Grant PUD ratepayers that in fact these Bitcoin operations have and continue to cause harm to Grant County.

As PUD Commissioners you are well aware of the tremendous stress these customers, both current and pending have placed on your electrical infrastructure. Stated simply many of your substations are at or nearing capacity. You are experiencing additional transmission loading problems. These customers are consuming an increasing amount of the limited and valuable share of the generation from the District's Project resources. These facts have had very real and damaging consequences to the Port's existing tenants as well as having detrimental impacts on the Ports ability to recruit new tenants and the associated job and tax base benefits.

The most significant of these was a solar panel manufacturing facility who had recently short listed the Port of Moses Lake in a national search. This new business would have resulted in a multi-billion capital investment with its associated tax revenues and well over 1,000 new jobs. Unfortunately the needs of that customer could not be met due to limitations on the PUD's transmission and distribution systems,

limitation considerably exacerbated by the recent influx of Bitcoin load. This business recently announced its intent to break ground on their facility in Georgia, demonstrating the reality of this customer and the benefits that could have occurred in Grant County but significantly due to PUD infrastructure limitations now will not. However the harm being caused to our community is not limited to our diminished ability to recruit new business and industry. The Port of Moses Lake is aware of multiple existing businesses who have expressed a desire to expand their Grant County facilities but have been unable to make progress on those desires due to the defacto moratorium the PUD has placed on applications for new load, again primarily in response to Bitcoin operations that comprise the overwhelming percentage of the new load applications that resulted in the PUD not moving forward on these existing customer's requests for additional load. There can be no doubt that the existing and potential Bitcoin load has come at a cost of other customers who, had they been able to proceed with their new or expanded load requests, would have provided significantly more benefits to our communities in the form of direct and indirect jobs and tax base than Bitcoin operations.

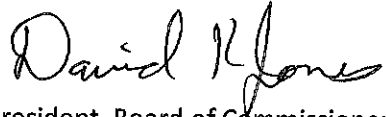
Several of you expressed concerns regarding how the proposed rate may cause existing Bitcoin operations to leave Grant County. The Port of Moses Lake recognizes that the proposed rates would have an impact on these existing operations, but is skeptical of some of the claims presented to the Commission. More importantly the Port of Moses Lake would observe that the controversy surrounding Bitcoin has received significant local, regional and national discussion and debate for some time. A not insignificant number of current operations made decisions to open and locate their business knowing full well this discussion was occurring. The Commission received comments that the proposed rates would cause the loss of current Bitcoin operators' investment with one commenter saying that adoption of the proposed rates could cause them to re-locate to Texas. We would observe that these Bitcoin operations are notoriously very portable with some of them being as little as computer hardware located in a storage container or portable building in rented space with an electrical connection. If such operators believe that the business environment in Texas or elsewhere is more conducive then the Port believes these operations are quite capable of moving to such location without a significant loss of investment.

Finally the Port wishes to acknowledge and support the concerns expressed by Commissioner Walker in response to suggestions that the existing Bitcoin operations somehow be grandfathered in to an existing or lower rate while new Bitcoin operations locating after some future date pay the proposed schedule 17. The Port believes Commissioner Walker is absolutely correct with his concerns regarding the legality of such an approach. Such "grandfathering" will create a situation where the exact same business type of enterprise with comparable size and character of load would be paying a different rate from an existing customer. Utility rates are generally understood to be held to the standard of "fair, equitable and non-discriminatory". The grandfathering approach would discriminate among comparable customers on the basis of when they applied for service. The Port believes it will be difficult to artificially attempt to circumvent this problem on the basis of system impact or other considerations as the negative impacts on the PUD's capability to provide service pre-dates at least a portion of the existing Bitcoin operations commercial operation dates. The Port believes that proposals to have a transition to the proposed schedule 17 rates would likely withstand legal challenge (without necessarily supporting that approach). Conversely the Port believes that grandfathering would very likely result in a legal challenge, and believe that it would be possible if not likely that grandfathering would not be upheld by the courts.

In conclusion the Port of Moses Lake previously supported the staff proposed rates for "evolving industries". We were somewhat disappointed by certain provisions (or lack thereof of certain provisions

The Port of Moses Lake respectfully requests the PUD Commissioners to recognize this fact, carefully consider our comments, and move without further delay to approve the proposed rates.

Sincerely

A handwritten signature in black ink that reads "David K. Jones". The signature is written in a cursive style with a large initial "D" and a long, sweeping underline.

President, Board of Commissioners,
Port of Moses Lake