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IDAHO PUBLIC
UTILITIES COMMISSION



LISA D. NORDSTROM
Lead Counsel
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April 26, 2022

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Boulevard
Building 8, Suite 201-A
Boise, Idaho 83714

Re: Case No. IPC-E-21-37
Application of Idaho Power Company for Authority to Establish A New
Schedule to Serve Speculative High-Density Load Customers

Dear Ms. Noriyuki:

Attached for electronic filing is Idaho Power Company's Reply Comments in the above-entitled matter.

If you have any questions about the attached documents, please do not hesitate to contact me.

Sincerely,

Lisa D. Nordstrom

LDN:sg
Enclosure

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

| | | |
|----------------------------------|---|-----------------------|
| IN THE MATTER OF THE APPLICATION |) | |
| OF IDAHO POWER COMPANY FOR |) | CASE NO. IPC-E-21-37 |
| AUTHORITY TO ESTABLISH NEW |) | |
| SCHEDULE TO SERVE SPECULATIVE |) | IDAHO POWER COMPANY'S |
| HIGH-DENSITY LOAD CUSTOMERS. |) | REPLY COMMENTS |
| |) | |

Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Reply Comments in response to comments filed by 2140 Labs LLC ("2140 Labs"), and Idaho Public Utilities Commission ("Commission") Staff ("Staff") on April 12, 2022.

The Company is agnostic to the business activities of customers. However, it is also committed to balancing its obligation to reliably serve with the need to mitigate potential system risks related to acquiring generation which may, in the long run, ultimately impact the broader customer base. Leveraging the Company's existing resources in an efficient manner benefits all customers, and the proposed requirements

of Schedule 20 – Speculative High-Density Load (“Schedule 20”), strikes that balance to 1) meet the obligation to serve a new customer segment with efficient utilization of the Company’s generation and transmission system, and 2) reduce the potential risks of acquiring additional capacity to serve these customers which potentially becomes stranded investment.

Idaho Power appreciates Staff’s recommendation that the Commission approve the Schedule 20 customer class as filed.¹ In these Reply Comments the Company will provide additional support for the need to proactively mitigate system risks from the proposed Schedule 20 customer segment, align with Staff’s recommendation to complete additional evaluation within five years from the date the Company commences service to customers under Schedule 20, and respond to comments received from 2140 Labs.

I. ESTABLISHING SCHEDULE 20 PROACTIVELY MITIGATES SYSTEM RISKS FROM HIGH-DENSITY LOAD CUSTOMERS

In their comments, Staff highlights the reasonableness to proactively mitigate system risks from high-density load customers on Idaho Power’s system through establishment of proposed Schedule 20.² As noted by Staff, although the initial 17 customers cited in the Company’s Application have not established service with Idaho Power, Staff believes there is still a high probability that customers qualifying under this classification will still seek to obtain service from the Company.³ Idaho Power supports this perspective as potential cryptocurrency mining customers’ outreach to Idaho Power to evaluate electric service in the Company’s service area continues today.

¹ Staff Comments, p. 8.

² *Id.*, p. 3.

³ *Id.*, p. 4.

Stranded asset risks have not decreased since the Company filed its Application November 4, 2021. Recently, Marathon Digital Holdings (“Marathon”) announced a decision to cease purchasing power from the Hardin coal power plant in Montana for its co-located large-scale cryptocurrency mining operation, and relocate that operation to a location served by a cleaner generation resource.⁴ That announcement was made April 5, 2022, one year after Marathon pledged their cryptocurrency mining operations would be 100 percent carbon neutral by year-end 2022, and importantly, only two years after executing a five-year power-purchase agreement (“PPA”) for energy service from the Hardin coal plant. The ability of this large-scale cryptocurrency miner to quickly relocate operations was not only due to energy economics as the PPA was offered at \$0.028/kilowatt-hour, but the pursuit of other corporate goals. This example serves to further validate this customer segment’s transitory risk that Idaho Power is seeking to mitigate through proposed Schedule 20. While carbon-neutrality at its operations is a laudable business goal, the speed and ability of Marathon to expand operations, pivot company objectives, and exit operations in the span of two years while breaking contractual obligations of a five-year PPA reinforces risk of potential stranded, multi-decade cost recovery for transmission and generation plant investment required to serve this load.

The transitory nature of cryptocurrency mining load is itself marketed as a valuable business advantage to industry participants. Idaho Power has become aware of solicitations to its customers who are currently interested in smaller-scale cryptocurrency

⁴ *Bitcoin Miner Will Leave Coal-Fired Hardin Power Plant*, Clearing Up, 04.15.2022 (No. 2051), April 8, 2022.
https://www.newsdata.com/clearing_up/briefs/bitcoin-miner-will-leave-coal-fired-hardin-power-plant/article_45b0475a-b759-11ec-82de-87533ddea36c.html

mining to house operations in shipping containers located at the customers' premise. The soliciting company's marketing specifically highlights "the advantage of the shipping container is their accessibility and how it can easily move. If the electricity prices rise or political climate changes, all that the company would need to do is pick up and move."⁵ Operational transitoriness is an advantage marketed to prospective cryptocurrency miners, but this advantage becomes a stranded cost risk to all other customers on that electric system if the proper cost safeguards are not in place.

Driving greater risk to all energy providers supplying energy to large cryptocurrency mining operations is a campaign to fundamentally change how Bitcoin and other cryptocurrencies are validated (the consensus mechanism), moving from proof-of-work to proof-of-stake, which is 99.9 percent less energy intensive.⁶ The proof-of-stake consensus mechanism is already being tested by Ethereum, a cryptocurrency with the second largest market capitalization behind Bitcoin.⁷ If Ethereum is able to move to the proof-of-stake consensus mechanism, it may either increase Ethereum's

⁵ *Crypto Data Centers Built With Shipping Containers*, Shipped.com, June 13, 2019.
<https://shipped.com/blog/crypto-data-centers-built-with-shipping-containers/>

⁶ *Change The Code: Not The Climate – Greenpeace USA, EWG, Others Launch Campaign to Push Bitcoin to Reduce Climate Pollution*, Greenpeace, March 29, 2022.
<https://www.greenpeace.org/usa/news/change-the-code-not-the-climate-greenpeace-usa-ewg-others-launch-campaign-to-push-bitcoin-to-reduce-climate-pollution/>

A single change in Bitcoin's coding could reduce its carbon footprint by 99%, say campaigners, Euronews.next, March 30, 2022.
<https://www.euronews.com/next/2022/03/29/a-single-change-in-bitcoin-coding-could-reduce-its-carbon-footprint-by-99-say-campaigners>

Michael Brune's next battle: Clean up bitcoin, E&E News Climatewire, March 29, 2022.
<https://www.eenews.net/articles/michael-brunes-next-battle-clean-up-bitcoin/>

⁷ *Ethereum's First Mainnet Shadow Fork Goes Live as Move to PoS Continues*, Coindesk, April 12, 2022.
<https://www.coindesk.com/tech/2022/04/11/ethereums-first-mainnet-shadow-fork-goes-live-as-move-to-pos-continues/>

popularity to overtake Bitcoin as the dominant cryptocurrency, or force Bitcoin to adopt the same consensus mechanism. If either scenario occurs, electric demand could diminish 99.9 percent resulting in significant slack capacity in the electric system, and potentially stranded generation and transmission assets across the United States from investment in resources to serve the current proof-of-work consensus method cryptocurrency miners.

II. IDAHO POWER'S ALIGNMENT WITH STAFF'S RECOMMENDED FUTURE EVALUATION

The Company agrees with Staff's recommendations to evaluate the following items five years from the date the Company commences service to customers under Schedule 20:

1. Assumptions regarding the risks and need for mandatory interruptible service;
2. The need for non-interruptible service through special contracts or other options for customers with loads below 10 MW; and
3. The need for marginal cost-based rates.

Staff further recommends that prior to developing the next general rate case filing, the Company:

1. Evaluate and compare other methods for determining a marginal cost of energy in addition to the use of Avoided Cost Averages in the IRP for the Schedule 20 energy rate; and
2. Collaborate with Staff after re-evaluating Schedule 20 cost assignment based on usage characteristics and system requirements, and assign cost and benefits incorporating interruption requirement parameters.

III. 2140 LABS COMMENTS

Intervenor 2140 Labs suggests renaming Schedule 20 “Emerging Industry” rather than “Speculative High-Density Load” in the spirit that the Commission take an active role in the economic development opportunities that could result from cryptocurrency mining in the State of Idaho.⁸ Idaho Power disagrees and questions the appropriateness of the arguments expressed by 2140 Labs for the societal economic benefit of cryptocurrency mining, which the Company believes are misplaced and are well beyond the scope of this utility ratemaking proceeding.

While the Company agrees with 2140 Labs assessment that cryptocurrency mining load operates at a consistent and predictable load,⁹ Idaho Power cautions the risk of conflating the cryptocurrency miners’ high load factor with transitory load and the associated stranded cost risks Idaho Power seeks to mitigate.

IV. CONCLUSION

Idaho Power appreciates the opportunity to respond to comments filed in this case and respectfully requests that the Commission issue an order approving the Company’s Application to create Schedule 20 – Speculative High-Density Load as filed and authorize implementation prior to the start of the June 15 to September 15 interruption period.

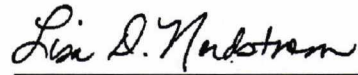
Commission approval of proposed Schedule 20, and implementation of a mandatory interruption rate class for a customer segment that creates stranded asset risks from the transitory nature of their load, provide a reasonable balance between Idaho Power’s obligation to serve all customers and mitigation of stranded asset cost-shifting to

⁸ 2140 Labs LLC Comments, p. 4.

⁹ *Id.*, p. 2.

the broader customer base.

DATED at Boise, Idaho, this 26th day of April 2022.

A handwritten signature in black ink, reading "Lisa D. Nordstrom". The signature is written in a cursive style with a horizontal line extending to the right.

LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 26th day of April 2022 I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

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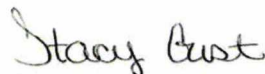
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