PSC Allows Upstate Municipal Power Authorities to Charge Higher Electricity Rates for Heavy Electricity-Using Cryptocurrency Companies — Higher Rates OK’d for Data-Mining Companies Seeking to Take Advantage of Low-Cost Hydropower that Ends Up Raising Costs for Other Customers —

ALBANY — The New York State Public Service Commission (Commission) today ruled that upstate municipal power authorities could charge higher electricity rates to cryptocurrency companies that require huge amounts of electricity to conduct business. The ruling was needed to level the playing field and prevent local electricity prices for existing residential and business customers from skyrocketing due to the soaring local demand for electricity.

“We always welcome and encourage companies to build and grow their businesses in New York,” said Commission Chair John B. Rhodes. “However, we must ensure business customers pay an appropriate price for the electricity they use. This is especially true in small communities with finite amounts of low-cost power available. If we hadn’t acted, existing residential and commercial customers in upstate communities served by a municipal power authority would see sharp increases in their utility bills.”

The New York Municipal Power Agency (NYMPA), an association of 36 municipal power authorities in New York ranging in size from 1.5 MW in the Village of Silver Springs, Wyoming County, to 122 MW in the City of Plattsburgh, Clinton County, petitioned the Commission regarding concerns that high-density load customers, such as cryptocurrency companies, were having a negative impact on local power supplies. NYMPA represents customer-owned municipal electric systems that acquire low-cost power, typically hydro, and distribute the power to customers at no profit. The low-cost electricity is a significant reason for high-density load customers to locate in this region.

As a direct result of the intense computer data-processing efforts, these companies are using extraordinary amounts of electricity — typically thousands of times more electricity than an average residential customer would use. While such a significant amount of electricity usage might go unnoticed in large metropolitan areas, the sheer amount of electricity being used is leading to higher costs for customers in small communities because of a limited supply of low-cost hydropower. In Plattsburgh, for example, monthly bills for average residential customers increased nearly $10 in January because of the two cryptocurrency companies operating there.
In recent months, several municipal power authorities have seen an increase in requests for new service from new commercial customers for disproportionately large amounts of power. These requests come mainly from similar types of potential customers: server farms, generally devoted to data processing for cryptocurrencies.

Cryptocurrency entities, such as Bitcoin developers, use massive banks of computers to run a complex software program that will create, or “mine”, digital currency. Cryptocurrency companies generally seek to occupy existing commercial or industrial facilities where they can gain access to the large amounts of power required for their operations. As some of these customers have come online, it has become clear that the type of electricity load demand was of a different character than load characteristics typically seen by NYMPA members.

In some cases, these customers account for 33 percent of the municipal utility’s total load, an extraordinary amount of power for a single customer to use. By comparison a large paper manufacturer, which might employ hundreds of workers, uses roughly one-fourth the amount of electricity on a per square foot basis that these high-density load customers. In its petition, NYMPA cited a request from a cryptocurrency company for 5 MW of electricity to be added to the Village of Akron, Erie County. If Akron were to comply with the request at existing rates, Akron’s annual average bulk power supply costs would have increased 54 percent with a direct impact on retail rates.

NYMPA’s petition noted that these customers do not bring the economic development traditionally associated with similar load-sized companies. First, these customers tend to require high quantities of power and have extremely high-load density and load factors; and second, the customers have few associated jobs, and make little to no capital investment in the local community. As a result, there is no traditional impediment for the customers to pull up stakes and move their equipment to another location. The potential for sudden relocations would result in unpredictable electrical use fluctuations in the affected areas.

There are at least three cryptocurrency companies operating in upstate New York, according to NYMPA. The addition of high-density load customers can drastically increase the amount of supplemental power needed by the systems and significantly increases costs to existing customers.

To mitigate the impact on existing customers, the Commission will allow municipal power authorities to create a new tariff focusing on high-density load customers that do not qualify for economic development assistance and have a maximum demand exceeding 300 kW and a load density that exceeds 250 kWh per square foot per year, a usage amount far higher than traditional commercial customers.

With the Commission’s decision, electricity costs for high-density load customers will increase beginning in March, while costs for non-high-density load customers will return to their previous levels. Had the new rates been in place in January, the two cryptocurrency companies in Plattsburgh would have seen a more than 60 percent increase in their monthly electricity costs.

Today’s decision may be obtained by going to the Commission Documents section of the Commission’s Web site at www.dps.ny.gov and entering Case Number 18-E-0126 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission documents may also be obtained from the Commission’s Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.