

Water Front- Peter Mantius

Environmental politics in New York's Finger Lakes

As Bitcoin's Price Rockets Ever Higher, Greenidge Mining Profits Soar: Will Owners' Windfall Wealth Trickle Down?

Peter Mantius / March 31, 2021April 1, 2021 / Uncategorized



DRESDEN, Mar. 31, 2021 — Greenidge Generation's earnings surged last year thanks to its impeccably-timed move into Bitcoin mining, and prospects for even greater cryptocurrency profits look bright — at least for the near term.

Company owners are seizing the moment to harness market enthusiasm by offering a plan to sell stock



(<https://waterfrontonline.files.wordpress.com/2021/03/greenidgereleaseondeal.pdf>) to the public while aggressively expanding its red-hot business.

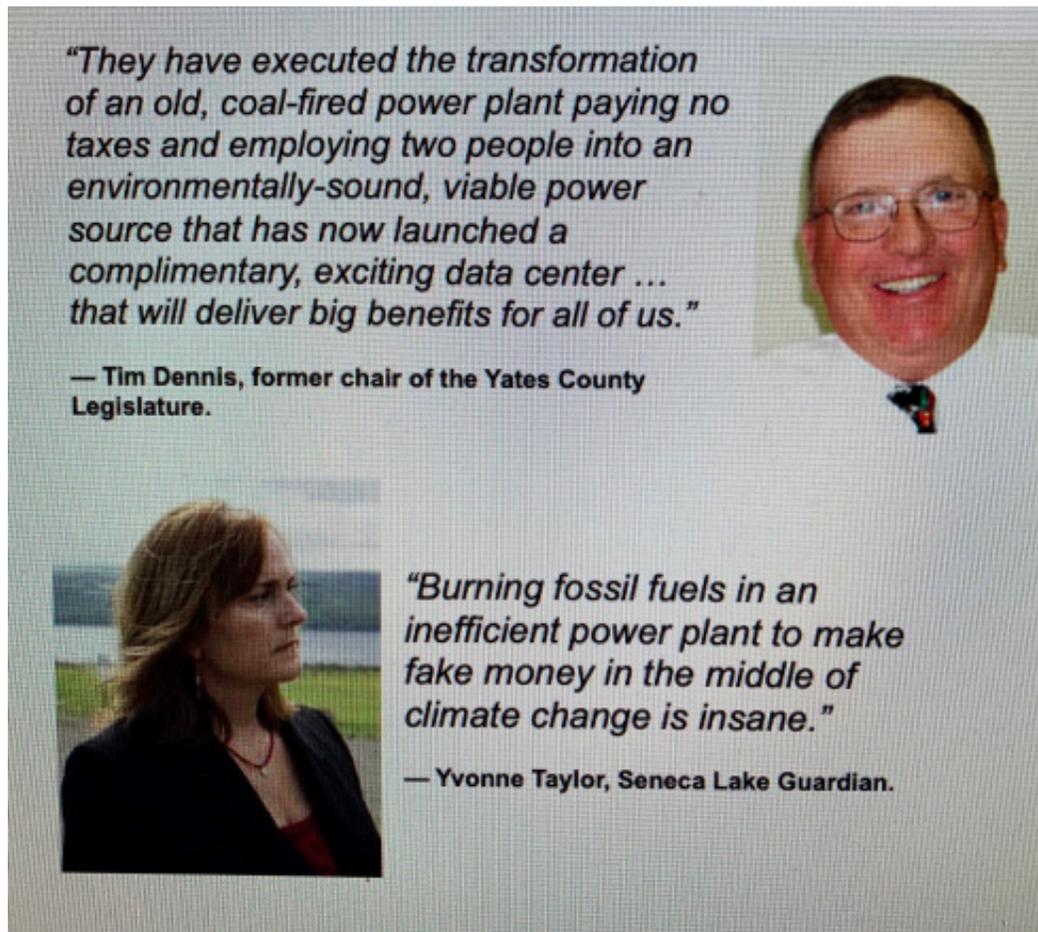
They've told potential

(<https://waterfrontonline.files.wordpress.com/2021/03/greenidgepowerpointondeal.pdf>) investors they intend to quadruple Bitcoin mining in Dresden by the end of next year — requiring energy consumption for mining to grow from the current 19 megawatts to 85 megawatts — as part of a grand plan to boost mining 25-fold by 2025 at various sites to be names later.

In service to that dizzying goal, Greenidge officials are waging a public relations battle (<https://waterfrontonline.files.wordpress.com/2021/03/greenidgereleasejan27.pdf>) locally to secure the necessary permits. They have stressed the benefits that can flow to the Yates County community in jobs and taxes, while downplaying environmental consequences.

That raises questions about how much of the expected Bitcoin windfall will be shared with the local community or used to address perceived gaps in how it treats Seneca Lake water and wine country air.

While company officials claim they are under no legal obligation to spread the wealth, there are early signs benefits may trickle down to Yates County, the Town of Torrey and the Penn Yan



School District — if not to those seeking environmental fixes.

Greenidge was required to pay the county, town and schools only \$145,703

Dennis v. Taylor: Economic development v. environmental protection.

(<https://waterfrontonline.files.wordpress.com/2021/03/2021pilotinvoice.pdf>) last year under a conservative 2016 PILOT (payment-in-lieu of taxes) agreement with the Yates County Industrial Development Agency that didn't anticipate the Bitcoin earnings bonanza.

But company officials said they kicked in an additional \$129,496 this winter to reflect stellar 2020 performance.

Even those combined payments of \$275,199 were far less than the \$995,269 paid (<https://waterfrontonline.files.wordpress.com/2021/03/fy2011pilotaes.pdf>) to the same local entities in 2011 by the plant's previous owner, AES Greenidge. But it's a big improvement over the 2012-2016 years when the coal-burning plant sat idle after AES Greenidge filed for bankruptcy.

After being sold for scrap in 2012, the plant was resold in 2014 to Atlas Holdings, a Connecticut private equity group. It has been on a steeply rising trajectory ever since.

Between 2014 and 2016, Atlas took pains to minimize both its local tax burden and its environmental expense. The company and its executives contributed well over \$100,000 to Gov. Andrew Cuomo's reelection campaign and paid a lobbying firm more than \$500,000 (<https://waterfrontonline.files.wordpress.com/2021/03/zzwaterfrontwasgreenidgefast-tracklegalwaterfront10132018.pdf>) to help secure lenient state environmental permits and favorable local PILOTs.

In late 2015
the Cuomo



Tim Dennis, former chair of the Yates County Legislature, speaks at Greenidge's reopening ceremony four years ago. This year he touts the plant's planned expansion.

Administration awarded Atlas a \$2 million state grant that was sufficient to cover not only the company's Cuomo campaign contributions and the lobbying fees, but also a decade of required local PILOT payments.

Once permits were in hand, Atlas converted the facility to burn natural gas instead of coal and built a four-mile gas pipeline to the facility. It restarted power generation in early 2017.

When the demand for the plant's power fizzled, the company in late 2018 began testing Bitcoin processing equipment run on plant-generated power.

Perfect timing.

Bitcoin had traded at \$3,689 on Dec. 31, 2018, well below its yearly high. It cost most of that in equipment and energy costs just to process one coin. Still, Greenidge stuck with it and continued to add Bitcoin mining equipment and technical competence throughout 2019.

That summer, the company asked the Yates IDA for \$6.1 million in sales tax exemptions for a proposed \$79 million data center expansion (<https://waterfrontonline.files.wordpress.com/2021/03/datacenterapplicationjuly2019.pdf>). According to Finger Lakes Economic Development Center meeting minutes (<https://waterfrontonline.files.wordpress.com/2021/03/fledcminutesaug2019.pdf>), it was willing to “pay an additional \$96,132.20 annually in property taxes.” The offered bonus for the data center would have added up to \$1.44 million over 15 years.

But Greenidge officials dropped that planned \$79 million project — and all talk of a potential local bonus — after taking flak from local residents and environmental groups about noise, air and lake water issues.

However, the company did continue a trimmed-down version of the Bitcoin processing buildout throughout 2019.

The price of Bitcoin closed at \$7,385 on Dec. 29, 2019.

From that point, Greenidge's profitability began to surge with Bitcoin's trading price, which closed at \$29,111 at the end of 2020. The company's net generation revenue soared to \$9.18 million last year, up from \$3.04 million in 2019, driven almost entirely by its Bitcoin mining revenues of \$11.97 million, according to a company affidavit



Bitcoin's price has more than doubled since Dec. 31, driving Greenidge's

already robust profit margins higher still.

(<https://waterfrontonline.files.wordpress.com/2021/03/yates2020affidavit.pdf>).

The future looks even brighter. As the price of Bitcoin approached \$60,000, Atlas announced plans to take Greenidge public through a reverse merger with Support.com.

Under that deal, which is expected to close later this year, Support.com and Greenidge Generation LLC (the Dresden plant) will become subsidiaries of Greenidge Generation Holdings LLC, a new NASDAQ-traded holding company.

The market loved the idea, bidding up shares of Support.com by more than 200 percent on the day of the announcement.

The Greenidge team told potential new shareholders that the Dresden plant had mined 1,186 bitcoins at an average net cost of about \$2,869 per Bitcoin for the 12 months ended February 28. That works out to a profit of well over \$50,000 for each new bitcoin mined at recent prices — quite a leap from the profit margin of \$1,000 or so in late 2018.

That performance was based on drawing up to 19 megawatts of power from the 106-megawatt Yates County plant.

In a March 22 press release, company officials said they expected to boost the plant's mining capacity to 41 megawatts by June 30. By the end of next year, Bitcoin miners were expected to draw 85 megawatts of its power, it said.

The overall plan, they said, is to increase Bitcoin mining 25-fold by 2025 to more than 500 megawatts at Dresden and other locations.

That promised expansion would include the addition of four new buildings to house tens thousands of new Bitcoin "miners" (at a cost of \$2,500 apiece (<https://waterfrontonline.files.wordpress.com/2021/03/proposed30containerbuildout.pdf>)) at the Dresden facility.

But local environmental groups and others have objected on the grounds that it would require much greater energy generation and consumption at a outdated plant that operates with loose environmental permits.

"Burning more fossil fuels in an inefficient power plant to make fake money in the middle of climate change is insane," said Yvonne Taylor, co-founder of Seneca Lake Guardian.

SLG blames the state Department of Environmental Conservation, as expressed in a full-page newspaper ad (<https://waterfrontonline.files.wordpress.com/2021/03/decadslg.jpg>) in the Finger Lakes Times.

The DEC waived an environmental impact statement when they allowed Atlas to restart the plant.

The agency also allowed the plant to withdraw up to 139 million gallons of water a day from Seneca Lake — without federally required screens to protect aquatic life — and to discharge up to 134 million gallons a day into Keuka Outlet at temperatures up to 108 degrees.

The outlet, which empties into Seneca Lake, is a DEC-designated trout stream. Water warmed above 70 degrees stresses or kills trout.

In addition, experts say, warm water tends to promote blooms of toxic algae, or cyanobacteria, an emerging major threat in the Finger Lakes.

Opponents of the Bitcoin expansion want to require Greenidge to install a closed-cycle cooling system to cut withdrawals and discharges by 95 percent or more. A [DEC policy memo \(https://waterfrontonline.files.wordpress.com/2021/03/zzdec2011closedcycle.pdf\)](https://waterfrontonline.files.wordpress.com/2021/03/zzdec2011closedcycle.pdf) in 2011 had recommended closed-cycle cooling for most new and restarted plants.

Taylor said Greenidge should consider using its new-found wealth to voluntarily take that step, even if the DEC doesn't require it.

Opponents also worry about noise from the plant and its steadily rising greenhouse gas emissions.

That resistance from Committee to Preserve the Finger Lakes, Seneca Lake Guardian and the Sierra Club has touched off a fierce public relations battle. The enviros charge the Greenidge team with environmental exploitation and greenwashing.

They want the Town of Torrey Planning Board to reject Greenidge's site plan for the four new buildings.

The pro-Bitcoin team counters by accusing the green groups of distorting facts and lying.

"These efforts continue to ring hollow because they remain entirely ideologically driven, and devoid of any merit," Dale Irwin, the Greenidge plant CEO, said in January.

Meanwhile, the Greenidge team stresses both its full compliance with all state permits and its growing contribution to the local economy in jobs and taxes.

"Greenidge is a remarkable success story," Tim Dennis, a former chair of the Yates County Legislature, said in a recent full-page newspaper ad.





Dale Irwin

“They have executed the transformation of an old, coal-fired power plant paying no taxes and employing two people into an environmentally-sound, viable power source that has now launched a complimentary, exciting data center ... that will deliver big benefits for all of us.”

Still, the holding company executives aren't expected to reside in Yates County, or perhaps even New York State. And the local tax contribution may be less robust than advertised.

For each of the three years before it filed for bankruptcy protection in 2011, AES Greenidge operated under a 2006 PILOT agreement that required it to pay more than \$900,000 a year to the county, the Town of Torrey and the Penn Yan School District. Typically, the schools received about half of the total.

That PILOT was based on the county's assessment of the property's value, which rose from \$47.7 million in tax year 2007 to \$50 million in tax year 2011.

In recent years, Greenidge's assessment has held steady at just over one-eighth of that: \$6.4 million.

That drastic cut in assessed value was not inappropriate, Torrey assessor Pat Brede said, given that the plant was sold for scrap in 2012. Its assessment had fallen into the \$3 million range before Atlas acquired it for an undisclosed — probably bargain — price, Brede added.

Furthermore, PILOT agreements for the plant and the pipeline, which were made official in 2016, require Greenidge to make annual payments to the county, the town and Penn Yan schools that are far less than what AES Greenidge had to pay.

In 2011, AES Greenidge paid the school district \$528,500, while Atlas' Greenidge paid a 2020 school bill of only \$76,008. Likewise, the 2011 AES payments to the county and town were \$297,860 and \$168,908, respectively, while the 2020 payments dipped to \$46,625 and \$23,069.

The 2016 PILOT for the pipeline doesn't require any local payments at all until 2022, when they gradually escalate to \$144,779 in 2031.



Greenidge plans to install thousands more Bitcoin “miners” — computer modules that process cryptocurrency transactions.

The PILOT for the plant includes a provision that requires extra local payments of 2.5 percent of all net generation revenue above \$4 million.

There was less chance of achieving that level when the plant operated purely as an intermittent supplier of power to the grid. But Bitcoin processing became an unexpectedly strong new income stream.

In fact, last year the plant earned generation revenue of \$5.65 million on fuel costing \$5.51 million, for net generation revenue of \$149,390.

Adding in Bitcoin mining revenue of \$11.97 million (on fuel costing \$2.94 million), net generating income jumped to \$9.18 million. Because that was \$5.18 million more than the threshold set in the PILOT, Greenidge agreed to pay 2.5 percent — \$129,496 — to the county.

“Data processing center revenue was not contemplated at the time the PILOT was created,” Irwin added. “Nonetheless, Greenidge calculated the excess revenue payment and elected to include that revenue in its payment calculations to the county.”

Kevin McAuliffe, an attorney for Greenidge, also stated that the company had made the \$129,495 payment to the county, and Yates County treasurer Winona Flynn confirmed Thursday that her office had received it.

Seneca Lake Guardian has urged the towns of Geneva and Watkins Glen to pass resolutions in favor of a moratorium to halt the proposed expansion of Bitcoin processing in Dresden.

In an appearance by Zoom before Watkins Glen trustees Mar. 2, Irwin, the plant manager, stated that a proposed SLG resolution drafted for Watkins Glen was inaccurate, saying:

“It completely misrepresents our data processing center operations. It would be very unfair to our employees, the vendors we serve in the region and the families of these people for this resolution to be considered.”

The trustees postponed action on the matter.

Irwin said the plant employed 30 people with an average salary of \$97,000.

“We also have increased our tax payment up to \$540,000 in total taxes last year,” he told the Watkins Glen trustees. “That’s something we’re proud of.”

His numbers are correct — or even slightly understated — if state sales of \$151,500 taxes are included. (A company-paid newspaper ad in February said Greenidge paid \$303,000 in county and state sales tax last year. Since each entity charges 4 percent, each must have received \$151,500).

Based on documents, interviews and company ads, the company actually paid about \$426,000 in local taxes last year — \$151,500 in local sales tax and \$275,199 in payments to Yates County, the Town of Torrey and the Penn Yan School District.

But that total was less than half its PILOT payments to AES Greenidge a decade ago, even if sales taxes aren’t included.



Winona Flynn.

Published by Peter Mantius

I am a journalist who lives in Watkins Glen, NY. I write about the environment and politics on my website, Waterfrontonline.blog. For more detail on my background, see the "Peter's Bio" section on that site. [View all posts by Peter Mantius](#)

1 Comment

1.

vancealm says:[March 31, 2021 at 6:58 pm](#)

Very interesting Cinderella story about an old power plant being turned into a bitcoin mining operation. I think the bitcoin mine should use a closed loop cooling system to mitigate the environmental impact and pay more in taxes. But overall it sounds like an incredible opportunity for a little town to create great paying jobs in the tech industry. Especially with the recent rise in bitcoin value, the company should have more than enough revenue to expand as planned while making improvements to reduce its environmental impact and paying its fair share in taxes. Great content!

[Reply](#)

[Blog at WordPress.com.](#)