PEND OREILLE COUNTY HEARING EXAMINER

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Re: Application by Todd Behrend for a
Conditional Use Permit to construct and
operate a cryptocurrency mining facility,
located in an R5 zone; and SEPA appeal of
DNS, filed by Ed Styskel.

FINDINGS, CONCLUSIONS, AND DECISION

FILE NO. CUP-2021-012

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I. SUMMARY OF PROPOSAL AND DECISION

Proposal: The Applicant seeks to construct and operate a cryptocurrency mining facility located at 422767 Highway 20 Usk, Washington. An appeal of the Determination of Nonsignificance (DNS) issued for the project was filed by Ed Styskel.

Summary of Decision: The SEPA appeal is denied. The application for a Conditional Use Permit ("CUP") is approved, with *revised* conditions.

II. FINDINGS OF FACT

A. General Information:

Applicant: Todd Behrend¹

422767 SR 20 Usk, WA 99180

Property Owner: Ponderay Real Estate, LLC.

200 Spectrum Center Dr., Ste 1450

Irvine, CA 92618

¹ Documents in the Department file identify numerous entities as the 'Applicant' for this project. The application itself lists Todd Behrend as the applicant and Ponderay Real Estate, LLC as the property owner. The clearing and grading permit lists the property owner as Ponderay Data, LLC. This is the same entity that submitted the document entitled 'Project Description'. Other documents in the file indicate that Ponderay Industries, LLC., is also involved in the project. At the time the Hearing Examiner conducted a site visit, the sign in front of the project site was for Merkle Standard. Todd Behrend is currently listed as Merkle Standard's General Manager for the Ponderay Data Center. For purposes of this decision, 'Applicant' refers to all entities involved in the construction and/or operation of the proposed cryptocurrency mining project.

Property Location: 422767 SR 20, Usk, WA 99180

Legal Description: 3-59 F4 NE1/4; N1/2NW1/4; SE1/4NW1/4; NW1/4SE1/4; LESS ROADS 08-32-44 EASEMENT, parcel number 443208000005, Pend Oreille County, Washington.

Zoning: The property is zoned R5.

Environmental Review: A SEPA Environmental Checklist was submitted to Pend Oreille County on March 10, 2022. A Determination of Nonsignificance (DNS) was issued by the Department on April 2, 2022, with an appeal period ending on April 18, 2022. On April 18, 2022, Ed Styskel, the Appellant, filed a timely appeal of the DNS pursuant to WAC 197-11-680.

Site Description: The subject property consists of 4 parcels of land totaling approximately 309 acres in size. The site has been the location of a working newsprint mill and associated activities since the mid-eighties and was originally approved for operation under a Shoreline Substantial Development Permit 85-4 on August 07, 1985, to operate a 440 metric ton newsprint plant, associated utilities, and site improvements. The mill operated in that capacity until its closure due to bankruptcy in 2020. On June 01, 2021, the site was purchased by Ponderay Real Estate LLC.

The site is located west of Black Road and the Pend Oreille River, south of the town of Usk, WA, and adjacent to the existing Vaagen Bros. Lumber, Inc. property. The Site is zoned R5, is developed and maintained as an industrial site. The site has an existing access from Highway 20 and Black Rd. The property is primarily flat, with some wooded areas surrounding the developed site. There is a large hill in the middle of the property that sits generally between the developed portion of the site and the Pend Oreille River. There is power on the site for lighting, security, and operations. The site lies within Pend Oreille Fire District 4 and is within the Cusick School District boundaries.

Surrounding Conditions: The zoning of the surrounding properties are designated R5 (areas with zoning districts located along U.S. highways, state routes, designated arterials, and County Major (07) and Minor (08) collectors), and NR 20 (Parcels within this zone must have approved road access and designated as Timber, or Agricultural Lands, or currently in use as a mine). Surrounding properties to the south and east are designated NR20 undeveloped and are designated forest land use. Properties to the west are developed and are

forest land use designated. Property to the North is designated R5 developed and industrial use.

Project Description: The Applicant plans to lease land from Ponderay Real Estate, LLC to build and operate a high-density computing facility adjacent to the main entrance of the former Ponderay Newsprint property from State Route 20. This facility will consist of up to 150 prefabricated Modular Data Centers (MDCs). These units are 8'x20'x 9.5' high. The onsite electrical distribution system will be expanded using a fuse block structure consisting of wooden utility poles and crossmembers to support the required electrical components and cabling. This structure will be about 30' tall. Underground cables will be installed to 50 transformers, 2500kVA each, measuring about 7'x7'x7' to provide electrical service to the MDCs. Trenching, in already disturbed and modified areas, will be required to install electrical, communication, and water lines. The total amount of material to be excavated and backfilled to support utility installations, in previously disturbed areas is 6,447 cubic yards.

More than 30,000 servers will be installed in these MDCs, consuming about 100MW of electrical energy. These will be primarily air-cooled, using the fans of the servers to draw in ambient air and exhaust the heat generated by data processing. Evaporative cooling units are built into the MDCs, so a process water supply will be routed to each unit for use during the highest temperatures of the year. A system to direct some of the warmed air to the intake for the coldest periods will be locally designed and installed on site.

In addition, an existing 50'x100' building, originally built to house construction offices, will be converted to accommodate high-density computing machinery. This will require the installation of a new transformer of about the same physical dimensions as the above, a cooling tower 8.5'x16'x16' high, and a pumping system about 8' x10'x 5' high. These will be located close to the original Lake Superior Construction office building near the main entrance. The servers in this facility will employ liquid cooling, necessitating the cooling tower.

No new storage areas will be required beyond the construction phase. No new parking areas will need to be created. The existing site grading was engineered to manage stormwater, and the site maintains a Stormwater Pollution Prevention Plan. This includes those asphalt areas on the west side of the project near an existing drainage ditch that has been in existence for over 30 years. Portions of the project fall within the buffer zone of this drainage ditch and will have no additional impact to storm drainage. This project will not affect that system. The

existing unloading and storage areas exceed the requirements of the new enterprise.

In addition, an existing 50'x100' building originally built to house construction offices will be converted to accommodate high-density computing machinery. This will require the installation of a new transformer of about the same physical dimensions as the above, a cooling tower 8.5'x16'x16' high, and a pumping system about 8' x10'x 5' high. These will be located close to the original Lake Superior Construction office building near the main entrance. The servers in this facility will employ liquid cooling, necessitating the cooling tower.

The site is expected to employ about 35 people excluding security, although not all of them will normally be on site simultaneously. Visitors will be very limited, as the site access will be controlled for security and safety. The operation will be continuous, but traffic will largely be limited to employees. During normal operations, less than 30 vehicles per business day on average are expected to travel to the site. Every few years, the equipment will need to be upgraded due to obsolescence and increased traffic will occur briefly during that activity.

Due to the limited access, reception for general visitors is not currently anticipated. Outdoor activities will be limited to maintenance of the equipment. No public functions for social or recreational activities will be conducted under normal operations, excluding unique events such as receptions for groundbreaking, commissioning, or other public outreach functions.

It is expected that the existing sign at the entrance will be replaced to identify the new enterprise. The new sign is currently envisioned to be of a similar size.

B. Procedural Information:

Approval Criteria: Pend Oreille County Comprehensive Plan ("CP") Chapter 2.0 – Land Use Element; Pend Oreille County Development Regulations (PODR) Chapter XX.68 – Conditional Uses; PODR Chapter XX.14 – Processing Procedures; PODR Chapter XX.26 – Zoning Controls; PODR XX.30 – Development Standards.

Hearing Date: May 18, 2022

Application Complete: March 10, 2022

Notice of Application: Mailed - March 15, 2022; Published - March 30, 2022

Findings of Fact, Conclusions of Law, and Decision

File No. CUP-2021-012

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1		2022; Published – April 27, 2022; Posted –
$_2$	April 26, 2022	
3	Site Visit: May 10, 2022	
4	Testimony: The following persons were under oath as administered by the Hear	
5	under oath as administered by the frear	ing Exammer.
0	Greg Snow	Ed Styskel
6	Community Development	545 Quail Loop
	Department	Newport, WA 99156
7	418 South Scott Avenue Newport, WA 99156	edstyskel@gmail.com
8	gsnow@pendoreille.org	Phyllis Jean Kardos
		2843 Scotia Road
9	Patrick Mullaney	Newport, WA 99156
10	600 University Street, Suite 3600 Seattle, WA 98011	pkardos jean@yahoo.com
	patrick.mullaney@stoel.com	Ben Richards
11		271 Trinity Ln
12	Taudd Hume	Newport, WA 99156
12	601 W. Main Avenue, Suite 714	<u>r.ben.richards@gmail.com</u>
13	Spokane, Washington 99201	
	thume@workwith.com	Brian Petermann
14	Tony Baxter	brian.petermann@powereng.com
	7831 Glenroy Road, Suite 218	
15	Minneapolis, MN 55439	Nathan Smith
		210 W. Riverside Ave. Suite 800
16	Sharon Verity	Spokane, WA 99201
	P. O. Box 173,	<u>brian.kistler@kutakrock.com</u>
17	Usk, WA 99180	
10	sgverity@sbcglobal.net	Dee Kuchler
18		1381 Lenora Drive
19	Bob Eugene	Usk, WA 99180
19	beugene1@msn.com	<u>deloris414@gmail.com</u>
20	Gerald Pelland	Blake McAnerin
21	631 Lenora Dr.	21291 LeClerc Rd N.
41	Usk, Washington 99180	Ione, WA 99139
22	ghp_avionics@msn.com	blakemcanerin@gmail.com
23	Pamela Luby pluby101@gmail.com	Dale Nichols
24	bray roresimanoom	
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1	Kevin Miller	Pete Scobby
$_2$	micafire@hotmail.com	2711 Southshore Diamond Lake Rd Newport, WA 99156
3	Kathleen Werr 6957 Fertile Valley Rd	scobby@povn.com
4	Newport WA 99156 <u>kathwerr@gmail.com</u>	Ernest Hood PO Box 1134
5	Christian Meador Christianmeador@hotmail.com	Newport, WA 99156 ehoodjr@hotmail.com
6	Offristianmeador@notman.com	Linda NeVille
7	Tim Anderson	331 Davis Lake,
	Susan Hobbs	Usk WA 99180
8	142 Heritage Lane	Cory.neville50@gmail.com
9	Ione, WA 99139	Andy Armantrout
10	<u>pendoreillepilgrim@gmail.com</u>	Andy.armantrout@gmail.com
10		Connie Kimble
11		287 Guinevere Dr.
10		Usk, WA 99180
12		<u>Ckimble56@gmail.com</u>
13	SEPA Appeal Exhibits:	
14	Appellant Exhibits -	
15	Exhibit 1: Styskel_Exhibit 1 - SEPA Checklist Ponderay Data Crypto Styskel	
16		
17	Cryptomining Facility - Styskel Suppl Comments (11 pp.)	
18		
19	<u>Applicant Exhibits</u> -	
20	Exhibit 1: Ponderay Real Estate_Exhibit (5 pp.)	bit 01_Project and Site Description
21	Evhihit 2. Pondaray Raal Estata Evhil	nit 02 Calianall Diversion Canal HAFR (1
22	Exhibit 2: Ponderay Real Estate_Exhibit 02_Calispell Diversion Canal HAER (1 page)	
23	Exhibit 3: Ponderay Real Estate_ Exhi	bit 03_ Noise Study Results (16 pp.)
24	Exhibit 4: Ponderay Real Estate_ Exhi	bit 03_ Noise Study Results (5 pp.)
	Findings of Fact, Conclusions of Law, and Decision	File No. CUP-2021-012 6

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2	Vitae - May 2022 (3 pp.)		
3	Exhibit 6: Ponderay Real Estate_ Exhibit 06_Memo 5-5-22_Surface water (6 pp.)		
4 5	Exhibit 7: Ponderay Real Estate_ Exhibit 07_ Merkle_Memo 5-5-22_ Wildlife Assessment (12 pp.)		
6	Exhibit 8: Ponderay Real Estate_Exhibit 08_ Mark Pollock Resume (14 pp.)		
7	Exhibit 9: Ponderay Real Estate_Exhibit 09_ Erik Nyquist Resume (18 pp.)		
8	Exhibit 10: Ponderay Real Estate_Exhibit 10_ Aaron Hoefer Resume (2 pp.)		
9	Department Exhibits -		
10	Exhibit 1: Pend Oreille County_1_DNS CUP_2021-012 (2 pp.)		
11	Exhibit 2: Pend Oreille County_2_SEPA Checklist (30 pp.)		
12	CUP Application Record and Procedure:		
13	The Hearing Examiner conducted a consolidated open public hearing on the applications and appeals on May 12, 2022, beginning at 9:00 a.m. The Hearing Examiner heard the application and appeal pursuant to the interlocal agreeme		
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15 16	between Pend Oreille County and Spokane County. The hearing was conducted in accordance with Spokane County Code Chapter 1.46 and the Spokane County		
17	Hearing Examiner Rules of Procedure, adopted by County Resolution No. 96- 0294.to the extent that they do not conflict with the PCDR.		
18	The Hearing Examiner takes notice of the Pend Oreille County Comprehensive		
19	Plan ("Comprehensive Plan"), the Pend Oreille County Development Code		
20	("Development Code") other applicable development statutes and regulations, and previous land use decisions for the site and area.		
21	The record includes the documents in Department File No. CUP-2021-012, at the		
22	time of the hearing, the electronic recording of the hearing, the roster of attend of the Zoom hearing, and the items taken notice of by the Hearing Examiner.		
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At the time of the hearing, eighty-seven comment(s) had been received from the public. The comments were split for and against the project. The vast majority of

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the opposition comments were related to possible noise disturbances to wildlife and people residing in the area. The Applicant responded to these concerns by submitting professionally conducted noise and wildlife studies, which indicated that mitigation measures can be implemented to address the noise created by the project.

III. FINDINGS AND CONCLUSIONS

A. SEPA Appeal

On March 10, 2022, Todd Behrend submitted a SEPA Environmental Checklist² as part of the Conditional Use Permit (CUP) application for the Ponderay Data Cryptomining Facility on behalf of Ponderay Data, LLC (Applicant). The Pend Oreille County Community Development Department (Department) conducted a review of the checklist³ and issued a Determination of Non-Significance (DNS) for the application on April 1, 2022. The DNS was circulated to numerous state and local agencies for comment, including WDFW⁴, DNR⁵, Ecology⁶, DAHP⁷, the Kalispel Tribe, WSDOT⁸, Tri-County Health Department, Fire District 4, and the Public Utility District.

In response, the Department received comments from the Kalispel Tribe and Ecology. Initially, the Department received an email from the Kalispel Tribe detailing eight points which they felt were inadequately addressed in the SEPA checklist⁹. See, January 18, 2022, email from Mike Lithgow. The Kalispel Tribe pointed to a few of the answers in the SEPA checklist that needed additional clarification regarding the scope and nature of the proposed project, as well as requesting additional information regarding whether potentially hazardous chemicals were going to be used and how they would be managed to avoid spills or environmental contamination. The email noted that the Kalispel Tribe was not in opposition to the project but felt that additional information was needed. The

² The Department file submitted to the Hearing Examiner indicates that the March 10, 2022, SEPA checklist is a revised version. There is reference in the file to a SEPA checklist that was submitted by the Applicant on December 10, 2021, this earlier SEPA checklist is not in the record.

³ The Department made handwritten notations throughout the checklist, these included noting the pendency of the related clearing and grading permit, a notation that future expansion of the CUP would likely require additional SEPA review, amongst others.

⁴ Washington Department of Fish and Wildlife

⁵ Washington Department of Natural Resources

⁶ Washington Department of Ecology

⁷ Washington Department of Archaeological and Historic Preservation

⁸ Washington State Department of Transportation

⁹ These initial comments from the Kalispel Tribe were in response to the December 2021 SEPA checklist referenced in FN 1 above.

Department forwarded this email to the Applicant for a response. The Applicant submitted a response to the Department, providing clarification on the issues raised by the Kalispel Tribe. The Kalispel Tribe also submitted a second comment regarding the SEPA checklist on March 31, 2022, this comment identified concerns regarding the answers provided on background, surface water, and noise from the project. See, March 31, 2022, email from Mike Lithgow.

The Department also received comments from Ecology advising of potentially applicable regulations and permits related to possible hazardous waste and water quality issues. See, April 14, 2022 letter from Ecology. The comments from Ecology did not suggest that any further actions related to the SEPA review were necessary, nor did Ecology object to the Department's issuance of the DNS or recommend any mitigation measures. The comments from Ecology did not appear to be specific to the proposed project, No other agency comments were received regarding the project.

The Department's SEPA review took into consideration the historical use of the proposed site, which has been used as an industrial site as far back as 1987. See, DNS Determination Narrative. In 1985, Pend Oreille County approved a Shoreline Permit for the site to be used as a newsprint plant. The newsprint plant began operating in the fall of 1987 and ran until a couple of years ago when bankruptcy forced the shutdown of production. Since then, the machinery and site have been maintained in order to allow for newsprint operations to resume production when circumstances permit. Because of the site's historical use, it is already equipped with much of the necessary infrastructure for the proposed cryptocurrency project. The Department noted that the proposed site is located within a wetland buffer, however, the area being utilized for the proposed project is already paved because of the previous development. The Department also indicated that the facility has an existing Stormwater Pollution Prevention Plan in place.

On April 18, 2022, the Appellant, Ed Styskel, timely filed an appeal of the Department's DNS. See, Application for an Appeal of Decision. The appeal alleges that the Department had insufficient information to make an informed SEPA threshold determination¹⁰. See, Appellant's Exhibit 2. In his testimony, Mr. Styskel

¹⁰ In response to Mr. Styskel's arguments regarding the environmental impacts of noise from the project, the Applicant presented a professional noise analysis that was conducted at the project site. The Applicant's noise study was conducted well after the threshold determination was issued. The noise study is relevant to the underlying CUP application and would be relevant to the issue of whether the DNS is clearly erroneous. However, the SEPA appeal in this case is limited to whether the Department had sufficient information to adequately consider environmental factors when making the threshold determination. Therefore, the Hearing Examiner finds that because the Applicant's

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clarified that the purpose of his appeal was to challenge the content of the SEPA checklist as being an insufficient basis upon which to base the threshold determination. See, Testimony of Ed Styskel. Mr. Styskel seeks to have the DNS vacated and remanded to the Department for reconsideration and a new threshold determination. Id.

Mr. Styskel argues that the Department lacked sufficient information to make a threshold determination in numerous areas, including, plants, animals, energy and natural resources, environmental health, aesthetics, and recreation. See, Appellant's Exhibits 1 and 2. His argument flows from the contention that the SEPA checklist submitted by the Applicant contains misrepresentations and incomplete answers. *Id.* The majority of Mr. Styskel's briefing and testimony focused on pointing out specific aspects that are not addressed in the SEPA checklist or expressly considered by the Department in reaching the threshold DNS. Aspects that the appeal contends were not adequately considered include the potential that invasive plant species could exist on the project site; the possibility that herbicides may be used to treat landscaping at the project; the aesthetic effects of the height and color of the containers used to store computers; and the potential impacts of noise on recreation and tourism in the area. See, Appellant's Exhibit 1 and 2.

Mr. Styskel's argument places a particular emphasis on the potential impacts of noise created by the proposed cryptocurrency project on the surrounding wildlife and environment, including adverse health effects on people living in the area. See, Appellant's Exhibits 1 and 2: Testimony of Ed Styskel. He argues that there are hundreds of animal species that live in close proximity to the project site and that these animals would be significantly impacted by the proposed cryptocurrency project. He specifically pointed to the presence of the American white Pelican which are present at Calispell Lake from early April to early October. See, Appellant's Exhibits 2. Mr. Styskel asserts that noise disturbance is a documented threat to the wildlife species and can potentially degrade an otherwise suitable habitat.

In support of these assertions, the appeal references numerous scientific studies and articles regarding the general effects of noise on wildlife and habitat. See, Appellant's Exhibits 1 and 2. Mr. Styskel's representations regarding the type and prevalence of wildlife in the project area are bolstered by his credentials as a certified wildlife biologist with 40 plus years of professional experience. See, Appellant's

noise study was conducted after the threshold determination was made, it is not relevant to this

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Exhibit 1 and 2; Testimony of Ed Styskel. Based upon these credentials, the Hearing Examiner did find Mr. Styskel to be an expert in the field of wildlife biology. Based upon the cited studies and Mr. Styskel's personal knowledge of wildlife in the area he concludes that the Department failed to adequately consider the applicable environmental factors in making their threshold determination. Specifically, with regard to the impacts of noise, Mr. Styskel contends that a comprehensive professional noise analysis is necessary for the Department to meet the burden to adequately consider the environmental impacts as required under SEPA. See. Appellant's Exhibit 1 and 2.

The standard of review for an appeal of a SEPA threshold determination is whether the agency's action is clearly erroneous. Norway Hill Pres. & Prot. Assn. v. King County Council, 87 Wn.2d 267, 274, 552 P.2d 674 (1976); Sisley v. San Juan County, supra; Lands Council v. Wash. State Parks & Recreation Comm'n, 176 Wn. App. 787, 795, 309 P.3d 734 (2013). A decision is clearly erroneous if, after reviewing all the evidence, the trier of fact is left with the firm conviction that a mistake has been committed. Lands Council v. Wash. State Parks & Recreation Comm'n, supra, 795. The decision of the agency issuing the threshold decision is to be given substantial weight. RCW 43.21C.090; Norway Hill Pres. & Prot. Assn. v. King County Council, 87 Wn.2d 267, 275, 552 P.2d 674 (1976); Boehm v. City of Vancouver, 111 Wn. App. 711, 716, 47 P.3d 137 (2002).

A SEPA threshold determination must be based upon information reasonably sufficient to evaluate the environmental impacts of the proposed action, in this case. the application for a CUP to operate a cryptocurrency mining operation. WAC 197-11-040(4)(c). The content of the environmental review depends on each particular proposal, on the agency's existing planning and decision-making processes, and on the time when alternatives and impacts can be most meaningfully evaluated. WAC 197-11-060 (2)(a). An environmental review must begin by review and consideration of an environmental checklist. WAC 197-11-060 (2)(b); WAC 197-11-330 (1)(a). To determine whether an Environmental Impact Statement will be necessary a threshold determination is made by the lead agency for the environmental review. In making a threshold determination, the responsible official shall consider any mitigation measures required by development regulations, comprehensive plans, or other existing environmental rules or laws. WAC 197-11-330. A threshold determination shall not balance whether the beneficial aspects of a proposal outweigh its adverse impacts, but rather, whether a proposal has any probable significant adverse environmental impacts under the rules stated in WAC 197-11-330. A Determination of Non Significance (DNS) may be issued if the lead agency

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finds that the proposed action will not have a probable significant, adverse environmental impact. RCW 43.21C.031; WAC 197-11-330; WAC 197-11-340. To defeat the appeal in this matter, the record produced by the Department in support of its threshold determination of DNS, relative to the Application for CUP, must demonstrate that environmental factors were considered in a manner sufficient to amount to prima facie compliance with the procedural requirements of SEPA. *Sisley v. San Juan County*, 89 Wn.2d 78, 84 – 85, 569 P.2d 712 (1977).

The documentation, testimony, and argument presented by Mr. Styskel provided ample evidence that the proposed cryptocurrency mining operation has the potential to cause significant adverse impacts to the surrounding environment. Mr. Styskel's argument fails, however, because he does not demonstrate that the issues he raises are probable significant adverse impacts. While he sites to a number of credible scientific studies and articles, there is nothing in the record that demonstrates how the proposed cryptocurrency project it likely to lead to the same outcomes indicated in the articles. Standing alone, none of the articles relied upon demonstrate that the proposed project is likely to lead to the adverse impacts Mr. Styskel attributes to the project. While the Hearing Examiner did find Mr. Styskel to be qualified as an expert in the field of wildlife biology, the record reflects that his knowledge of the relevant wildlife and environment was not gathered in a professional scientific method but was accrued by virtue of being a local resident making lay observations of his surroundings. As such, his observations and conclusions cannot be afforded the same weight as an expert who conducts a formal professional scientific analysis. Accordingly, the Hearing Examiner finds that the Department did not clearly err by not specifically considering the issues raised in the appeal during their SEPA threshold analysis.

The appeal further alleged that the SEPA checklist was insufficient and misleading and therefore the Department's SEPA threshold determination process did not amount to prima facie compliance with SEPA review procedure. Mr. Styskel points to a few answers in the SEPA checklist that he contends are deficient, however, his argument ends there and does not account for the other aspects of the Department's SEPA review. Had the Department's threshold determination relied solely and exclusively on the answers provided in the checklist it may well have been insufficient. However, the Department's analysis went beyond simply accepting the SEPA checklist at face value. The Department specifically evaluated the CUP application in light of the historic use of the site as an industrial paper mill. It is clear from the record that this historic use of the site caused a significant amount of noise, and while noise from the proposed use is not identical the Department

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reasonably relied upon this context in reaching their threshold determination. The Department also sought comment from the agencies with expertise in the areas of concern identified in the appeal. Specifically, the WDFW as the agency with expertise on wildlife according to WAC 197-11-920(5), and Ecology as well as the local health district as the agencies with expertise on noise according to WAC 197-11920(9). Mr. Styskel indicated in his testimony that he believes WDFW did not comment on this project because they are overworked and do not have the time and resources necessary to comment on all of the projects that are submitted to them. This testimony, however, was hearsay from an unknown source and therefore cannot be afforded any weight. Further, as correctly noted by both the Department and the Applicant, the Department is entitled to "assume that the consulted agency has no information related to the potential impact of the proposal as it relates to the consulted agency's jurisdiction or special expertise" when that agency does not provide any comment. WAC 197-11-545(1). Thus, since WDFW provided no comment and Ecology provided only generic comment, the Department reasonably interpreted this to mean the project did not pose a probable significant adverse impact regarding noise or wildlife.

Giving substantial weight to the Department's threshold determination, the Hearing Examiner finds that the Department's threshold determination was based upon information reasonably sufficient to evaluate the environmental impacts of the proposed cryptocurrency mining project and the record reflects that the environmental factors were considered in a manner which amounted to prima facie compliance with the procedural requirements of SEPA. Therefore, the DNS should be upheld.

B. Conditional Use Permit Application

To be approved, the application for Conditional Use Permit must comply with the criteria set forth in the Development Code and demonstrate consistency with the Comprehensive Plan. The Hearing Examiner has reviewed the CUP application file and evidence of record regarding the application and makes the following findings and conclusions:

Consistency with Comprehensive Plan:

Sections of the Comprehensive Plan that are salient to the application before the Hearing Examiner include:

2.3 Land Use Goals, Goal #4 – Encourage urban type development to be concentrated in urban growth areas where existing facilities either have

adequate capacity or where appropriate levels of service can be reasonably provided.

2.4 Land Use Policies, Policy #1 – Pend Oreille County shall require that necessary public facilities (i.e., streets, water, sewer, and power) be in place, or be put in place, to serve new development. Project Sponsors shall provide all required on-site facilities, and provide, or make a fair contribution to the provision of, off-site facilities significantly impacted by their activities.

The subject property is located on and has close access to State Highway 2 and is in an area characterized by urban and commercial development. The proposed expansion is the natural growth of an existing business, which is encouraged by the Comprehensive Plan. The proposed conditional use is expected to use the electric service, water service, and sewer facilities currently available and/or existing at the site. The proposed use is anticipated to have minimal impact on traffic onto and from the site.

- <u>2.4.2 Rural Land Use Policy #8</u> Pend Oreille County should permit small-scale commercial uses including, but not limited to; neighborhood stores, cafes, taverns, and resorts in rural areas on non-designated Natural Resource Lands, provided that:
 - a. Performance standards that address noise, light and glare, solid waste handling, odors, traffic and similar sources of conflict are established that avoid, minimize, landscape buffers or mitigate potential nuisances that could affect other properties; and
 - b. Standards are established that require adequate off-road parking and safe access to public roads, with the number of points of access to arterial roads being minimized.

The proposed use is located on property that is zoned as R5 and is not designated Natural Resource Land. The proposed use can be conditioned so that it will be consistent with the above policy. Pend Oreille County Development Regulations address the requirements of this proposed use.

The Hearing Examiner agrees with the Department's assessment that the proposed conditional use can be conditioned to be made consistent with the goals and policies of the Pend Oreille County Comprehensive Plan. Therefore, the Hearing Examiner finds the proposed CUP is generally consistent with the goals and policies of the applicable chapters of the Comprehensive Plan.

Consistency with Pend Oreille County Development Regulations:

The proposed expansion is an allowed use in the R5 zone upon approval of a Conditional Use Permit. PCDR xx.26.040; Table of Permitted Uses, Adopted December 22, 2015. A Conditional Use Permit may be approved upon compliance with the requirements of Chapter xx.68 of the PCDR. The Hearing Examiner finds that the proposed use can be and as conditioned will be compatible with neighboring uses in the area in which the application is sought. PCDR xx.68.010.

Sections of the Pend Oreille County Development Regulations that are salient to the application before the Hearing Examiner include:

Zoning Controls

xx.26.050 Development Standards.

- B. Setbacks and Buffering.
 - 1. All uses that may be permitted may only be approved based on a finding that adequate provisions have been made for setbacks and buffering from neighboring properties.
 - c. Impacts to neighboring properties shall be avoided, minimized and mitigated including noise, light and glare, solid waste handling, odors, traffic, operating hours, signs and similar sources of conflict.

As conditioned herein, the Hearing Examiner finds that the proposed CUP is consistent with applicable PODR Zoning Controls.

Development Standards

xx.30.010 Off-Premise Sign Regulations.

- A. Purpose: The purpose of this section is to protect the general health, safety and welfare of County residents and the traveling public as well as their general aesthetic views within the County while allowing for advertising by having standards for the type, size, number, illumination of and location of off-premise signs. Off-premise signs shall be compatible with the surrounding uses, sensitive to the surrounding natural area and shall retain the rural character of the community. Approval shall not be unreasonably withheld.
- B. Applicability: The off-premise sign regulations shall apply to any person, firm, corporation or business wanting to construct or erect an off-premise sign

- within the unincorporated portion of Pend Oreille County. Safety signs are excluded.
- C. Design Criteria: All off premise signs larger than 3 square feet shall require a sign permit before installation and must be designed, constructed, and maintained in accordance with County Building Codes, all applicable ordinances, and the following standards:
 - 1. Off premise signs may not be located on private property without the written approval of the property owner.
 - 2. No off-premise sign may be located on County property or in the rights-of-way owned by the County.
 - 3. No off premise sign may be located any closer than 660 feet (or line of site from approach to access road) to any dwelling unit, except the dwelling unit(s) owned by the owner of the site on which the sign is located. This distance may be reduced if all of the property owners within 660' of the proposed off premise sign provide an affidavit that they are knowledgeable about the proposed site and design of the sign and have no objections.
 - 4. No off-premise sign shall interfere with public safety.
 - 5. No off-premise sign shall be larger than 32 square feet;
 - 6. No off-premise sign shall be taller than 15 feet in height as measured from the surface of the roadway adjacent to the sign.
 - 7. Utility Poles and trees shall not be used to display signs.
 - 8. All illuminated signs must meet the standards set forth in Ch. 30.020 (Outdoor Lighting Standards) of the Pend Oreille County Development Regulations.
 - 9. Signs within jurisdictional shoreline areas shall comply with the Shoreline Regulations, Chapter XX.34 of the Pend Oreille County Development Regulations

xx.30.020 Outdoor Lighting Standards.

- A. The purpose of this section is to provide standards for outdoor lighting to help ensure compatibility with neighboring uses, preserve our dark skies, and provide a more pleasant and comfortable nighttime environment while preserving the ability to install effective security lighting.
- B. The following outdoor lighting standards shall apply in all zones:

- 1. Lighting fixtures must be a full cut-off design that is shielded, hooded and oriented towards the ground so that direct rays of lighting source(s) are not visible past the property boundaries and do not shine into the night sky;
- 2. The use of motion sensing devises is encouraged;
- 3. No lighting shall blink, flash or be of unusually high intensity or brightness; and
- 4. New or replacement lighting of County or private roads shall be shielded and downward pointing.
- C. The following lighting is exempt from the requirements of this Chapter:
 - 1. Lighting fixtures installed on residential structures with incandescent lamps, or equivalent. This exemption does not apply to fixtures that light parking areas, driveways, sports areas or outbuildings;
 - 2. Seasonal decorative lighting fixtures;
 - 3. Lighting fixtures used temporarily for emergency purposes;
 - 4. Public athletic fields, fairgrounds, and approved temporary special events lighting;
 - 5. Approved navigation, aviation, and traffic safety lighting; and
 - 6. Construction lighting.

xx.30.030 Clearing, Grading, and Stormwater Management

- A. The purpose of this section is to provide standards to govern clearing and grading activities in order to protect private property, water quality, environmentally sensitive areas, shorelines, and priority habitat areas. No provision of this section is intended to impede commercial, forestry, or agricultural activities.
- B. The following clearing and grading standards shall apply to development activities in all zones and shall be processed as a Class 1 permit:
 - 1. All clearing and grading activities shall be conducted so as to minimize potential adverse effects on off-site property, surface water quality, critical areas, and shorelines.
 - 2. Stormwater runoff from new developments shall not adversely affect off-site property, surface water quality and quantity, and/or critical areas.

Provisions shall be made to control the release of surface water runoff from the development both during and following construction.

- 3. Clearing and grading, including drainage and erosion control measures, shall conform to the requirements of the Washington State Department of Ecology Stormwater Management Manual for Eastern Washington as adopted by Pend Oreille County, or alternative measures that meet or exceed these standards as determined by the County.
- 4. All development shall ensure that soil erosion and sedimentation of drainage-ways will be controlled to prevent damage to adjoining property and downstream drainage channels and receiving waters.
- 5. Surface drainage shall not be directed to or discharged onto county roads or ditches within county rights-of-way unless approved by the County Public Works Director or his/her designee.
- 6. Drainage controls may be required to regulate velocities of runoff water and to control pollutants, erosion, and sedimentation if the County determines that it is probable that damage could occur downstream to property or water quality of receiving water bodies. Such controls may include landscaping or re-establishing native vegetation, ponds, catch basins, bio-filters, and other control structures or systems.
- 7. If required by the County, a drainage analysis shall be prepared. A drainage report, prepared under the direction of and sealed by a professional engineer, shall be submitted by the Applicant for review as part of the permit application. The drainage report shall clearly define the measures proposed to control stormwater runoff so as to avoid offsite, downstream impacts to adjacent property and receiving water bodies. The County Engineer shall have the authority to approve or reject the adequacy of drainage reports and stormwater control measures, which decision is final and not subject to administrative appeal.
- 8. The County may condition any approval of a development permit so as to require clearing, grading and drainage controls to meet the requirements of this Section.
- C. The Following Clearing and grading activities are exempt from this section:
 - 1. Any landfill or excavation of 500 cubic yards or less throughout the total lifetime of the fill or excavation; and any fill or excavation classified as a class I, II, or III forest practice under RCW 76.09.050 or regulations there under.

- 2. Any clearing of vegetation that is less than 50% of the area of a lot which is 2 acres or less in size.
- 3. Any clearing of vegetation that is less than 1 acre on lots larger than 2 acres in size.

The Applicant proposes to alter the existing sign at the location to reflect the new operations. The Applicant has a current clearing and grading permit, allowing for a total volume of 6,447 cubic yards (cut and fill). The Applicant has indicated that stormwater runoff from the project can be contained on site.

The proposed development on the subject property is subject to the requirements of xx.30.020 and xx.30.030 of the Pend Oreille County Development Regulations. During the construction and operation of the proposed facility on the subject property, the applicant is required to comply with these and all other statutes, regulations, codes, and rules that are applicable to the grading, construction, and operation of the proposed use on the property. All applicable permits, county, state, and/or federal, for such activity must be obtained prior to any activity to develop the property as described in the application for the Conditional Use Permit. The record reflects that the project as proposed and conditioned herein will comply with the applicable PODR Development Standards.

Conditional Uses

<u>xx.68.010 Purpose</u>. The purpose of the Chapter is to establish the conditions under which certain uses and structures may be permitted. Proposed conditional uses may be permitted if the use is compatible with or can be conditioned to be compatible with neighboring use in the area in which the application is sought.

xx.68.020 Applicability. Conditional use permits shall be processed as Class 2 Permits.

- A. In considering conditional use permits, the County shall have the discretionary authority to determine and recommend whether a conditional use permit should be granted, and grant conditional use permits with safeguards and limitations as are appropriate under this Title. The County may deny those applications that it finds not in harmony with the purpose and intent of adopted plans, policies and this Title. Each application is declared to be, and shall be considered as a separate and unique case.
- B. Conditions and safeguards may be prescribed which are in conformity with adopted plans and policies and this Title which are considered necessary to protect the best interest of the immediate neighborhood, surrounding area or

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23 24 behalf, includes emergency contact information, and that identifies how the Project Sponsor will enforce compliance with the terms and conditions of approval.

- 2. An up-to-date copy shall also be provided by the Project Sponsor to all property owners within 300' of the boundaries of the property on which the vacation rental is proposed and all adjacent parcels under the ownership or control of the Project Sponsor.
- 3. The Project Sponsor shall maintain on file at the County Community Development Department, an up-to-date Site Plan, approved by the County, that identifies the location of required off-street parking, refuse and recycling facilities, emergency shut-offs, on-site amenities, structures, water, sewer, and power.
 - a. The Project Sponsor shall also provide documentation, subject to County review and approval, of adequate water and sanitary sewer service.
 - 3. The Project Sponsor shall maintain on file at the County Community Development Department, an up-to-date certificate of occupancy documenting that the facility complies with the provisions in the International Building Code and International Fire Code for the occupancy type for which the use is classified.
 - a. It is important to note that converting an existing structure from one use to another use may result in requiring changes to the structure to meet the requirements of the new use.
 - 4. The Project Sponsor shall provide such financial guarantees or deposits as may be required by the County to ensure full compliance with the conditions of approval. The County may utilize such deposits to offset the costs associated with responding to complaints for non-compliance.
 - 5. The Project Sponsor shall be responsible for the collection and payment of all required taxes, fees, and charges and shall provide the County with annual documentation of full compliance.
 - D. All physical conditions required by the County shall be completed prior to reviewing authorization to occupy the use as defined in the application.
 - E. The failure to comply with the terms and conditions of approval may result in the suspension or revocation of a Conditional Use permit and/or civil or criminal penalties.

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xx.68.030 Time Limitations. The project shall commence within five years of the date of preliminary project approval. An Applicant who files a written request to the Board of County Commissioners at least thirty days before the expiration of this five-year period may be granted one one-year extension upon a showing that the Applicant has attempted in good faith to commence the project within the five-year period. The project shall be completed within five years of commencement unless other approvals are granted by the County.

There was evidence presented at the hearing that the noise created by the proposed cryptocurrency project could make the project incompatible with the surrounding land uses in the area. It is unlikely that the daytime noise coming from the site will differ significantly from the type of noise that was produced by the paper mill that historically operated at the site. However, under the proposed CUP, the cryptocurrency facility would operate around the clock. This would be a significant deviation from any noise that was created by prior uses of the property. In response to the noise concerns, the Applicant submitted a noise study that was conducted at the project site. The results of the study indicated that the noise from the project, which is emitted towards residential properties in the area, could be mitigated down to 50 dBA during nighttime hours. Concerns were also raised regarding the disposal of E-waste from the project. In response, the Applicant expressed a commitment to follow any pertinent regulations regarding the disposal of E-waste and follow the best management practices in this area. Based upon the record in this case, the Hearing Examiner finds that the proposed CUP project can be conditioned to be compatible with neighboring use in the area in which the application is sought.

IV. **DECISION**

A. SEPA Appeal

Based on the findings and conclusions above, it is the decision of the Hearing Examiner that the Department's SEPA threshold DNS was based upon information reasonably sufficient to evaluate the environmental impacts of the proposed cryptocurrency mining project and the record reflects that the environmental factors were considered in a manner which amounted to prima facie compliance with the procedural requirements of SEPA. Therefore, the appeal of the SEPA threshold determination is denied.

B. CUP Application

Based on the findings and conclusions above, it is the decision of the Hearing Examiner to approve the proposed CUP subject to the following *revised* conditions.

This approval does not waive the applicant's obligation to comply with all other requirements of other public agencies with jurisdiction over land development.

Minor revisions should be made to the conditions of approval to ensure proper formatting, clarity, and consistency with the findings and conclusions above.

C. Conditions of Approval:

- 1. All conditions imposed by the Hearing Examiner shall be binding on the "Applicants," which term shall include the owner, owners, or developers of the property, heirs, assigns and successors.
- 2. The proposal shall comply with provisions of the applicable zone and shall comply with all other applicable chapters of the PCDR as amended.
 - 3. The applicant shall develop the subject property in substantial conformance to the site plan of record, dated 10/19/2021.
 - 4. The Department shall prepare and record, with the Pend Oreille County Auditor, a Title Notice noting that the property in question is subject to special conditions imposed as a result of an approved land use action. The Title Notice shall serve as public notice of the conditions of approval affecting the property in question. The Title Notice should be recorded within the same time frame as allowed for an appeal and shall only be released, in full or part, by the Community Development Department. The Title Notice shall generally provide the following:

"The parcel legally described as [insert legal description] is the subject of a land use action by a Pend Oreille County Hearing Examiner on [insert date], imposing a variety of special development conditions. File CUP-19-001 is available for inspection and copying in the Community Development Department."

- 5. Operations must be consistent and conducted within the parameters stated in the application, supporting documents and all fire codes, building codes, downward lighting, any other agency requirements/criteria and other applicable permit processes.
- 6. The Applicant shall ensure that noise emitted from the proposed project does not intrude into any property where human beings reside and sleep at a level higher than 60 dBA between the hours of 7:00 a.m. and 10:00 p.m., and higher than 50 dBA between the hours of 10:00 p.m. and 7:00 a.m.
- 7. If at any time in the future, expansion of the project is proposed, (expansion of parking area, additional buildings etc.) then a Site Analysis will be required, a

SEPA may be required in addition an amended CUP will be required to reflect any expansion of the current proposal.

- 8. Any new signage must comply with Pend Oreille County Code.
- 9. The approach to the site must be maintained/constructed/repaired to the satisfaction of the Pend Oreille County Public Works and/or WSDOT standard for this use.
- 10. Any fluids, hazardous chemicals, batteries or other waste potentially generated in the operation of the business must be disposed of to the satisfaction of the Washington State Department of Ecology and Pend Oreille County Solid Waste.
- 11. Disposal of any E-Waste shall comply with all federal, state, and local regulations, and shall conform to all best practices and/or guidance from the Washington State Department of Ecology.
- 12. The applicant shall ensure that all hazardous materials, including but not limited to gasoline, motor oil, hydraulic oil, cleaning solutions, and any other materials that are defined in Washington State or Federal regulations or statutes as hazardous materials, are not allowed to penetrate the surface of the subject site. The applicant shall ensure compliance with all applicable hazardous materials regulations and/or statutes whether local, state or federal.
- 13. Any onsite lighting must conform to chapter xx.30.020 Outdoor Lighting Standards.
- 14. All applicable building land use, site evaluation and/or critical area ordinance permits must be obtained in the proper sequence before development activities may commence.
- 15. Any applicable permits must be obtained from the Washington State Department of Fish and Wildlife, Washington State Department of Natural Resources, Washington State Department of Ecology, United States Army Corp of Engineers, and/or Washington State Department of Archaeology and Historic Preservation.
- 16. If soil disturbing activities exceed one acre, a Construction Stormwater General Permit must be obtained.
- 17. Any amount of process wastewaters, including blowdown from cooling water systems and waste streams originating from the treatment of source water supply to these cooling water systems must obtain a waste discharge permit from Ecology prior to discharge, as provided under Chapter 90.48 RCW, Chapter 173-216 WAC, Chapter 173-220 WAC, Chapter 173-200 WAC and Chapter 173-201A WAC.

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- 18. The Applicant shall be responsible for ensuring that the proposed use(s) are within the limitations of its water rights. If the proposal's actions are different than the existing water right (source, purpose, the place of use, or period of use), then it is subject to approval from the Department of Ecology pursuant to Sections 90.03.380 RCW and 90.44.100 RCW.
- 19. Sound deadening technology is required if decibel levels off the property exceed the 75-decibel level as stated in the application.
- 20. The approach to the site must be maintained/constructed/repaired to the satisfaction of the Washington State Department of Transportation standard for this use.

DATED this 27th day of May, 2022

PEND OREILLE COUNTY HEARING

EXAMINER

Christopher A. Anderson, WSBA #45361

NOTICE OF FINAL DECISION AND NOTICE OF RIGHT TO APPEAL

The decision of the Hearing Examiner on an application for a Conditional Use Permit is final and conclusive unless within twenty-one (21) calendar days from the issuance of the Examiner's decision, a party with standing files a land use petition in Superior Court pursuant to Chapter 36.70C of the Revised Code of Washington (RCW).

Pursuant to RCW Chapter 36.70C, the date of issuance of the Hearing Examiner's decision is three (3) days after it is mailed, counting to the next business day when the last day for mailing falls on a weekend or holiday.

On May 31, 2022, a copy of this decision will be mailed by first class mail to the Applicants, and by e-mail to other parties of record. The date of issuance of the Hearing Examiner decision is June 3, 2022.

THE LAST DAY FOR APPEAL OF THIS DECISION TO SUPERIOR COURT BY LAND USE PETITION IS JUNE 24, 2022.

The complete record in this matter, including this decision, is on file during the appeal period with the Pend Oreille County Community Development Department, 418 South Scott Avenue, Newport, WA 99156, (509) 447-4821. The file may be inspected Monday through Friday of each week, except holidays, between the hours of 8:00 a.m. and 4:30 p.m. Copies of the documents in the record will be made available at the cost set by Pend Oreille County.

Pursuant to RCW 36.70B.130, affected property owners may request a change in valuation for property tax purposes notwithstanding any program of revaluation.