

# Traditional Power Company Turns on Cryptocurrency Mining With Help From Armanino

CASE STUDY

**armanino** 

## At A Glance

### Customer Profile:

Greenidge Generation began in 1937 as a coal-fired power plant in New York State. After it became economically unfeasible to continue using coal, Atlas Holdings purchased the plant and converted it to natural gas. A shift in the NY wholesale market left the company searching for alternative ways to maximize investor returns. Cryptocurrency mining proved to be best avenue for Greenidge to capitalize on its unique attributes. Greenidge relied on Armanino to design, develop and deploy the systems, processes and documentation it needed for proper and auditable financial controls and accounting.

### Software & Services

- Armanino cryptocurrency services

### Benefits

- Reduced financial and cybersecurity risk around liquidation and storage of bitcoin
- Created auditable controls for cryptocurrency processes and accounting
- Determined valuation and treatment of cryptocurrency rewards on the balance sheet

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**-Tim Rainey,  
Chief Financial Officer**

## Challenge

Greenidge Generation opened its doors in 1937 as a coal-fired power plant in New York state. Starting in 2011, after 74 years of successful operations, the market changed and it became too expensive to operate and maintain business as usual. Seeing the opportunity to produce lower-cost, cleaner electricity, Atlas Holdings LLC purchased the plant in 2014 and began the lengthy permit, review, approval and construction process to convert it to natural gas.



By 2017, Greenidge Generation was transformed into a power plant built for the 21st century, using low-emission natural gas to produce electricity. Surprisingly, the completion of the conversion coincided with a drastic shift in the wholesale electricity market in New York State. As the price of electricity dropped, it left the company searching for alternative ways to maximize investor returns.

A forward-thinking board member gave the company an idea for taking its low-cost, surplus electricity and turning it into revenue through cryptocurrency mining. As the company’s new vision solidified, it kicked off a pilot effort with a small buildout of cryptocurrency mining equipment and began mining its first bitcoin.

It was during this pilot that Tim Rainey, chief financial officer at Greenidge, realized that his company would need to develop its own systems, security and controls for the cryptocurrency business to meet GAAP and audit requirements. “When we set up an account with a digital currency exchange, we quickly realized it didn’t offer the same type of controls as a commercial bank,” he says. “That realization was the trigger for us to look for outside expertise in both cryptocurrency technology and digital asset accounting.”

## Solution

Rainey turned to Armanino LLP, one of the 25 largest independent accounting and consulting firms in the U.S., for help in creating the systems, controls and accounting processes needed to manage, sell and report on the company’s cryptocurrency mining.

“It was clear from the first time we spoke that the Armanino team knew what it was talking about with cryptocurrency and had an impressive list of clients it had already helped with their cryptocurrency efforts,” says Rainey. “Armanino gave me the confidence that we would have the

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proper systems and controls in place by the time we were ready to launch the full operation.”

With construction of a new mining data center beginning and an aggressive timeline for completion of the buildout, Rainey needed a team that could operate with the same sense of urgency and speed that his company had for the project. Armanino proved it could deliver what Greenidge needed to meet the launch timeline. Within a matter of weeks, the Armanino team designed, tested and deployed the infrastructure, controls and automation Greenidge required to:

- Efficiently and securely convert bitcoin into cash daily
- Securely store bitcoin that isn't liquidated immediately
- Gain approval from the company's auditors of the new processes



Armanino created an auto-liquidation script to integrate with Greenidge's digital currency exchange account and place secure market orders as soon as bitcoin is added to the account. The script securely liquidates bitcoin and then automatically sends the cash to Greenidge's bank account every day, ensuring that there's no more than one day's worth of bitcoin in the account at any time, which limits the damage should the account be breached.

The team from Armanino also configured secure bitcoin wallets to store any bitcoin that isn't liquidated immediately. It then documented every aspect of Greenidge's new cryptocurrency business in preparation for the company's annual audit.

## Results

Thanks to the guidance, automation, controls, processes and documentation from Armanino, Greenidge confidently launched its new cryptocurrency mining business, going from zero to a 15-megawatt cryptocurrency mining farm in less than three months. Not long after the launch, auditors began their work on the annual audit, which was completed on time, with no deficiencies related to cryptocurrency reported.

For Rainey, one of the biggest benefits of working with Armanino was eliminating as much risk as possible for the company. “Going into the project, I knew that we had some blind spots,” he says. “We relied on Armanino to tell us what we needed to do to make sure we have all the proper controls. They helped us understand how cryptocurrency works with GAAP and which processes and automation we need to reduce our risk and implement auditable controls.”

It was Armanino's combination of cryptocurrency and accounting expertise that gave Rainey peace of mind for making cryptocurrency mining a core component of the Greenidge business model. "Armanino understands the true mechanisms of how cryptocurrency mining works and can use their accounting knowledge to determine how to value mining rewards on the balance sheet," he says. "They can translate between the two worlds and help us be confident that we're doing everything the right way, consistent with GAAP."

## Next Steps

Greenidge is pioneering new ways for power companies to capitalize on the synergies between the electricity and cryptocurrency markets. "We see cryptocurrency mining as a way for us to help strengthen the grid and continue providing ancillary support to the grid in the face of fluctuations in the power market," says Rainey.

The company is already looking to expand the current operation, growing it from less than 20% being dedicated to cryptocurrency mining to more than 80% of the electricity generated being used to mine bitcoin. It also plans to bring cryptocurrency mining to new sites.

Through it all, Greenidge will be relying on Armanino to help it adjust and improve its processes as it scales its mining capabilities up and out. "Armanino is one of the best in this industry," says Rainey. "We will definitely continue to turn to them as we grow."

## About Armanino<sup>LLP</sup>

Armanino<sup>LLP</sup> ([armaninoLLP.com](http://armaninoLLP.com)) provides an integrated set of accounting services—audit, tax, consulting and technology solutions—to a wide range of organizations operating both in the US and globally. You can count on Armanino to think strategically, to provide the sound insights that lead to positive action. We address not just your compliance issues, but your underlying business challenges, as well—assessing opportunities, weighing risks, and exploring the practical implications of both your short- and long-term decisions. When you work with us, we give you options that are fully aligned with your business strategy. If you need to do more with less, we will implement the technology to automate your business processes. If it's financial, we can show you proven benchmarks and best practices that can add value companywide. If the issue is operational, we'll consult with your people about workflow efficiencies. If it's compliance, we'll ensure you meet the requirements and proactively plan to take full advantage of the changes at hand. At every stage in your company's lifecycle, Armanino can help you find the right balance of people, processes and technology.