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SAVE CARBON COUNTY
6495 Pohopoco Drive
Lehighton, Pennsylvania 18235

Plaintiff

v.

COMMONWEALTH OF PENNSYLVANIA
508 Main Capitol Building
Harrisburg, PA 17120

JOSH SHAPIRO, in his official capacity of Governor
508 Main Capitol Building
Harrisburg, PA 17120

PENNSYLVANIA DEPARTMENT OF
ENVIRONMENTAL PROTECTION
400 Market Street, Harrisburg
Pennsylvania 17101

JESSICA SHIRLEY, in her official capacity as
Interim Secretary
400 Market Street
Harrisburg, Pennsylvania 17101

PENNSYLVANIA PUBLIC UTILITY
COMMISSION
400 North Street, Harrisburg
Pennsylvania 17120

STRONGHOLD DIGITAL MINING, INC.
595 Madison Avenue, 28th Floor
New York, NY 10022

STRONGHOLD DIGITAL MINING, LLC
1001 Industrial Road
Nesquehoning, PA 18240

COURT OF COMMON PLEAS
PHILADELPHIA COUNTY

MARCH TERM, 2024
NO.

JURY TRIAL DEMANDED



STRONGHOLD DIGITAL MINING
HOLDINGS, LLC
1001 Industrial Road
Nesquehoning, PA 18240

PANTHER CREEK POWER OPERATING, LLC
1001 Industrial Road
Nesquehoning, PA 18240

NOTICE TO DEFEND

NOTICE

You have been sued in court. If you wish to defend against the claims set forth in the following pages, you must take action within twenty (20) days after this complaint and notice are served, by entering a written appearance personally or by attorney and filing in writing with the court your defenses or objections to the claims set forth against you. You are warned that if you fail to do so the case may proceed without you and a judgment may be entered against you by the court without further notice for any money claimed in the complaint of for any other claim or relief requested by the plaintiffs. You may lose money or property or other rights important to you.

You should take this paper to your lawyer at once. If you do not have a lawyer or cannot afford one, go to or telephone the office set forth below to find out where you can get legal help.

Philadelphia Bar Association
Lawyer Referral
and Information Service
One Reading Center
Philadelphia, Pennsylvania 19107
(215) 238-6333
TY (215) 451-6197

AVISO

Le han demandado a usted en la corte. Si usted quiere defenderse de estas demandas expuestas en las paginas siguientes, usted tiene veinte (20) dias de plazo al partir de la fecha de la demanda y la notificacion. Hace falta ascntar una comparencia escrita o en persona o con un abogado y entregar a la corte en forma escrita sus defensas o sus objeciones a las demandas en contra de su persona.

Sea avisado que si usted no se defiende, la corte tomara medidas y puede continuar la demanda en contra suya sin previo aviso o notificacion. Ademas, la corte puede decidir a favor del demandante y requiere que usted cumpla con todas las provisiones de esta demanda. Usted puede perder dinero o sus propiedades u otros derechos importantes para usted.

Lleve esta demanda a un abogado inmediatamente. Si no tiene abogado o si no tiene el dinero suficiente de pagar tal servicio. Vaya en persona o llame por telefono a la oficina cuya direccion se encuentra escrita abajo para averiguar donde se puede conseguir asistencia legal.

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Interim Secretary, PENNSYLVANIA PUBLIC
UTILITY COMMISSION, STRONGHOLD
DIGITAL MINING, INC., STRONGHOLD
DIGITAL MINING, LLC, STRONGHOLD
DIGITAL MINING HOLDINGS, LLC and
PANTHER CREEK POWER OPERATING, LLC

COURT OF COMMON PLEAS
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COMPLAINT

I. INTRODUCTION

Stronghold Digital Mining is a crypto-mining company that privately generates and consumes its own electricity – from burning waste coal and old tires – while polluting the environment and harming neighbors. Stronghold holds itself out as pro-environment, but the 6 million tons of CO₂ that Stronghold emits each year, along with other environmental toxins and contaminants, prove the opposite. Stronghold provides no benefit to Carbon County or to Pennsylvanians; its singular goal is padding its own digital wallet with more Bitcoin. Worse,

Stronghold does this on the taxpayers' dime – receiving more than \$20 million a year in tax credits from the Commonwealth.

Crypto-mining is an energy-guzzling operation involving massive banks of high-powered computers that race against other, similarly energy-demanding crypto-seeking operations, to secure or “mine” new blockchains of Bitcoin and other digital currencies. Some individuals have become fabulously wealthy investing in non-government-backed crypto currencies while many others have lost it all as one after another crypto schemes failed or has come under federal criminal or civil investigation or has become the target of litigation brought by victims claiming fraud.

Apart from the dangers of investing in crypto, crypto-mining imposes its own devastating losses as wealthy owners and investors in mining operations like Stronghold continue to pollute the air, waterways and communities around them. Some countries and even some states in this country have already banned crypto-mining because of the terrible environmental damage caused by crypto-mining operations, both because of the spectacular amounts of energy consumed in these operations and because of the disturbing quantity of dangerous pollution they emit, all while producing little to no benefit to the communities in which crypto-mining enterprises conduct their business.

Pennsylvania has not only failed to ban crypto-mining, or, at the very least to require that companies like Stronghold use an alternative crypto-mining method that virtually eliminates the environmental harm caused by the method Stronghold uses, but Pennsylvania actually has welcomed and subsidized, with millions of tax-payer dollars, Stronghold's crypto-mining operation. While Stronghold continues to drain staggering amounts of energy, continues to contaminate the environment through burning waste coal and old tires, continues to harm those

in the community surrounding their crypto-mining activities, Pennsylvania has violated its fiduciary duties to residents of Carbon County and to citizens throughout Pennsylvania under the Pennsylvania Constitution's Environmental Rights Amendment.

For these reasons, as discussed and supported in detail in the following Complaint, Plaintiff Save Carbon County seeks to compel the Commonwealth of Pennsylvania to fulfill its duties to citizens locally and throughout Pennsylvania by upholding their constitutionally protected environmental rights and stopping the Stronghold Defendants from harming their environment and their health. Plaintiff Save Carbon County also seeks money damages from the Stronghold Defendants for engaging in crypto-mining related pollution and for the environmental harms already caused.

II. PARTIES

1. Plaintiff Save Carbon County is a Pennsylvania non-profit corporation with a registered address of 6495 Pohopoco Drive, Lehighton, Pennsylvania 18235.

2. Save Carbon County is dedicated to saving what its members love about Carbon County: its rivers, its parks, its forests, its farms, its creeks, and its clean air.

3. Save Carbon County is committed to making sure that Carbon County is not polluted by environmental toxins or ruined by development that threatens its forests, waterways, and air.

4. Save Carbon County is an organization made up about 90 citizens of Carbon County and surrounding areas.

5. Defendant Commonwealth of Pennsylvania is the Constitutional Trustee of the trust set forth in Article 1 § 27 of the Pennsylvania Constitution.

6. Defendant The Governor of the Commonwealth of Pennsylvania, Josh Shapiro, acting in his official capacity as Governor, is the Chief Executive Officer of the Commonwealth and maintains his office at 508 Main Capitol Building, Harrisburg, PA 17120. Under Article IV, Section 2 of Pennsylvania’s Constitution, the governor of the Commonwealth “has the supreme executive power of the executive branch of the Commonwealth, who shall take care that the laws [of the Commonwealth] be faithfully executed.”

7. Defendant Pennsylvania Department of Environmental Protection (“DEP”) is a state agency whose mission, according to its website, is “to protect Pennsylvania’s air, land and water from pollution and to provide for the health and safety of its citizens through a cleaner environment.” Defendant DEP’s headquarters is located at 400 Market Street, Harrisburg, Pennsylvania 17101.

8. Defendant Jessica Shirley, in her official capacity as Interim Secretary of the Pennsylvania Department of Environmental Protection, is the officer with authority over DEP. Interim Secretary Shirley can be served at Defendant DEP’s headquarters, located at 400 Market Street, Harrisburg, Pennsylvania 17101.

9. Defendant Pennsylvania Public Utility Commission is a commission organized under the Pennsylvania government and is responsible for overseeing the energy and electricity marketplace. Defendant PUC’s headquarters is located at 400 North Street, Harrisburg, Pennsylvania 17120.

10. Defendant Stronghold Digital Mining, Inc. is a corporation registered to do business in the State of Delaware with a principal place of business at 595 Madison Avenue, 28th Floor New York, New York 10022.

11. Defendant Stronghold Digital Mining, Inc. is the corporate parent and sole member-manager of co-Defendant Stronghold Digital Mining Holdings LLC.

12. Defendant Stronghold Digital Mining Holdings LLC is a limited liability company incorporated under the laws of Delaware that operates out of and can be served at 1001 Industrial Road, Nesquehoning, Pennsylvania 18240.

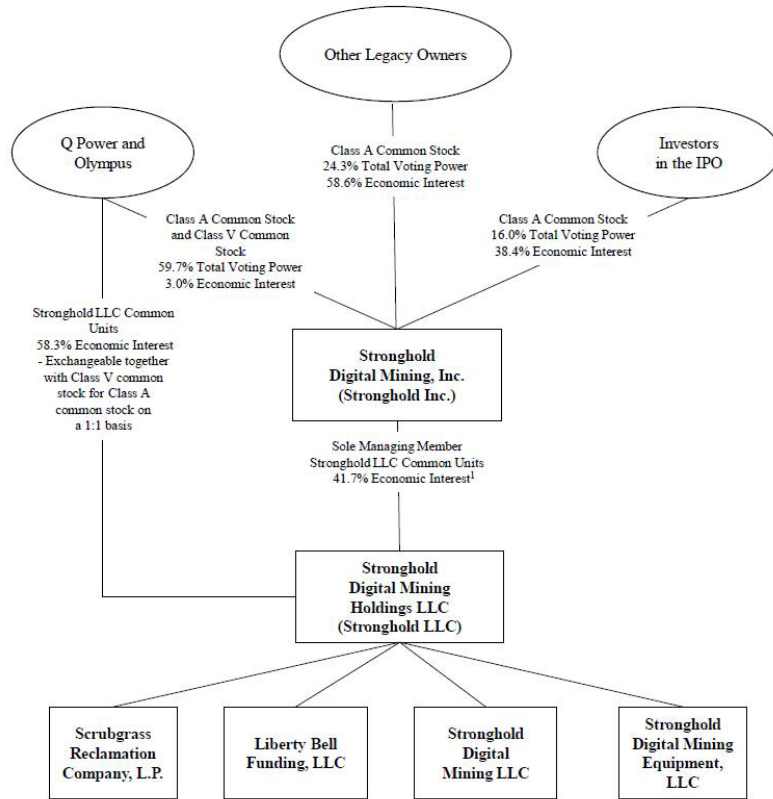
13. Defendant Stronghold Digital Mining Holdings LLC is the corporate parent and sole member-manager of co-Defendant Stronghold Digital Mining, LLC

14. Defendant Stronghold Digital Mining, LLC is a limited liability company incorporated under the laws of Delaware that operates out of and can be served at 1001 Industrial Road, Nesquehoning, Pennsylvania 18240.

15. Defendant Stronghold Digital Mining, LLC is the corporate parent and sole member-manager of co-Defendant Panther Creek Power Operating, LLC.

16. Panther Creek Power Operating, LLC is a limited liability company incorporated under the laws of Delaware that operates out of and can be served at 1001 Industrial Road, Nesquehoning, Pennsylvania 18240

17. The following graphic displays the organization structure of Stronghold Digital Mining as reported by Stronghold Digital Mining, Inc. to the SEC:



18. Defendants Stronghold Digital Mining, Inc., Stronghold Digital Mining Holding, LLC, Stronghold Digital Mining LLC, and Panther Creek Power Operating, LLC will collectively be referred to as “Stronghold.”

19. Defendant Stronghold owns and operates the Panther Creek Power Plant for the purpose of using their own electricity generation for crypto-mining.

III. FACTS

A. Bitcoin “proof of work” mining is a new industry creating an unprecedented energy demand in Pennsylvania

1. Background on Bitcoin and cryptocurrency

20. Stronghold is in the business of cryptocurrency mining.

21. Cryptocurrency is a generic term for a digital “currency.”

22. Unlike the United States dollar, or other government-issued currencies, cryptocurrencies are not backed by an issuing government.

23. Rather, the value of cryptocurrency is determined by market forces.

24. Bitcoin is the most well-known and most-used brand of cryptocurrency.

25. Bitcoin relies on a blockchain technology to act as a virtual ledger of all Bitcoin transactions.

26. Bitcoin's blockchain technology requires verification of each and every transaction in an attempt to ensure no single Bitcoin is going through a duplicative transaction. In other words, each Bitcoin can only be transacted one at a time.

27. Stronghold's business is to act as a Bitcoin transaction verifier.

28. In exchange for verifying transactions, Stronghold and other verifiers receive a reward of a transaction fee, and more importantly, new Bitcoin. This reward for verifying transactions is referred to as Bitcoin- or crypto-mining.

2. Background on "Proof of Work" Bitcoin Mining

29. The Bitcoin mining process used by Stronghold is based on the "Proof of Work" verification method.

30. Each transaction is added to a block, which then needs to be verified through the Bitcoin mining process.

31. Each block has a certain hash – a long, random, and unique alphanumeric code.

32. Bitcoin miners use specialized computers to "guess" the correct hash.

33. The process of guessing the correct hash is random, where any one miner has a chance to guess the correct hash.

34. The best way for any individual Bitcoin miner to increase its chances of guessing the correct hash is to have great quantities of these specialized computers operating around the clock.

35. Once the correct hash is guessed, the transaction is verified, it is added to a block, which is added to the Blockchain. The miner is then given its reward of a transaction fee and new Bitcoin.

3. Energy Demands of Proof of Work mining

36. Due to the competitive and randomized nature of Bitcoin mining, the only way for a company such as Stronghold to increase its chances of obtaining new Bitcoin is by having more computers running more frequently than its competitors.

37. The computers used in Bitcoin-mining are not general purpose computers but are specialized Application-Specific Integrated Circuit (ASIC) computers.

38. The ASICs are developed specifically for Bitcoin mining.

39. As with all computers, the Bitcoin ASICs rely on electricity to operate.

40. Due to this proof of work Bitcoin-mining process, the energy demands associated with Bitcoin mining are extraordinarily high.

41. Companies that specialize in Bitcoin-mining, such as Stronghold, often operate ten-of-thousands of Bitcoin ASICs at any given point in time, creating a massive electricity demand.

42. The United States Energy Information Administration estimates that annual electricity use from cryptocurrency mining represents between 0.6% to 2.3% of all electricity consumption in the United States.¹ This is almost entirely caused by Bitcoin mining.

43. According to data from the University of Cambridge, Bitcoin mining uses as much electricity as some developed countries, using more electricity, for example, than Argentina.²

44. Cryptocurrencies, including Bitcoin, do not need to rely on this energy intensive process.

45. An alternative to proof-of-work verification exists, called proof-of-stake verification.

46. Proof-of-stake uses a verification process that does not require computational energy and uses more than 99% less energy than proof-of-work crypto-mining.

4. Limited public benefit of Proof of Work mining to Pennsylvania

47. Given the enormous energy requirements of Bitcoin mining, one would expect there to be tangible benefits to Bitcoin.

48. The only theoretical benefit of Bitcoin, which has never actually been proven in practice, is to provide an alternative, decentralized monetary system. This is a speculative “benefit” at best.

49. Yet, in practice, Bitcoin is purely an investment asset and has been shown to produce real harm to individuals.

¹ <https://www.eia.gov/todayinenergy/detail.php?id=61364#>

² <https://ccaf.io/cbnsi/cbeci/comparisons>

50. Many cryptocurrency exchanges, which is where cryptocurrencies are traded publicly, have gone bankrupt, causing billions of dollars in loss.

51. Cryptocurrency has also been reported to be an incubator to organized crime and money launderers due to the anonymous and untraceable nature of cryptocurrency.

52. Further, since the Bitcoin mining process is almost entirely done by computers, it is not even an efficient job creator.

53. For all of its energy use in Pennsylvania, Stronghold only employs about 50 people at its Panther Creek facility.

B. The energy demands of Proof of Work Bitcoin Mining have led crypto-mining companies – such as Stronghold Digital Mining – to seek vertical integration between energy production and crypto-mining operations

54. Stronghold’s business model is based on being able to mine for Bitcoin in a competitive manner.

55. To do so, Stronghold possesses tens of thousands of Bitcoin ASICs.

56. Stronghold runs these Bitcoin ASICs at its facilities 24-hours a day.

57. Stronghold seeks a competitive advantage over other Bitcoin miners by reducing the cost of its electricity demands.

58. Unlike most other Bitcoin miners, Stronghold owns and operates its own electric power production plants.

59. In so doing, Stronghold holds itself out as a “vertically integrated” Bitcoin mining company.

60. Stronghold currently owns and operates two electric power plants – the Scrubgrass Plant in Venango County, Pennsylvania and the Panther Creek Plant in Carbon County, Pennsylvania.

61. This gives Stronghold access to a large supply of private electricity.

62. While Stronghold's electricity supply is private, its pollution and emissions are very much public.

63. In a letter dated February 8, 2022 to a group of United States Senators and Representatives, Stronghold indicated that it expects to consume 5,351,500 MWh of electricity per year at its facilities, resulting in approximately 6,421,800 tons of CO₂ emissions.

64. In contrast, the University of Pennsylvania, the second largest private employer in the Commonwealth, which operates several major academic medical centers and a university, consumes about 300 MWh of electricity per year.

65. According to the EPA's Greenhouse Gas Equivalencies Calculator, Stronghold's yearly CO₂ emissions is equivalent to consuming more than 655 million gallons of gasoline.

66. Another comparator according to the EPA is that Stronghold's yearly CO₂ emissions is equivalent to the electricity use of about 1.15 million homes per year.

67. According to the U.S. Energy Information Administration, the entire amount of electricity generated in Pennsylvania in 2022 was about 239,261,130 MWh.

68. Thus, Stronghold consumes about 2.2% of all electricity generated in Pennsylvania.

69. Viewed through this light, Bitcoin-mining – and in particular, Stronghold's Bitcoin-mining operation – has an unprecedented impact in Pennsylvania.

70. Meanwhile, the Commonwealth, the DEP, and the PUC have been sitting back and not regulating cryptocurrency mining at Panther Creek or elsewhere in Pennsylvania. In fact, the Commonwealth has been subsidizing Stronghold.

C. Stronghold Digital Mining is resurrecting non-competitive – and environmentally harmful – power plants to fuel its crypto-mining operations

71. The Panther Creek Power Plant has operated in the Nesquehoning community since the early 1990s.

72. For several years before Stronghold purchased it, Panther Creek was operating at less than 10% of its full capacity.

73. Consistent with its scaled down operations, the pollution and environmental hazards created by the Panther Creek Power Plant were also diminished.

74. In November 2021, Stronghold acquired the Panther Creek Plant and began operating it at a full capacity and burning waste coal as the fuel source.

1. Stronghold Digital Mining is burning waste-coal and tires to fuel its Bitcoin operations

75. Waste coal is the by-product of the unregulated coal industry from the 20th Century.

76. Waste coal refers to the low-energy-value leftovers that were deemed to be too inefficient for use in industry or as an energy source.

77. Just like regular coal, waste coal creates substantial carbon emissions and releases dangerous air pollutants when it is burned as a fuel source.

78. As Stronghold admits in its Annual Report, “Our operations and use of coal refuse as feedstock at our power generating facilities, including the combustion, storage, and transportation of coal refuse, present a series of environmental and human health and safety risks.”

79. In addition to burning waste coal, Stronghold has been burning tires as a fuel source. Tire-burning presents additional environmental harms.

80. Stronghold obtained a preliminary permit from the DEP to burn tires in June 2023 and currently has a pending application for a full permit to burn tires.

81. Publicly available data from the EPA confirms that emissions and pollution data from Stronghold's operations in Carbon County are harming the environment.

82. For example, in 2023, the Panther Creek Plant reported 430.451 tons of sulfur dioxide emissions.

83. In the five years before Stronghold owned Panther Creek, from 2016-2020, Panther Creek emitted an average of 82.488 tons of sulfur dioxide.

84. Sulfur dioxide emissions are dangerous to the health of individuals, are damaging to trees and plants, and reduce air visibility.

85. In 2023, the Panther Creek Plant reported 291.545 tons of nitrogen oxides emissions.

86. In the five years before Stronghold owned Panther Creek, from 2016-2020, Panther Creek emitted an average of 80.19 tons of nitrogen oxides.

87. Nitrogen oxides emissions are dangerous to the health of individuals, are damaging to tree, plants, and waterways, and reduce air visibility.

88. Stronghold has also been releasing mercury, a highly toxic metal, into nearby waterways as a product of its coal burning operation.

89. According to the EPA, 366.40 pounds of mercury was released into waterways by Stronghold's Panther Creek facility in 2022.

90. In the five years before Stronghold owned Panther Creek, from 2016-2020, Panther Creek released an average of 94.53 pounds of mercury.

91. These are just some of the known emissions and pollution data.

92. Stronghold does not test for other toxic pollutants such as carcinogenic polyaromatic hydrocarbon (PAH), which is a known pollutant emanating from burning tires, and another known-carcinogen, benzene.

93. Stronghold's pollution cannot be separated from its business operations.

94. A typical powerplant, while creating emissions, would at least be selling its electricity generation to retail customers – to people to power their homes, to hospitals, and to schools.

95. The waste coal used at Stronghold's Panther Creek Plant is imported from coal piles outside of Carbon County to Stronghold's facility.

96. Through this process, many neighbors to the Panther Creek facility have reported issues with the waste coal debris littering their property and littering area streets and roads.

97. One neighbor to Panther Creek has experienced many of his trees and plants dying from the waste coal litter.

98. Once Stronghold burns this waste coal, it creates new waste product in the form of coal ash.

99. Stronghold has been transporting and disposing this coal ash at an abandoned pit mine on Mt. Pisgah.

100. While newer technology has made it more economically viable to use waste coal as a fuel source, it remains a fossil fuel and thus the dangers inherent in burning coal remain for burning waste coal.

101. Further, burning waste coal creates additional waste byproducts that must be disposed.

2. Stronghold Digital Mining's claims to benefit the environment are overstated and ignore the harm it produces

102. In Carbon County, the greatest economic driver is tourism, specifically environmental tourism – for people to enjoy the County's many hiking trails, the Lehigh River, the Pocono Mountains. Carbon County is place for environmental beauty, not industrial hazard.

103. Yet, Stronghold is creating that hazard without contributing any meaningful benefits back to the residents of Carbon County.

104. Stronghold keeps the energy it produces for itself to run thousands of super-computers in a race to obtain more Bitcoin.

105. Although it is connected to the grid, and theoretically Stronghold could shut down its operations and sell electricity back to the grid, this does not happen to any meaningful degree.

106. Far more often, Stronghold purchases directly from the grid when electricity prices are low, increasing demand and driving up prices for local residents.

107. Additionally, Stronghold had times during December 2023 when its Panther Creek facility was not able to operate at full electricity generation. During this period, Stronghold competed with retail customers and bought electricity directly from the grid to fuel its Bitcoin-mining operation.

108. In fact, on February 29, 2024, Stronghold entered into an agreement with Champion Energy Services, LLC, an electric power producer, to import electricity to the Panther Creek Plant.

109. Stronghold entered this agreement so that it could take advantage of relatively cheaper retail electric prices to supplement its own electricity generation.

110. Apparently, Stronghold needs to import electricity to its operation because having not one, but two power plants to itself, is not sufficient to fuel its energy-hungry Bitcoin-mining operation.

111. Stronghold is not interested in benefiting the electrical grid or Pennsylvania residents. Stronghold is interested in one thing only – maximizing its value for shareholders and doing so by mining for Bitcoin with the cheapest possible electricity sources. Residents of Carbon County are simply treated as collateral damage to Stronghold’s business pursuits.

112. Stronghold also has been found to have violated DEP regulations at least eight times, including violations relating to operating inconsistently with good operating practices for air quality control and for allowing certain prohibited fugitive emissions to be released.

D. The Pennsylvania Environmental Rights Amendment places an affirmative duty on the Commonwealth to act as the trustee of Pennsylvania’s public natural resources and grants the people a right to clean air, pure water, and preservation of the environment

1. Background on the ERA

113. On May 18, 1971, the citizens of Pennsylvania voted overwhelmingly to adopt the Environmental Rights Amendment (“ERA”) to the Pennsylvania Constitution, a landmark legislative achievement that had enjoyed unprecedented bipartisan support.

114. The ERA states: “The people have a right to clean air, pure water, and to the preservation of the natural, scenic, historic and esthetic values of the environment. Pennsylvania’s public natural resources are the common property of all the people, including generations yet to come. As trustee of these resources, the Commonwealth shall conserve and maintain them for the benefit of all the people.” Article I, Section 27 of the Pennsylvania Constitution.

115. The ERA was enacted after industries such as coal and timber had decimated Pennsylvania's environment for decades and the citizens sought a way to redress the harm from these activities and to prevent Pennsylvania from future environmental harms.

116. The ERA requires that the Commonwealth has the duty of a trustee to "conserve and maintain" Pennsylvania's public natural resources.

117. The Commonwealth's constitutional duty to protect its citizens from environmental harm has been reinforced by the Pennsylvania Supreme Court, which has held that the Commonwealth serves as a fiduciary to protect Pennsylvania's public natural resources for the benefit of all citizens of the Commonwealth.

118. The Pennsylvania Supreme Court has held that there are two basic duties the Commonwealth must satisfy under the Environmental Rights Act:

"First, the Commonwealth has a duty to prohibit the degradation, diminution, and depletion of our public natural resources, whether these harms might result from direct state action or from the actions of private parties. Second, the Commonwealth must act affirmatively via legislative action to protect the environment."

See Pennsylvania Environmental Defense Foundation v. Commonwealth, 640 Pa. 55, 90 (2017).

119. The Commonwealth has incentivized and facilitated Stronghold's operations in violation of its fiduciary duties.

2. The Commonwealth, including the DEP and PUC, is breaching its fiduciary duties by incentivizing bitcoin miners – such as Stronghold Digital Mining – to bring their unprecedented energy demands and dirty pollution to Pennsylvania through tax incentives

120. The Commonwealth subsidizes Stronghold's operations by giving it tens of millions of dollars in tax credits.

121. According to Stronghold’s Annual Report for Fiscal Year ending December 31, 2023, Stronghold received \$19.2 million in renewable energy credits from the Commonwealth because coal refuse is classified as a Tier II Alternative Energy Source. In 2022, it received \$9,960,655 under this tax credit.

122. Stronghold also reported receiving an addition \$2.86 million in waste coal tax credits in 2023 and \$1.84 million in 2022.

123. Thus, in 2023, the Commonwealth granted Stronghold more than \$20 million in tax credits to subsidize its Bitcoin mining operation.

124. Stronghold receives these tax credits through the PUC.

125. The Alternative Energy Portfolio tax credits are not intended for private, “vertically-integrated” companies such as Stronghold.

126. The tax credits are intended for companies that produce electricity for “retail electric customers,” not for companies that are in business to pad their own digital wallet.

127. A “retail electric customer” is defined as “A direct purchaser of electric power. The term excludes an occupant of a building or facility where the owners/operators manage the internal distribution system serving such building or facility and supply electric power and other related power services to occupants of the building or facility; where such owners/operators are direct purchasers of electric power; and where the occupants are not direct purchasers.” 66 Pa.C.S. § 2803.

128. Since Stronghold produces and consumes its own electric power, it is not generating electric power for retail consumers, and thus is not entitled to alternative energy tax credits.

129. Yet, the Commonwealth, DEP, and PUC ignore this reality and give Stronghold tens of millions in tax credits per year.

130. The tax credits are not permitted to benefit companies that privately produce their own electricity, privately consume their electricity, and then publicly pollute the environment.

131. In contrast to Pennsylvania incentivizing cryptocurrency mining, other states have been restricting the industry due to its exorbitant energy demands.

132. New York state, for example, issued a ban on new crypto-mining permits at fossil fuel plants in an attempt to limit the environmental harm caused by mining operations.

133. Additionally, several countries, including China, have banned crypto-mining (or the use of cryptocurrency altogether) citing, in part, the environmental harms and energy demands.

IV. CLAIMS

COUNT 1: BREACH OF FIDUCIARY DUTY

Plaintiff Save Carbon County v. Commonwealth of Pennsylvania, Governor of the Commonwealth of Pennsylvania, Department of Environmental Protection, Interim Secretary of the Department of Environmental Protection, and Pennsylvania Public Utilities Commission

134. The previous paragraphs are incorporated here as though set forth in their entirety.

135. Under Article 1, Section 27 of the Pennsylvania Constitution, which is also known as the Environmental Rights Amendment (“ERA”), the Commonwealth and its agencies are to act as trustees and owe fiduciary duties to the people to “conserve and maintain” Pennsylvania’s “public natural resources.”

136. These trustee obligations and fiduciary duties include the requirement that the Commonwealth and its agencies act with the utmost good faith and solely for the benefit of the people to conserve and maintain Pennsylvania’s public natural resources.

137. Defendants Commonwealth, DEP, Governor Shapiro, and Secretary Shirley have breached their fiduciary duties by:

- a. Granting Stronghold tax credits to fuel its Bitcoin mining operation;
- b. Granting Stronghold tax credits even though it does not sell the majority of its electricity generation to retail customers;
- c. Permitting Stronghold to burn waste coal to fuel its Bitcoin mining operation;
- d. Permitting Stronghold to burn tires to fuel its Bitcoin mining operation;
- e. Failing to control all emissions and toxins from Stronghold's Panther Creek Bitcoin-mining facility;
- f. Failing to regulate the crypto-mining industry;
- g. Failing to regulate proof-of-work crypto-mining;
- h. Failing to regulate energy expenditures of the cryptocurrency and Bitcoin mining industry;
- i. Failing to develop rules relating to crypto-mining; and
- j. Failing to consider the concerns of local Carbon County residents in issues permits to Stronghold.

138. These breaches of fiduciary duties directly harm the members of Save Carbon County, as well as the residents of Carbon County and Pennsylvania as a whole.

139. Plaintiff seeks injunctive relief as follows:

- a. Revoking Stronghold's permit to operate until such time as it fully eliminates its toxic and dangerous emissions;
- b. Revoking Stronghold's permit to burn tires;
- c. Revoking Stronghold's permit to operate until such time as it switches to the "proof of stake" verification;

- d. Require Stronghold to do quarterly emissions testing and environmental hazard assessments for all known environmental hazards, to made available to the public without limitation;
- e. Revoking any and all tax credits and other subsidies to Stronghold;
- f. Creating and enforcing rules and regulations relating to energy use by crypto-mining operations.

WHEREFORE, Plaintiff Save Carbon County demands judgment against the Commonwealth of Pennsylvania defendants and seeks the injunctive relief described above as well as costs of suit, interest, attorney’s fees and such other relief as the Court deems appropriate.

COUNT 2: PUBLIC NUISANCE
Plaintiff Save Carbon County v. Stronghold

140. The previous paragraphs are incorporated here as though set forth in their entirety.

141. Stronghold’s operations – including but not limited to transporting waste coal and burning waste coal and tires to fuel its Bitcoin mining operations – create a public nuisance because it causes an invasion in Plaintiff’s and its members’ use and enjoyment of public land and of the clean public water and fresh air in public spaces.

142. Stronghold’s nuisance is unreasonable because there is no justifiable reason for its operations to invade the public’s use and enjoyment or to pollute harmful toxins to the air and the water.

143. Stronghold’s conduct violates the Pennsylvania Clean Streams Law because it pollutes into nearby public waterways and thus is a *per se* public nuisance.

144. Stronghold's conduct is continuing, and has been continuing for years, and it knows or should know that it is interfering with the public's use and enjoyment of public land and of the clean water and fresh air in public spaces.

WHEREFORE, Plaintiff demands judgment for compensatory and punitive damages upon this Count of the Complaint against Defendants, individually, jointly and/or severally, together with costs of suit, interest, and attorney's fees.

COUNT 3: PRIVATE NUISANCE
Plaintiff Save Carbon County v. Stronghold

145. The previous paragraphs are incorporated here as though set forth in their entirety.

146. Stronghold's operations – including but not limited to transporting waste coal and burning waste coal and tires to fuel its Bitcoin mining operations – create a private nuisance to Plaintiff Save Carbon County and its members because it causes an invasion to Plaintiff's member's properties.

147. The interference is intentional as Stronghold knows that its operations cause emissions and pollution that impacts Plaintiff's members' properties.

148. Stronghold's conduct is unreasonable because its Bitcoin mining operation does not justify its emissions and pollution.

149. Stronghold's private nuisance has directly caused Save Carbon County and its members damages.

WHEREFORE, Plaintiff demands judgment for compensatory and punitive damages upon this Count of the Complaint against Defendants, individually, jointly and/or severally, together with costs of suit, interest, and attorney's fees.

COUNT 4: PRODUCTS LIABILITY – DESIGN DEFECT
Plaintiff Save Carbon County v. Stronghold

150. The previous paragraphs are incorporated here as though set forth in their entirety.

151. Stronghold’s business is to engage in Bitcoin mining, which results in Stronghold possessing a digital asset.

152. The process for Stronghold to obtain this asset is defectively designed because it causes environmental harms.

153. Proof-of-Work mining, which is the core of Stronghold’s business, is inherently defective and dangerous because it requires enormous energy expenditures to obtain Bitcoin.

154. Stronghold doubles down on this defect by burning waste coal and tires to fuel its Bitcoin mining operation.

155. An alternative process for cryptocurrency mining exists. Proof-of-stake mining cuts out about 99% of the energy expenditures associated with proof-of-work mining.

156. The social utility of Stronghold obtaining Bitcoin for its own private gain is not justified by the adverse environmental and health consequences of its operations.

157. Stronghold’s defective Bitcoin mining operation directly causes harm to Save Carbon County’s interests and members.

WHEREFORE, Plaintiff demands judgment for compensatory and punitive damages upon this Count of the Complaint against Defendants, individually, jointly and/or severally, together with costs of suit, interest, and attorney’s fees.

COUNT 5: NEGLIGENCE
Plaintiff Save Carbon County v. Stronghold

158. The previous paragraphs are incorporated here as though set forth in their entirety.

159. Stronghold owes a duty to exercise ordinary care and diligence to refrain from negligent conduct that would harm its neighbors and Save Carbon County's members.

160. Stronghold's negligence is based on its failure to mitigate the harms and risks of harms of proof-of-work cryptocurrency mining, including but not limited to significant toxic emissions and pollution due to their energy generation and consumption.

161. Stronghold's negligence is also based on engaging in proof-of-work mining and creating an enormous electricity demand in the process.

162. Stronghold's negligence directly resulted in Plaintiff and its members suffering harm, as detailed above.

WHEREFORE, Plaintiff demands judgment for compensatory and punitive damages upon this Count of the Complaint against Defendants, individually, jointly and/or severally, together with costs of suit, interest, and attorney's fees.

Respectfully submitted,

FREIWALD LAW, P.C.

By:



AARON J. FREIWALD, ESQUIRE
ZACHARY S. FEINBERG, ESQUIRE
Attorneys for Plaintiffs

Dated: March 25, 2024

VERIFICATION

I, Linda Christman, on behalf of Plaintiff Save Carbon County, hereby verify that the facts set forth in this Complaint are true and correct to the best of my knowledge, information and belief. I understand that false statements made here may be subject to the penalties of 18 Pa C.S. Section 4904 relating to unsworn falsification to authorities.

DocuSigned by:

Linda Christman

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LINDA CHRISTMAN
SAVE CARBON COUNTY

Dated: 3/25/2024