

SOUTHERN NV'S ELECTRIC RATES

NORTHERN NEVADA

1150 E. William Street
Carson City, NV 89701
Phone: (775) 684-6101
Fax: (775) 684-6110



SOUTHERN NEVADA

9075 W. Diablo Dr., Ste. 250
Las Vegas, NV 89148
Phone: (702) 486-7210
Fax: (702) 486-7206

Page 12B • Saturday & Sunday, June 11-12, 2016

Berkshire Hathaway units barred from selling energy at market rate

NV Energy included in price-setting order

BY JONATHAN N. CRAWFORD

BLOOMBERG

Units of Warren Buffett's Berkshire Hathaway Inc., including PacifiCorp and NV Energy, were barred from selling power at market rates and must instead set prices based on the cost of running their plants.

More than a dozen Berkshire Hathaway power suppliers serving consumers in the West failed to prove they couldn't exercise market power, according to an order from the Federal Energy Regulatory Commission late Thursday. The companies must revise rates from Jan. 9, 2015, to April 9 and provide refunds within 30 days of the order, according to the filing.



Warren Buffett
Chairman and
CEO of Berkshire
Hathaway which
was ordered to
revise energy
rates and provide
customers refunds

Berkshire Hathaway, formerly MidAmerican Energy Holdings Co., purchased Las Vegas-based NV Energy in May 2013, making it one of the largest U.S. utility owners. It controls over 33,000 megawatts of generating capacity with 11.6 million customers in 2015, according to the company's website.

"We find that continuation of their market-based rate authority" in the

Western power markets areas, "is not just and reasonable," according to the order. We find that the Berkshire sellers "have not adequately rebutted the presumption of horizontal market power."

The finding comes as Berkshire Hathaway courts power transmission operators in the Western U.S. to join its utilities and the California grid in trading power across their borders electronically and instantaneously through a so-called Energy Imbalance Market.

"We received the order and are assessing its impact and reviewing our options," Bob Gravely, a spokesman for PacifiCorp, said by phone Friday.

A spokeswoman at Berkshire Hathaway directed calls to the power suppliers named in the order.

The order covers power sales in parts of Utah, Idaho, Montana, Wyoming, California and Oregon.

for-dollar basis for fuel and electricity purchased by the utility on behalf of its customers. Utilities cannot, under Nevada law, profit from fuel and purchased power costs. The BTER is calculated by taking the actual fuel and purchased power costs for a recent 12-month period and dividing that number by sales for the same 12-month period. Because of fluctuating costs of fuel and purchased power, it's possible that too much or too little revenue is collected from ratepayers to reimburse the utility on a dollar-for-dollar basis. See the DEA charge below to learn what happens in that case.

- **Origin:** In 1975, the Legislature created the BTER through passage of A.B. 707.
- **Frequency of Change:** The BTER is adjusted on a quarterly basis (see DEA below). (NRS 704.110(10))

who were having trouble getting financing to build their renewable energy generating plants at the time the TRED was established in 2005. The TRED rate is payment for these contracts. Nevada Solar One is the only renewable generating plant that is paid through the TRED trust and the TRED has been closed to any additional applicants. NAC 704.8898 describes how the TRED rate is calculated.

- **Origin:** In 2005, the Legislature created the TRED through passage of A.B. 3 (Section 23) during the 22nd Special Session.
- **Frequency of Change:** Once a year in the electric utility's annual DEAA application (see DEA above).
- **More Info:** See NRS 704.7827 and NAC 704.8894 - NAC 704.8899.

Agenda Item II D-2 (ENERGY)
Meeting Date: 06-17-16



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July 2014

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