

Warren Buffett's dicey power play

By Mark Chediak and Noah Buhayar, Bloomberg Businessweek

When Warren Buffett's Berkshire Hathaway bought Nevada's main utility, NV Energy, three years ago, it inherited a lucrative customer base: the neon-lit, air-conditioned casino-hotels on the Las Vegas Strip. Now they're in the midst of a costly split. Lured by the prospect of cheaper, cleaner energy elsewhere, two of the Strip's biggest power users, MGM Resorts International and Wynn Resorts, told regulators in May they're willing to pay millions in fees to ditch NV Energy's services.

It's not uncommon for big power consumers to wrangle with utilities. But the situation is unique in Nevada, where a handful of casino-resorts exercises significant leverage. MGM and Wynn together account for more than 5 percent of NV Energy's sales in its southern territory. While losing existing casino customers is tough enough, even worse for NV Energy may be the precedent their departure sets.

"It's probably going to diminish the likelihood that you could have a new casino go up and guarantee that it'll be a full-service customer of the utility," says Timothy Hay, an attorney who served on the Nevada Public Utilities Commission and as the state's consumer advocate.

Read the whole story