

Thanks to Warren Buffett, Omaha Is Getting Less Reliant on Coal

By Daniel Gross



Warren Buffett, wind-farm enthusiast.

Photo by David Silverman/Getty Images

Buffett-palooza concluded on Sunday. During the **annual shareholder meeting of Warren Buffett's Berkshire Hathaway**, which has evolved into a kind of Woodstock of capitalism, thousands of people converge on Omaha, Nebraska, to celebrate the philosophy (and returns) generated by the folksy billionaire.

In coming years, visitors might notice something else when they come to Omaha: cleaner air. And they can thank Buffett for that, too. While Buffett famously avoids faddish investment and new technology—longtime holdings include Geico,

WellsFargo, See's Candies, even newspapers—his firm has quietly become a force in energy in recent years. And last week, on the eve of the annual meeting, one of his subsidiaries announced a deal that will help Omaha's utility make a dramatic move away from coal and toward emissions-free wind power.

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Omaha's electricity needs are supplied by the **Omaha Public Power District**, a 69-year-old municipal-owned utility that provides cheap electricity to about 800,000 of the state's 1.8 million people. It keeps things relatively simple. OPPD has four so-called base-load power plants, which provide the bulk of its electricity: The Fort Calhoun **nuclear power plant** (capacity: 482 megawatts), a giant coal-powered plant in Nebraska City with capacity of more than 1.3 gigawatts, the 641-megawatt North Omaha station, which uses coal and gas, and a small plant that runs on natural gas and methane. OPPD also maintains three natural-gas-powered plants that can be turned on when demand rises, and has been dipping its toe into wind power in recent years. At the end of 2014, **according to its annual report**, renewable sources accounted for about 12 percent of its energy sales.

Historically, coal has provided about half of OPPD's electricity—higher than the national average. But that's changing. Last summer, OPPD announced a plan to cut the percentage of electricity provided by coal plants to 31 percent by 2018, and to 15 percent by 2023. That's not quite **a boycott of coal**. But it is far more ambitious than many other utilities in more progressive states.

OPPD plans to achieve this goal by using a playbook that is becoming standard in the utility industry. By 2016, it plans to retire some of the giant units that burn coal at its North Omaha station, and install better emissions controls on those that remain. Then, by 2023, it will transform the remaining burners at that plant so that they use natural gas instead of coal. The Nebraska City plant will keep burning coal, but the utility plans to undertake efficiency and demand management efforts that will lessen the need to use that plant's output.

At the same time, OPPD will significantly increase the amount of wind power it uses. Which is where Buffett comes in. Berkshire Hathaway has built up a huge **portfolio of energy assets** in recent years, ranging from traditional utilities to natural gas pipeline

companies. **BHE Renewables**, a subsidiary that was set up in 2011, has **plunged \$10 billion** into large-scale renewable projects, like massive solar fields in California and wind farms in Texas and Illinois.

Last week, BHE Renewables moved to become a player in Buffett's backyard. It **announced** it would start building a 400-megawatt wind farm in Holt County, Nebraska, about 180 miles northwest of Buffett's home base of Omaha. Upon completion, OPPD has committed to buy the output of the Grand Prairie Farm, which will be the biggest in the state. That move alone will double the amount of the utility's renewables. And combined with the measures listed above, it will substantially change OPPD's electricity mix by 2018: to one-third nuclear, one-third renewables, and about 31 percent coal. In the following years, as noted, OPPD says it will further reduce its reliance on coal to 15 percent by using natural gas at one of its existing plants.

These efforts go far beyond what most utilities are doing. But it's more the result of Midwestern practicality than West Coast Messianism. Renewable energy is no longer a luxury product—especially when someone with a low cost of capital like Warren Buffett can build massive wind farms on the prairie. OPPD notes that as a result of its plan, which will reduce its operations' carbon dioxide emissions by nearly 50 percent by 2033, "rates should increase no more than 2 percent."

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