

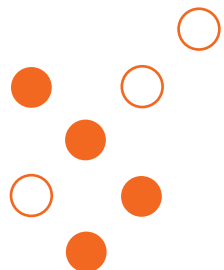


# ESSENTIALS OF REGULATORY FINANCE

UNDERSTAND AND APPLY COST OF CAPITAL PRINCIPLES  
IN THE ELECTRIC POWER SECTOR

February 16-17, 2012  
**Atlanta, Georgia**

October 1-2, 2012  
**Denver, Colorado**



Presented by

 **SNL**Center  
FOR FINANCIAL EDUCATION

# ESSENTIALS OF REGULATORY FINANCE

It takes more than a general understanding of corporate finance to successfully navigate in the complex utilities sector. *Essentials of Regulatory Finance* gives you the foundational knowledge you need to understand cost of capital and finance specific to regulated electric utilities. You'll get two days of graduate-level instruction on the theories and application of capital, risk and return in the utility space, under the guidance of one of the country's most highly respected authorities.

## WHAT YOU'LL TAKE AWAY

- A thorough understanding of the issues in cost of capital calculations, allocation frameworks and alternative structures
- Familiarity with the key metrics for assessing risk and performance
- The advantages, drawbacks and impact of common capital raising instruments
- Knowledge of equity performance measures, including EVA and cash flow ROI
- Exposure to the ways utilities use hedging and other risk management practices
- A grasp of the effects of regulation and rate cases on a company's financial decision making and outlook

## INSTRUCTORS

**Lead: Dr. Roger Morin** : Distinguished Professor of Finance for Regulated Industry at Georgia State University. His depth of experience has made him a valuable consultant to over 125 corporate and Wall Street clients.

**Adding the regulator's perspective is Ron Knecht**, Economist, Resource and Market Analysis Division, Public Utilities Commission of Nevada. Mr. Knecht brings economic, legal and engineering expertise to his analysis of financial and technical regulatory submissions.

## CONTINUING EDUCATION CREDITS

- **CFA Institute** - 12 hours of Continuing Education Credit
- **National Association of State Boards of Accountancy** - 14.5 hours of CPE Credit

*Complete details are available at [www.snlcenter.com/ERF](http://www.snlcenter.com/ERF)*

# REGISTRATION

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**[www.snlcenter.com/ERF](http://www.snlcenter.com/ERF) • (434) 951-7786**

**Program Fee : \$1,895** • \$1,495 for State and Federal agencies  
Includes all conference materials, plus continental breakfast, lunch and refreshment breaks.

# DAY ONE

*Registration with continental breakfast opens at 8:30 a.m. Program begins at 9:00 a.m.*

## **THE REGULATORY FRAMEWORK: OVERVIEW AND KEY ISSUES**

Cost of service, revenue requirements and rate cases • Computation of revenue requirements • Rate base and rate of return • Rate case issues in the current regulatory environment

## **CAPITAL ALLOCATION AND ECONOMIC VALUE CREATION**

Net Present Value (NPV) vs. revenue requirements

## **UNDERSTANDING FINANCIAL STATEMENTS AND PERFORMING RISK ANALYSIS**

Accounting vs. economic metrics • Essential ratios for measuring risk and performance and the impact of business risk and competition • Risk profile of utilities • Influence of unregulated activity and the current financial environment

## **DETERMINING CREDIT RATINGS: A CASE STUDY**

## **RATE OF RETURN AND VALUE CREATION: THE VALUE MOVEMENT**

## **COST OF CAPITAL AND CAPITAL STRUCTURES**

Understanding risk and return in capital markets • Modern portfolio theory and the asset pricing models • Cost of equity methodologies • Practical applications illustrated through case study • Divisional cost of capital – unbundling risk and return across segments: generation vs. transmission vs. distribution

## **CAPITAL STRUCTURE ISSUES**

Appropriate capital structures in a restructured regulatory environment  
• Optimal capital structure simulation model • Double leverage • Case Study: Florida leverage formula

Session ends at approximately 5:00 p.m.

# DAY TWO

*Continental breakfast opens at 8:00 a.m. Program begins at 8:30 a.m.*

## **UTILITY APPLICATIONS AND CUTTING EDGE TECHNIQUES**

Contemporary rate of return techniques • New performance metrics applied to utilities • Cutting edge techniques in capital allocation • Case studies

## **PERFORMANCE-BASED REGULATION: ALTERNATIVES TO TRADITIONAL RATEMAKING**

Focused vs. integrated rate of return incentives • Price cap regulation • Market basket ratemaking • Innovative rate mechanisms

## **THE REGULATOR'S PERSPECTIVE**

Key issues in the current economic environment • The financial capabilities commissions are expecting from utilities now • How regulators judge value/performance metrics • The role of cost of capital issues

Program concludes at approximately 4:00 p.m.