

“A solid grounding in the basics of corporate finance as it impacts utility decision-making.”



# Essentials of Utility Finance

Learn and apply the principles of corporate finance specific to regulated power and gas utilities.

May 18-19, 2010  
Westin Tabor Center  
Denver, CO

**E**ssentials of Utility Finance provides you with the skills you need to understand the principles of corporate finance specific to utilities and successfully apply them in the current regulatory environment.

Combining intensive instruction and case studies under the tutelage of one of the country's most highly respected authorities on energy finance, *Essentials of Utility Finance* provides two days of graduate-level instruction on the foundational theories of utility capital & risk and return and their application as practiced in the sector today.

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## Who benefits from this program

- Professionals in corporate finance and corporate development at power and gas companies
- Investment banking, project finance and equity or fixed income research professionals
- Public Service Commissioners and staff
- Traditional asset managers, as well as investors at private equity, sovereign and hedge funds
- Consultants and strategic advisors to power and gas companies
- Ratings agency professionals

## What you'll take away

- A thorough understanding of the issues in cost of capital calculations, capital allocation frameworks and alternative capital structures under the current regulatory environment
- Familiarity with the key metrics for measuring risk and performance
- The advantages, drawbacks and impact of the capital-raising instruments employed by utilities
- Knowledge of equity performance measures, including EVA and cash flow ROI
- Exposure to the ways utilities practice risk management
- Insight into the effects of regulation and rate cases on a company's financial decision-making frameworks and financial outlook

**Prerequisites** This program presumes an understanding of basic accounting and finance concepts, as well as a familiarity with utility business models.

## About the instructors

**Dr. Roger Morin** (*Primary Instructor*)  
*Distinguished Professor of Finance for Regulated Industry, Georgia State University*  
One of the foremost authorities on finance and value creation in regulated industries, Dr. Morin has held positions at Wharton School of Finance, Amos Tuck School of Business, Drexel University, McGill University, and Georgia State University, among others. Dr. Morin holds a Ph.D. in Finance and Econometrics from Wharton, and an undergraduate degree in Engineering Physics. Dr. Morin has engaged in extensive consulting in financial management and corporate litigation for utilities.

**Ron Knecht** (*Guest Instructor*)  
*Economist, Resource and Market Analysis Division, Public Utilities Commission of Nevada*

Mr. Knecht conducts a wide range of economic, financial, technical and policy analyses for the PUC of Nevada, and has written and testified extensively as an expert witness in all of those areas. In addition, Mr. Knecht is a Registered Professional Mechanical Engineer. He holds a J.D. from the University of San Francisco law school and M.S. in Engineering - Economic Systems from Stanford University.

## **DAY ONE - Tuesday, May 18**

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 vs. revenue requirements • IRR • Economic Value Added • Market Value Added

### **Understanding Financial Statements and Performing Risk Analysis**

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

### **Determining Credit Ratings: A Case Study**

### **Rate of Return and Value Creation: The Value Movement**

Spread and return on invested capital (ROIC) • Linking capital budgeting and returns

### **Cost of Capital and Capital Structure**

Understanding risk and return in capital markets • Modern portfolio theory and asset pricing models • Cost of equity methodologies and illustrations • Divisional cost of capital; unbundling risk and return across segments • Practical applications illustrated through a case study

### **Capital Structure Issues**

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

Day One ends at approximately 5:00 p.m.

## **DAY TWO - Wednesday, May 19**

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 (empirical CAPM, Arbitrage Pricing Model, Fama-French Pricing Model, Market-Derived CAPM) • The 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 • Case studies

### **The Regulator's Perspective**

**Guest Presenter: Ron Knecht, Economist, Resource and Market Analysis Division, Public Utilities Commission of Nevada**

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

Day Two concludes at approximately 4:00 p.m.

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## To Register

Online: [www.snlcenter.com/euf](http://www.snlcenter.com/euf)  
Phone: (434) 951-7786

## Registration fee: \$1,495

Group discounts available. Call us at (434) 951-7786.

## Location

**Westin Tabor Center, 1672 Lawrence St., Denver, CO.** A special room rate of \$169 per night plus tax has been arranged. To reserve, please call the hotel directly at (888) 627-8434 by Friday, April 23 and mention "SNL Essentials of Utility Finance".

## Cancellations

Received by April 27, 2010: Full refund, less a \$150 administrative fee.  
Received by May 12, 2010: Full credit, less a \$150 administrative fee, toward attending another SNL CFE program within 13 months.  
After May 12, 2010: Not eligible for a refund or future conference credit.  
Substitutions from the same company may be made at any time.

## Professional Development Credits



Completion of this program qualifies attendees for 12 hours of Professional Development credits as granted by CFA Institute and 14.5 hours of CPE credit from



the National Association of State Boards of Accountancy. Complete details available on the Accreditation page of the program website: [www.snlcenter.com/euf](http://www.snlcenter.com/euf).

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