

Principles of Corporate Finance for Utilities

This course focuses on corporate finance as it pertains to regulated utilities – energy, water, transportation, telecommunication, and other infrastructure firms. Corporate finance comprises the decisions and operations made by firms; perhaps the most important of these are the investment decisions firms make and the financing of such investments. Capital-intensive, regulated utilities are different from unregulated firms in that they cannot make such decisions with abandon. Rather, many of their decisions must be vetted and approved by utility regulators, considering that they do not operate in competitive markets. Thus, the main goal of this course is to provide an understanding of the economic, financial, and accounting concepts that are most relevant to regulated utilities. The classes will cover four big themes:

Part I – Key concepts of corporate finance, especially those related to regulated utilities.

Part II – Issues of risk, which regulated firms and regulators alike must address, including business, financial and regulatory risks.

Part III – Some fundamental issues that affect regulated utility investment decisions – in particular, we discuss options and derivatives and capital budgeting decisions.

Part IV – Issues related to the financial operations of regulated utilities, including accounting standards that regulated utilities must use and the accounting rules needed to separate regulated from unregulated activities when a firm performs both.

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Prerequisites (recommended): basic level of knowledge in Financial Mathematics, Investment Analysis and Microeconomics

- FGV Undergrad in Economics: Investments course
- FGV Undergrad in Business Administration: Financial Management I course

INFORMAÇÕES BÁSICAS

☐ **Carga horária:** 60

☐ **Pré-requisitos:** (RECOMMENDED): basic knowledge in Financial Mathematics, Investment Analysis and Microeconomics

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BIBLIOGRAFIA

Obrigatória:

- ❑ Giacchino & Lesser, “Principles of Utility Corporate Finance”, 1 edition, Public Utilities Reports (GL)
- ❑ Villadsen, B., Vilbert, M.J., Harris, D. & Kolbe, A.L., “Risk and Return for Regulated Industries”, 1 edition, Brattle Group (V)
- ❑ World Bank, “Accounting for Infrastructure Regulation”, The World Bank (WB)
- ❑ Burger, M., Graeber, B. & Schindlmayr, G., “Managing Energy Risk”, Wiley (BGS)
- ❑ Beecher, J.A. & Kihm, S.G., “Risk Principles for Public Utility Regulators”, MSU Press, 1 Edition
- ❑ Morin, “New Regulatory Finance”, 1 edition, Public Utilities Reports
- ❑ Myers, Kolbe & Tye, “Regulatory Risk: Economic Principles and Applications to Natural Gas Pipelines and Other Industries (Topics in Regulatory Economics and Policy)”, 1 edition, Springer
- ❑ Alt, “Energy Utility Rate Setting – A practical guide to the retail rate setting process for regulated electric and natural gas utilities”, 1 edition, LuLu publishing.