

Table 1: Alternative Regulatory Models

	France (Water Sector)	Latin America	Anglo- British	Anglo- American	India
Separate Regulator?	No	Yes	Yes (national)	Yes (national & state)	Yes (national & state)
Specifity of Regulatory Contract	Medium	High (Chile, Bolivia and Peru) Low (Brazil and Colombia)	High	Low (general principles interpreted in case law)	Low (general principles without case law)
Regulatory Decisions Reviewed By Special Appellate Tribunal?	Yes	No except for Bolivia	Yes (Competition Commission)	No	No, but proposed by government
Ownership of Regulated Entities	Private	Private and public (varies by country)	Mostly private	Mostly private	Mostly public
Form of Private Sector Participation	Concessions and leases	Concessions that are close to full privatization	Full privatization	Full privatization	Full privatization

Table 2: Major Risks For Distribution Companies And Their Lenders

Risk Type	Explanation
Collection Risk	Risk that the company will be unable to collect its allowed revenues. This could occur for one or more of the following reasons: customers refuse to pay their bills, customers tamper or disconnect meters, company employees receive bribes to make illegal connections or under collect metered or billed amounts and government officials or courts are unable or unwilling to support disconnections or other actions against non-paying customers.
Purchased Power Risk	Risk that the company will not be allowed to charge tariffs that recover the cost of its power purchases. This could occur if the regulator disallows the prices paid or the quantities purchased.
Demand Risk	Risk that the quantity of electricity sold is less than the amount projected by the company or the regulator in setting tariffs.
Obligation-to-Supply Risk	Risk that the company will collect lower revenues and/or pay penalties because it is unable to meet supply obligations specified in its license or concession. The company's failure to supply may be caused by its own actions (e.g., poor transformer maintenance), actions of others (e.g., inadequate generation or transmission capacity) or acts of God (e.g., a major drought).
Operating Cost Risk	Risk that the company will not be able to recover the costs of operating its distribution system (i.e., the "wires" function) or the costs of retailing electricity (i.e., the supply function) either because the regulator disallows certain operating costs or sets unrealistic performance targets. The allowance for some technical and non-technical losses is sometimes included as operating costs.

Cont'd: Major Risks For Distribution Companies And Their Lenders

Risk Type	Explanation
Capital Cost Risk	Risk that the company will not be able to recover its capital costs because the regulator sets a low the allowed capital base, disallows costs of certain capital expenditures or sets low rates of return.
Inflation Risk	Risk that company's tariff will not be adjusted for general inflation.
Foreign Exchange Rate Risk	Risk that the company will not receive sufficient revenues from its customers to pay for costs incurred in "hard" currencies.
Foreign Exchange Convertibility Risk	Risk that the government will not give the company access to sufficient foreign exchange to repatriate earnings and to pay for costs incurred in other currencies.
Financing Risk	Risks related to the financial risks borne by entities that have lent money to the company.
Regulatory Risk	Risk that the regulator will reinterpret existing regulations or create new ones that will increase costs or reduce revenues.
Political Risk	Risks of expropriation, nationalization, war, civil disturbances and breach of contracts.
Government Subsidy Risk	Risk that the government does not pay promised subsidies or pays with considerable delay.

Source: Bakovic T., Tenenbaum B. and Woolf F., Regulation By Contract, Working Draft, 2003

Table 3: Trends in Foreign Exchange Rates In Selected Countries Where American And Foreign Power Had Subsidiaries ^a

Country	Currency	Rates Prevailing at dates of major acquisitions	1943	1950	1960
Argentina	Peso	\$0.424	\$0.247	\$0.094	\$0.012
Brasil, free	Cruceiro	.120		.053	.005
Brasil, pref.					.010
Colombia	Peso	.973	.572	.510	.151
México	Peso	.499		.116	.080
Venezuela	Bolivia	.193		.299	.299

^a All rates are yearly averages except for the 1960 rates, which are for March 31, 1960

Source: Jose A. Gomez-Ibanez, *The Future of Private Infrastructure, Lessons From the Nationalization of Electric Utilities In Latin America, 1943-1970*, Discussion Paper, Taubman Center, Kennedy School of Government, Harvard University, January, 1999, p.18.