DATE: March 22, 2012

TO: Seminar Participants

FROM: Forest Reinhardt

The University has generously offered me the opportunity to conduct a seminar on energy and natural resources. I think it would be interesting if, instead of presenting a paper and inviting comments, I instead led a discussion of a Harvard Business School case on energy and then talked with you more generally about case-based pedagogy in the fields of energy and environment.

Specifically, I would be very pleased if you could take an hour sometime before the seminar to review the enclosed HBS case on Colbún, one of Chile's leading producers and distributors of electricity. Dislocations in the company’s fuel supply chains have forced chief executive Bernardo Larrain to reconsider his strategic choices. We can consider the case as an example of the dilemmas confronted by energy executives facing technological, political, and environmental risk.

I intend in our time together to focus on the question of the types of generating capacity in which the company ought to invest. The basic information informing those choices is on pages 9-16 of the case. Please focus on these pages and on exhibits 4, 9, and 11.

Pages 2-8 of the case present considerable detail on the structure of electricity regulation in Chile and the firm’s response to regulatory uncertainty. Given time constraints, I do not expect in the seminar to devote significant time to these topics and would advise you to skim or skip those pages.

While you are reading pages 9-16, please think about the following questions:

- What investments in new generation capacity should Colbún make? In particular, should Bernardo Larrain pursue the Aysen project?
- What light do Bernardo's managerial and leadership challenges shed on the challenges confronting utilities in countries other than Chile?