

1 Q. On page 16, lines 16 to 19 of her Prefiled Testimony, Ms. McShane states  
2 that she starts with the proposition that a utility should be financed in a  
3 manner that is compatible with commercial viability on a stand-alone basis,  
4 without subsidies among stakeholders (ratepayers vs. investors or among  
5 classes of ratepayers). Is this a reasonable proposition given the many, and  
6 substantial, subsidies proposed among classes of ratepayers and between  
7 ratepayers and investors?

8

9 A. Yes. The fact that the results of the regulatory process include various  
10 cross-subsidies does not change the validity of the principles which should  
11 be followed.