**Q. Evidence of Kathleen McShane – Appendix "B": For each of her U.S. companies, Ms. McShane refers to "Earnings Sharing." For instance, in the case of AGL Resources, Ms. McShane reports at p. B-3 that in Virginia – Virginia Natural Gas (which was apparently allowed a 10% Return on Equity for 2011) "shares equally with rate payers any gas costs that deviate from commission-approved benchmarks." Does this mean that equity investors in this firm are at financial risk for gas costs deviations?**

A. Virginia Natural Gas, the regulated subsidiary, is not at financial risk. Virginia Natural Gas must pay the current market price for natural gas. It has a purchased gas adjustment clause that ensures that it recovers 100% of the gas costs that it incurs. Virginia Natural Gas has an asset management contract with an affiliate company which does the gas purchasing on the utility's behalf, and savings relative to the current market price are shared between the affiliate and customers. The affiliate company is only at financial risk if it decides to enter into a purchasing strategy that puts it at risk.