

1   **Q.   McShane Evidence – At p. B-1 of Appendix B, Ms. McShane states that her sample**  
2       **of U.S. electric and natural gas utilities had to satisfy inter alia the criterion of its**  
3       **utility assets being equal to or greater than 80% of total assets. Please confirm why**  
4       **this criterion was employed in the construction of the sample.**  
5

6   **A.**   All other things equal, utilities with a large percentage of unregulated operations may be  
7       of higher total risk. The imposition of a criterion to limit the proportion of unregulated  
8       operations ensures that relatively pure play utilities, i.e., utilities operating predominantly  
9       in regulated operations, are selected.