

1 **Q. Evidence of Dr. Vander Weide: At p. 27 of 106, Dr. Vander Weide states that the**
2 **group of 24 electric utilities in the Moody's group have a Value Line Safety Rank of**
3 **1, 2, or 3. Please provide a copy of the Value Line Safety Rank Methodology.**
4

5 A. Value Line describes its Safety rank as follows:
6

7 This rank [Safety rank] measures the total risk of a stock relative to the
8 approximately 1,700 other stocks [in the Value Line data base]. It is
9 derived from a stock's Price Stability index and the Financial Strength
10 rating of a company, both shown in the lower right hand corner of each
11 page in Value Line Ratings and Reports. Safety ranks are also given on a
12 scale from 1 (Highest) to 5 (Lowest) as follows:
13

14 **Rank 1 (Highest):** These stocks, as a group, are the safest, most stable,
15 and least risky investments relative to the Value Line universe.
16

17 **Rank 2 (Above Average):** These stocks, as a group, are safer and less
18 risky than most.
19

20 **Rank 3 (Average):** These stocks, as a group, are of average risk and
21 safety.
22

23 **Rank 4 (Below Average):** These stocks, as a group, are riskier and less
24 safe than most.
25

26 **Rank 5 (Lowest):** These stocks, as a group, are the riskiest and least safe.
27

28 Stocks with high Safety ranks are often associated with large, financially
29 sound companies; these same companies also often have somewhat less-
30 than-average growth prospects because their primary markets tend to be
31 growing slowly or not at all. Stocks with low Safety ranks are often
32 associated with companies that are smaller and/or have weaker-than-
33 average finances; on the other hand, these smaller companies sometimes
34 have above-average growth prospects because they start with a lower
35 revenue and earnings base.