

Q. Evidence of Dr. Vander Weide: How would Dr. Vander Weide rank Newfoundland Power using the Value Line methodology and criteria?

A. In response to CA NP 298, Dr. Vander Weide notes that Value Line states that its Safety Rank “is derived from a stock’s Price Stability index and the Financial Strength rating of a company.” Dr. Vander Weide cannot precisely duplicate a Safety Rank for Newfoundland Power using the Value Line methodology and criteria because Newfoundland Power does not have publicly-traded stock, and Value Line’s assessment of a company’s Financial Strength is proprietary to Value Line. However, Dr. Vander Weide also notes that Value Line describes companies with high and low Safety Ranks as follows:

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

Recognizing that: (1) Newfoundland Power is significantly smaller in terms of revenues and assets than any of the companies in Dr. Vander Weide’s proxy electric company groups and most of the companies in his natural gas proxy company group; and (2) Newfoundland Power has weaker financial metrics than the average financial metrics for Dr. Vander Weide’s proxy groups, Dr. Vander Weide would assign Newfoundland Power a Safety Rank of 2.