Q. Evidence of Dr. Vander Weide: Dr. Vander Weide states at p. 43 that the application of the DCF model to his comparable group of electric utilities produces a result of 10.1 percent without an allowance for financial flexibility. Please indicate what the result would be if only Value Line Safety Rank 1 to companies were used, and please provide a copy of Exhibit 14 as re-stated using this assumption.

A. Dr. Vander Weide does not believe that the average DCF result for a group of companies with a Value Line Safety Rank equal to 1 would be useful for estimating Newfoundland Power's cost of equity because: (1) there are an insufficient number of companies with a Value Line Safety Rank equal to 1 to provide a reliable cost of equity estimate; and (2) as discussed in response to CA NP 305, Newfoundland Power would likely have a Safety Rank of 2 due to its small size and weaker than average financial metrics. Nonetheless, a copy of Exhibit 14, but showing results only for those companies with a Value Line Safety Rank of 1, is shown below. Dr. Vander Weide does not believe that this information is useful for determining Newfoundland Power's cost of equity.

LINE NO.	COMPANY	SAFETY RANK	DCF RESULT
1	Consol. Edison	1	7.9%
2	Southern Co.	1	10.6%
3	Wisconsin Energy	1	11.3%
4	Average		9.9%