

1 **Q. Evidence of Dr. Vander Weide: Dr. Vander Weide states at p. 43 that the**
2 **application of the DCF model to his compared group of natural gas utilities**
3 **produces a result of 9.4 percent without an allowance for financial flexibility. Please**
4 **indicate what the result would be if only Value Line Safety Rank 1 companies were**
5 **used and please provide a copy of Exhibit 15 as re-stated using this assumption.**
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7 A. As discussed in his responses to CA NP 305 and CA NP 306, Dr. Vander Weide does not
8 believe that Value Line would assign Newfoundland Power a Safety Rank of 1 because
9 Newfoundland Power is small in terms of revenues and assets and its financial metrics
10 are weaker than average. Further, since Value Line would likely assign Newfoundland
11 Power a Safety Rank of 2, the requested information would not provide relevant or useful
12 information regarding the cost of equity for Newfoundland Power. Nonetheless, the
13 requested information is shown below.
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LINE NO.	COMPANY	SAFETY RANK	DCF RESULT
1	AGL Resources	1	8.4%
2	Northwest Nat. Gas	1	7.6%
3	WGL Holdings Inc.	1	7.8%
4	Average	1.0	7.9%