

1 **Q. Evidence of Dr. Vander Weide: At p. 43, Dr. Vander Weide states that the average**
2 **DCF result including a fifty basis point allowance for financial flexibility from his**
3 **two comparable groups is 10.3 percent. What would the average DCF result be**
4 **using only Value Line Safety Rank 1 companies?**
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6 A. As discussed in his responses to CA NP 305, CA NP 306, and CA NP 307, Dr. Vander
7 Weide does not believe that Value Line would assign Newfoundland Power a Safety
8 Rank of 1 because Newfoundland Power is small in terms of revenues and assets and its
9 financial metrics are weaker than average. Further, since Value Line would likely assign
10 Newfoundland Power a Safety Rank of 2, the requested information would not provide
11 relevant or useful information regarding the cost of equity for Newfoundland Power.
12 Nonetheless, the average DCF result using only those companies with a Value Line
13 Safety Rank of 1 would be 9.4 percent, including a fifty-basis point adjustment for
14 financial flexibility.