1 **Q.   Vander Weide Evidence (page 30) – At lines 9 to 14, Dr. Vander Weide addresses**
2 **the selection of the companies in his, "larger comparable group of U.S. utilities."**
3 **Dr. Vander Weide states that he inter alia selected companies with a Value Line**
4 **Safety Rank of 1, 2 or 3. Please provide a copy of Value Lines methodology for its**
5 **Safety Rankings.**
6
7 A.   Value Line describes its Safety Rank as follows:
8
9   This rank [Safety rank] measures the total risk of a stock relative to the
10   approximately 1,700 other stocks [in the Value Line data base]. It is
11   derived from a stock's Price Stability index and the Financial Strength
12   rating of a company, both shown in the lower right hand corner of each
13   page in Value Line Ratings and Reports. Safety ranks are also given on a
14   scale from 1 (Highest) to 5 (Lowest) as follows:
15
16   **Rank 1** *(Highest):* These stocks, as a group, are the safest, most stable,
17   and least risky investments relative to the Value Line universe.
18
19   **Rank 2** *(Above Average):* These stocks, as a group, are safer and less
20   risky than most.
21
22   **Rank 3** *(Average):* These stocks, as a group, are of average risk and
23   safety.
24
25   **Rank 4** *(Below Average):* These stocks, as a group, are riskier and less
26   safe than most.
27
28   **Rank 5** *(Lowest):* These stocks, as a group, are the riskiest and least safe.
29   Stocks with high Safety ranks are often associated with large, financially
30   sound companies; these same companies also often have somewhat less-
31   than-average growth prospects because their primary markets tend to be
32   growing slowly or not at all. Stocks with low Safety ranks are often
33   associated with companies that are smaller and/or have weaker-than-
34   average finances; on the other hand, these smaller companies sometimes
35   have above-average growth prospects because they start with a lower
36   revenue and earnings base.