



State of Utah

Department of Commerce Division of Public Utilities

MARGARET W. BUSSE
Executive Director

CHRIS PARKER
Director, Division of Public Utilities

SPENCER J. COX
Governor

DEIDRE HENDERSON
Lieutenant Governor

Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Doug Wheelwright, Utility Technical Consultant Supervisor

Russ Cazier, Utility Analyst

Tyler McIntosh, Utility Analyst

Date: November 4, 2021

Re: **Docket No. 21-999-01**, Rocky Mountain Power's Compliance Filing of Dividend.

Recommendation (No Action)

The Division of Public Utilities (Division) acknowledges the compliance filing submitted by PacifiCorp dba Rocky Mountain Power (RMP or Company) to the Public Service Commission of Utah (Commission) pertaining to the cash dividend declared by PacifiCorp's Board of Directors on October 15, 2021.

Issue

On October 15, 2021, the Company submitted a compliance filing to provide notice of a cash dividend declared by PacifiCorp's Board of Directors. This is filed as Docket No. 21-999-01. Subsequently, the Division acknowledges the cash dividend declared.

Background

Utah Code Ann § 54-4-27 identifies the notification and approval requirements that a gas or electric corporation must follow prior to the payment of a dividend. The Division understands

the terms “impaired” and “impairment” in the statute to mean that (1) the payment of the dividend will result in actions being taken against the Company by creditors, rating agencies, or others due to a reduction in the value of the capital, the violation of loan covenants, or other agreements; (2) the payment of the dividend would result in a reduced ability of the Company to provide service through a lack of working capital or other financial capacity to continue its operations in the same manner as it would if the dividend were not paid.

Discussion

On October 15, 2021, The Board of Directors of PacifiCorp declared a cash dividend of \$150 million, or approximately \$0.42010 per share, on the outstanding shares of PacifiCorp common stock. This is payable to its sole common stock shareholder of record, PPW Holdings LLC, on November 15, 2021.

In order to provide the Commission with an update of the Company’s financial condition, the Division has included Exhibit 1. This exhibit provides a summary of the financial results for the periods ending December 31, 2016, through June 30, 2021, and has been taken from the Company’s historical SEC 10-K, audited financial statements and other financial reporting.

In review of the financial information for PacifiCorp, for the 12 months ending December 31, 2020, total revenue increased from \$5,068 million to \$5,341 million. From a longer-term perspective, total revenue has fluctuated from 2016 through 2020 with an average annual increase of 0.41%. For the second quarter of 2021, total revenue was \$2,540 million.

Exhibit 1 shows total accounts receivable to be \$776 million, an increase of \$25 million from the end of 2020. The net plant and equipment have increased to \$22,675 million, up from \$22,430 million from the end of 2020, and \$20,973 million from 2019. For the five years under review, net plant has experienced an average growth rate of 3.35% per year. Per Exhibit 1 page 4, the Company’s regulatory capital structure is 46.2% debt and 53.8% equity.

Per Exhibit 1, the Company had a Return on Equity (ROE) of 8.87% for 2020. The Company's authorized return on equity was 9.85% in 2020 and was reduced to 9.65% as of January 1, 2021. Based on the calculations, the Company's earnings are within the acceptable range. The Division will continue to monitor the regulatory ROE calculations and will report any findings to the Commission.

Per Utah Code Annotated § 54-4-27 and based upon the stipulation approved in Docket No. 05-035-54, the Company is required to publish notice of the dividend in a newspaper circulated in the city where the principal place of business is located. In the submitted filing it states, "A notice stating, in substance, the contents of this letter are being published in The Salt Lake Tribune, The Deseret News, and the www.utahlegals.com on-line media website, all in compliance with the aforesaid statute."

Conclusion

The Division has determined that the dividend payments will not affect the financial standing or stability PacifiCorp. The Division recommends that the Commission take no action concerning the dividend.

Cc: Michele Beck – Office of Consumer Services
Jana Saba – Rocky Mountain Power