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UTAH DEPARTMENT OF COMMERCE

Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Brenda Salter, Assistant Director

Doug Wheelwright, Utility Technical Consultant Supervisor

Casey J. Coleman, Utility Technical Consultant

Date: February 9, 2023

Re: **Docket No. 23-999-01**, PacifiCorp's Declaration of Dividend, Compliance Filing.

Recommendation (Acknowledge)

The Division of Public Utilities (Division) recommends the Public Service Commission (Commission) acknowledge the compliance filing submitted by PacifiCorp, dba Rocky Mountain Power (Company), pertaining to the cash dividend declared by PacifiCorp's Board of Directors on January 25, 2023. No further action is required.

Issue

On January 24, 2023, the Company submitted a compliance filing notice of a cash dividend declared by PacifiCorp's Board of Directors. The \$300 million dividend will be paid to its sole common stock shareholder, PPW Holdings LLC, on February 24, 2023. The Commission directed the Division to review the Company's filing for compliance and make appropriate recommendations.

Background

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

Division of Public Utilities

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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; or (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 January 25, 2023, the Board of Directors of PacifiCorp declared a cash dividend of \$300 million, or approximately \$0.84019 per share, on the outstanding shares of PacifiCorp common stock.

In Docket No. 22-999-01,¹ the Division calculated the Company’s financial condition for the periods ending December 31, 2017, through December 30, 2021. This analysis was used to determine if there would be an impairment in issuing a dividend to shareholders. Exhibit 1 in Docket No. 22-999-01, provided a summary of the financial results. The information for this report was taken from the Company’s historical SEC 10-K, audited financial statements, and other financial reporting. Because this calculation remains the most current information, the Division has included the same analysis for this Docket again labeled Exhibit 1 and summarizes the analysis below. The Division has reviewed the financial information through the 3rd quarter of 2022 and year-end financial information for 2022 should be available by the end of February 2023.

For the 12 months ending December 31, 2021, total revenue was \$5,296 million, which is \$45 million lower than 2020. The year-over-year annual change from 2020 to 2021 represents a decrease of 0.8%. From a longer-term perspective, total revenue has remained fairly consistent with an average annual increase of 0.22%.

Exhibit 1 shows total accounts receivable to be \$725 million, an increase of \$22 million from the end of 2020. The net plant and equipment increased to \$22,914 million, up from

¹ PacifiCorp’s Declaration of Dividend, Division Memo, June 2, 2022.

\$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 3.60% per year. Per Exhibit 1 page 3, the Company's regulatory capital structure is 46.8% debt and 53.2% equity and is close to the historical average.

The Division calculated a Return on Equity (ROE) of 9.31% for 2021, which is slightly below the historical average of 9.41% and below the Company's authorized return of 9.65%. Based on the calculations. The Division will continue to monitor the regulatory ROE calculations and will report any findings to the Commission.

Per Utah Code § 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 online media website, all in compliance with the aforesaid statute."

Conclusion

The Division determined the dividend payments will not affect the financial standing or financial stability of PacifiCorp. The Division recommends the Commission acknowledge the filing concerning the dividend.

cc: Michele Beck, Office of Consumer Services
Jana Saba, Rocky Mountain Power