

October 15, 2020

To Registered Participants in Proceeding 790 and Other Interested Parties

Dear Stakeholder:

Re: **Updates to Proceeding 790 – Module C Adjustments Workbooks and Settlement Procedure Document**

On September 23, 2020, the AESO published estimated Module C adjustments workbooks that included estimates of the GST and interest that would apply to amounts on preliminary statements issued on October 7, 2020 for the first settlement period of 2016 to 2014 in Proceeding 790 – Module C. On October 6, 2020, the AESO published a *Module C Settlement Procedure* document that explained the process to be followed for financial settlement of the Module C adjustments, including GST and interest.

After receiving questions from stakeholders and reviewing the matters being questioned, the AESO published updates to the workbooks and procedure document today, October 15, 2020. The updates affect the calculation of interest in the workbooks as described below.

### **GST Now Excluded From Interest Calculation**

The September 23 workbooks calculated GST on the Module C adjustments and applied interest to the adjustment amounts and to the applicable GST amounts. Upon review of GST applicability, the AESO determined that interest should be calculated on the adjustment amounts only and should not be calculated on GST amounts.

The AESO has accordingly updated the Module C adjustment workbooks to exclude GST from the calculation of interest. This update is reflected in a revision to paragraph 10 of the *Module C Settlement Procedure* document.

### **Interest Now Calculated Without Compounding**

The September 23 workbooks calculated interest on Module C adjustments from the original production month to the month of cash settlement as directed by the Commission, calculated using an interest rate equal to the Bank of Canada's Bank Rate plus 1½% compounded monthly. Upon review of recent decisions by the Alberta Utilities Commission ("Commission") involving interest on deferral account balances and adjustments from interim to final rates, the AESO determined that interest should be calculated on a simple (uncompounded) basis.

For example, the Commission has approved uncompounded interest calculations for

- AltaLink Management Ltd.'s 2014-2015 transmission deferral accounts reconciliation (Proceedings 22542, 24329, and 24919);
- ATCO Electric Transmission's 2013-2014 transmission deferral accounts (Proceedings 21206 and 23114);
- ATCO Electric Transmission's 2018-2019 general tariff application (Proceedings 23114 and 24805); and

- distribution facility owner annual applications for electric transmission access charge deferral accounts (Proceeding 3334).

The AESO has accordingly updated the Module C adjustment workbooks to reflect the Bank of Canada's Bank Rate plus 1½% without compounding. This update is reflected in a revision to paragraph 9 of the *Module C Settlement Procedure* document.

### **Updated Information Is Available on AESO Website**

The updated workbooks and *Module C Settlement Procedure* document may be accessed on the AESO website at [www.aeso.ca](http://www.aeso.ca) by following the path Grid ► Loss factors, in the section “Loss factors recalculation for 2006-2016”.

If you have any questions regarding these updates, please contact John Martin by email to [john.martin@aeso.ca](mailto:john.martin@aeso.ca) or at 403-667-8040.

Yours truly,

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