

Exhibit 10:

Transitions to MIFRS

Exhibit 10: Deferral And Variance Accounts

Tab 1 (of 1): Overview of Transition to MIFRS

1 **TRANSITION TO MIFRS - MANAGER'S SUMMARY**

2 Bluewater Power's 2013 COS Application is submitted based on MIFRS. This exhibit to
3 the Application highlights the differences between the 2013 Revenue Requirements
4 under MIFRS and CGAAP. Attachment 1 of Exhibit 10, Tab 1, Schedule 1 presents the
5 components of Revenue Requirement with references to the locations in the evidence to
6 support the amount presented. Also provided below are the high level summaries of
7 each component of Revenue Requirement.

8 **Rate Base and Resulting Deemed Return on Debt/Equity**

9 Rate Base is impacted under MIFRS in the following areas:

- 10 • Opening NBV of capital assets for 2013 is impacted upon conversion from
11 CGAAP to MIFRS.
- 12 • Change in NBV of capital assets during the 2013 Test year due to two factors;
13 first, overhead is not capitalized and, second, there is change in amortization due
14 to a difference in useful lives under CGAAP vs. MIFRS.
- 15 • Working capital allowance increases as there is an increase in OM&A resulting
16 from overhead that is not capitalized under MIFRS.
- 17 • Account 1575 Transitional Rate Base Adjustment.

18 These items are expanded upon in the Rate Base Overview provided in Exhibit 2, Tab 1,
19 Schedule 1. Once Rate Base reflects these items driven by MIFRS, then the resulting
20 deemed return on debt and equity are adjusted accordingly.

21 **Recoverable Expenses**

22 Recoverable expenses under MIFRS are higher than recoverable expenses under
23 CGAAP because overhead costs cannot be capitalized under MIFRS. This issue is
24 discussed in detail under the Capitalization Policy found in Exhibit 2, Tab 2, Schedule 1.

1 **Depreciation**

2 Depreciation is impacted under MIFRS in the following areas:

- 3 • Deemed cost election for January 1, 2013 opening balances with revised
4 remaining useful lives for depreciation purposes.
5 • Componentization of capital asset additions with new useful lives for depreciation
6 purposes post January 1, 2013.
7 • Adjustment for Account 4357 'Gain from Retirement of Utility and Other
8 Property'.
9 • Adjustment for Account 1575 'IFRS-CGAAP Transitional PP&E Amounts'.

10

11 The first two items are expanded upon in the Depreciation Policy presented in Exhibit 2,
12 Tab 2, Schedule 4. Account 4357 is expanded upon in the Asset Retirement Policy
13 presented in Exhibit 2, Tab 2, Schedule 3. Account 1575 is expanded upon in the Rate
14 Base Overview in Exhibit 2, Tab 1, Schedule 1.

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16 **Payment in Lieu of Taxes (PILs)**

17 PILs is impacted under MIFRS primarily for the following reason:

- 18 • To the extent that depreciation expense is different (per above), the add-back on
19 Schedule 1 for the taxable income calculation will be different (This is further
20 explained in the Overview of PILs in Exhibit 4, Tab 8, Schedule 1).

21

22 Two other less significant reasons that PILS is impacted under MIFRS are as follows:

- 23 • To the extent that Rate Base is different (per above), the deemed return on
24 equity amount will be different which is the starting point for the taxable income
25 calculation.
26 • To the extent that capital additions are different because overhead costs are no
27 longer capitalized (per above), the resulting CCA deduction will be different.

1 **Revenue Offsets**

2 Revenue offsets are impacted under MIFRS due to the treatment of Account 4357 'Gain
3 from Retirement of Utility and Other Property'. Under CGAAP, this amount is included
4 with revenue offsets. Under MIFRS, this amount is an adjustment to depreciation
5 expense (see discussion under Depreciation above).

2013 Revenue Requirement Differences - MIFRS vs. CGAAP

	2013 MIFRS	2013 CGAAP	Difference	MIFRS Reference
Ratebase	66,435,935	66,514,661	(78,726)	Exh 2, Tab 1, Sch 1
Adjustment to Ratebase - a/c 1575	364,881	-	364,881	Exh 2, Tab 1, Sch 2, Att 2
Total Ratebase	66,800,816	66,514,661	286,155	
WACC of 6.07% on ratebase	4,033,907	4,038,316	(4,409)	
WACC of 6.07% on adj to ratebase	22,153	-	22,153	
Total WACC	a 4,056,060	4,038,316	17,744	Exh 5, Tab 1, Sch 1, Att 1
Total OM&A	13,078,828	13,078,828	-	Exh 4, Tab 1, Sch 1, Att 1
Taxes Other Than Income Taxes	223,914	223,914	-	
Total Recoverable Expenses	13,302,742	13,302,742	-	
Less: overhead capitalized	-	(956,578)	956,578	Exh 2, Tab 2, Sch 1
Net Recoverable Expenses	b 13,302,742	12,346,164	956,578	
Depreciation before adjustments	4,930,403	6,210,586	(1,280,183)	Exh 4, Tab 7, Sch 1, Att 4
Adjustment for a/c 4357	(10,000)	-	(10,000)	
Adjustment for a/c 1575	91,220	-	91,220	
Total Depreciation	c 5,011,623	6,210,586	(1,198,963)	
PILs per model calculation	494,144	880,931	(386,787)	Exh 4, Tab 8, Sch 3, Att 1
Adjustment to PILs	92,369	92,369	-	Exh 4, Tab 8, Sch 1
Total PILs	d 586,513	973,300	(386,787)	
Revenue Offsets	e (1,080,249)	(1,090,249)	10,000	Exh 3, Tab 2, Sch 1
Base Revenue Requirement (a+b+c+d+e)	21,876,689	22,478,117	(601,428)	