

Summary of Proposed Adjustments 2018

1) Smart Meters Reclassified prior years

Smart Meters were reported as a Class 8 asset on Schedule 8 in the 2017 Tax Return representing the UCC balance from prior years. Smart meters are part of the distribution equipment which are Class 47 assets for tax purposes. Income Tax Regulation 1100 Schedule II of the Income Tax Act.

This adjustment is made to reclassify the opening UCC in the amount of for 2014 for smart meters from Class 8 (20%) to Class 47(8%). The excess CCA claimed in the amount of \$46,499 as a deduction from taxable income will be disallowed as a result from the reclassification.

Bluewater Power Distribution represented that all smart meters added to capital in this year were included in CCA Class 47. The same representation was made for 2014, 2015,2016 and 2017 taxation years.

2) Meals & Entertainment

The amount of \$2,425 represents 50% of expenditures representing meals provided at conferences, meetings and seminars. This adjustment is made to comply with S67.1(3) of the Income Tax Act.

3) Capital Assets

Capital expenditures were recorded as Capital Assets in the Financial Statements and depreciated accordingly. Certain of these assets were not capitalized on the Schedule 8 for tax purposes but were deducted from taxable income on the S(1).

This adjustment in the amount of \$2,428,881 is made to disallow the capital expenditures pursuant to S18(1)(b) of the Income Tax Act.

Bluewater Power Distribution may request CCA for the capital expenditures disallowed.

4) CCA Class 14.1 (Eligible Capital Expenditures)
CCA in the amount of \$3,057 will be disallowed. The amount was capitalized in another corporation Bluewater Power. (2016 closing CEC 46,965 @7%)

5) Disallowed Interest

This adjustment will be discussed in a separate correspondence.

6) Allowance for Doubtful Accounts

The Allowance for Doubtful Accounts in the amount of \$240,000 was deducted from taxable income. This is a nondeductible reserve and will be disallowed.

7) Reversal of 2017 Allowance for Doubtful Accounts

The amount of \$290,000 representing Allowance for Doubtful Accounts for 2017 will be reversed and deducted from taxable income.

8) CCA on Reclassification of Class 10 to Class 47.

Pursuant to your request CCA in the amount of \$14,943 will be increased for the reclassification of the disposals reported on the S(8).

9) CCA on Capital Expenditures Reassessed in prior years.

Pursuant to your request CCA in the amount of \$ 406,496 will be increased for the Capital Expenditures reassessed in the 2014, 2015, 2016 and 2017 taxation years.

10) CCA on Capital Expenditures Reassessed in the current year

Pursuant to your request CCA in the amount of \$ 96,236 will be increased for the Capital Expenditures reassessed in the current year 2017.