

Manitoba Hydro Undertaking #43

Advise as to whether AOCI has been a factor in the Debt:Equity ratio for the various fiscal years going back to 2005/06.

Accumulated Other Comprehensive Income (AOCI) consists primarily of unrealized foreign exchange translation gains or losses on Manitoba Hydro's US denominated debt. AOCI was first introduced as a component of equity in Manitoba Hydro's 2007/08 financial statements, reflecting a changing requirement in Canadian Generally Accepted Accounting Principles. Prior to that, unrealized foreign exchange translation gains or losses were represented on the balance sheet as a deferred charge or credit.

The following table shows a comparison of how deferred foreign exchange amounts were embedded in the debt equity ratio in the pre AOCI period and how AOCI is currently incorporated into this calculation:

Fiscal 2006/07

	Historical Calculation	Current Calculation
Long-term debt net of sinking fund investments	6,192	6,192
Current portion, long-term debt	405	405
Notes payable	148	148
Less: Cash and cash equivalent	(1)	(1)
Deferred foreign exchange	149	
Net debt	<u>6,893</u>	<u>6,744</u>
Retained earnings	1,407	1,407
AOCI (Deferred foreign exchange)		149
Contributions in aid of construction	335	335
	<u>1,742</u>	<u>1,891</u>
Debt Ratio	<u>80%</u>	<u>78%</u>
Equity Ratio	<u>20%</u>	<u>22%</u>

In effect, the Historical Calculation eliminated any unrealized gains or losses associated with the translation of US long-term debt to Canadian dollars at balance sheet date. Under the Current Calculation, unrealized gains or losses are explicitly recognized in equity.