



**QUESTION & ANSWER DOCUMENT
ENMAX'S SECOND QUARTER EARNINGS REPORT
AND RESPONSE TO REGULATORY DECISION ON 2004 REGULATED RATE AND
DISTRIBUTION TARIFF IN CALGARY
August 19, 2004**

SECOND QUARTER FINANCIAL RESULTS

1. Why did net earnings decline in the first half of 2004 compared to the same period in 2003?

The factors impacting ENMAX's net earnings thus far in 2004 were tighter margins in the retail business and increased deferral account charges from the Alberta Electric System Operator.

2. Did ENMAX anticipate this decline in net earnings?

Yes, at the annual shareholder meeting in May and in the budget, we predicted that intensifying competition would affect future net earnings. While net earnings are lower than recent years, they are still significantly higher than before ENMAX was set up as a commercial company.

3. What is ENMAX doing to support higher earnings in the future?

We continue to develop innovative offers in a highly competitive market. Our energy supply department continues to actively manage the supply portfolio. ENMAX has examined its cost structure and reduced costs in a number of areas, as is evident in our declining general and administrative expenses in the first half of 2004 compared to the same period in 2003. We also are pursuing business opportunities to grow our earnings.

4. What does ENMAX do with its profits?

ENMAX profits provide dividends to The City of Calgary which are used for the benefit of Calgarians. ENMAX also reinvests in operations and growth opportunities. ENMAX is also a generous contributor to the communities in which we work and operate.

5. Is there any threat to the dividends ENMAX provides The City of Calgary?

There is no impact to 2004 dividends because they are based on our 2003 net earnings of \$161 million. Dividends in 2005 will be based on the greater of \$30 million or 30% of 2004 net earnings so financial performance in 2004 does impact future 2005 dividends.

6. Will there be any impact to jobs within the company as a result of declining earnings?

There are no immediate plans to reduce the number of jobs at ENMAX. Any impacts to roles within the company will be in the context of continuing to reduce costs and increase efficiencies.

7. Is ENMAX able to compete in the existing market?

Yes. ENMAX Energy is focusing its efforts on retaining and winning profitable customers. At times this may translate into lower sales volumes, but we are focused on maintaining returns among existing customers for longer periods of time. The unregulated power services business and fibre optics business are also successful competitive businesses.

8. What are the forecasts for wholesale prices in the future?

ENMAX Energy forecasts wholesale electricity prices will range between \$55 and \$65 per megawatt hour in 2004. Natural gas prices are anticipated to be about \$6.00 to \$6.50 per gigajoule in 2004.

9. Why did energy supply costs go up in the second quarter?

As wholesale market prices increased in the second quarter of 2004, so did ENMAX Energy's supply costs.

REGULATORY DECISION ON 2004 REGULATED RATE TARIFF (RRT) AND DISTRIBUTION TARIFF (DT) IN CALGARY

10. What happened?

On August 13, 2004, The Alberta Energy and Utilities Board (EUB) released an initial decision on ENMAX's final 2004 DT and RRT.

11. What does this decision mean for the company?

The overall impact to the company is an estimated reduction in net earnings of approximately \$31 million dollars in 2004. The most significant item causing this impact is the discontinuance of the historical practice of using utility rates to fund the equity needed to expand the distribution system to meet customer demand. This has been the approved practice under City of Calgary regulation for decades. The decision also reduced the RRT margins and lowered recoverable costs related to water and waste water billing services provided to The City of Calgary.

12. Are these rates final?

There is a refiling process and continued information request process between now and the end of September. Rates will be set at that time and be implemented before the end of the year and retroactive to January 1, 2004.

13. What does this mean for customers?

Between now and the end of September, we will work with the EUB to determine both the quantity and timing of refunds for Calgary customers in each different rate class.

14. What about ENMAX's regulated customers outside of Calgary?

In other areas of the province where ENMAX has contracts to provide RRT service, such as Red Deer and Lethbridge, the RRT and DT are set by those municipal governments.

15. What are Regulated Rate Tariffs?

Regulated Rate Tariffs (RRT) are rates for electricity service required under Alberta government legislation and regulations regarding deregulation. Formerly called the Regulated Rate Option (RRO), they are designed to provide a regulated rate for residential, farm and small commercial customers while these customers assess non-regulated, competitive price offers from electricity retailers.

16. Who provides service under the RRT?

The owner of the local distribution system is required to provide the RRT to eligible customers in their service area. ENMAX Power has contracted with ENMAX Energy to provide RRT service in the Calgary area.

17. What are Distribution Tariffs?

The Distribution Tariff or DT sets out the charges that Wires Services Providers such as ENMAX Power applies for the use of its distribution system by Retailers and customers. It also includes the distribution system access fees ENMAX Power pays to the Alberta Electric System Operator (AESO).