



QUARTERLY REPORT 2006

THIRD QUARTER 2006

	Three months ended September 30		Nine months ended September 30	
	2006	2005	2006	2005
<i>(millions of dollars, except operating statistics)</i>				
Total revenue	458.3	309.8	1,184.2	892.6
Cost of sales	343.3	210.4	860.7	597.5
Operating margin ⁽¹⁾	115.0	99.4	323.5	295.1
Operating, maintenance and administrative expenses	44.1	41.7	130.1	127.1
Earnings before interest, income tax, depreciation, amortization and non-controlling interest ⁽¹⁾	70.9	57.7	193.4	168.0
Amortization	24.2	17.4	64.1	51.6
Interest on long-term debt	4.8	3.5	13.5	10.7
Income taxes	7.9	5.9	19.7	17.7
Non-controlling interest ⁽²⁾	(0.1)	(0.1)	(0.3)	(0.2)
Net earnings	34.1	31.0	96.4	88.2
Return on equity (annualized) ⁽³⁾			10 %	11 %
Payments to shareholder:				
Dividends	12.5	12.5	37.5	37.5
Local access fees	21.7	18.0	58.6	54.2
Operating statistics:				
Energy sold (gigawatt hours)	3,438	2,222	9,303	6,732
Energy delivered (gigawatt hours)	2,238	2,044	6,591	6,121
Natural gas sold to customers (terajoules)	2,101	767	9,927	6,022

⁽¹⁾ *Non-GAAP Financial Measures, see discussion that follows in MD&A.*

⁽²⁾ *Includes the interest of the non-controlling shareholders in the net earnings of Furry Creek Power Ltd. and Hydromax Energy Ltd.*

⁽³⁾ *Return on equity (annualized) is equal to annualized net earnings divided by average monthly shareholder's equity for the period.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis, prepared as at November 13, 2006 should be read in conjunction with the accompanying unaudited interim consolidated financial statements of ENMAX Corporation (ENMAX or the Corporation) as at and for the three and nine months ended September 30, 2006 and 2005, as well as the Corporation's 2005 Annual Report. All dollar amounts are stated in Canadian currency.

RESULTS OF OPERATIONS

Consolidated

During the quarter ended September 30, 2006, ENMAX focused on successfully integrating its acquired interest in the Battle River Power Purchase Arrangement (PPA), realized growth in its customer base, continued construction of the Taber wind generation facility and expanded the transmission and distribution networks in Calgary and surrounding areas, all of which contributed to the Corporation's continuing ability to deliver competitively priced electricity to its customers.

For the nine months ended September 30, 2006 ENMAX's consolidated net earnings were \$96.4 million, including \$34.1 million in the third quarter. This compares to consolidated net earnings of \$88.2 and \$31.0 million, respectively, in the same periods of 2005. Net earnings for the nine months ended September 30, 2006 increased 9% and reflect increased electricity and natural gas sales volumes, combined with higher average prices, partially offset by the impact of increased amortization, interest on long-term debt and income tax charges.

Operating margin for the first nine months of 2006 increased 10% to \$323.5 million compared to \$295.1 million for the same period in 2005. In the third quarter of 2006, ENMAX's operating margin was \$115.0 million, 16% higher than \$99.4 million for the third quarter of 2005. The increases were driven by higher electricity and natural gas sales volumes and higher electricity prices.

During the first nine months of 2006, operating, maintenance and administrative expenses totaled \$130.1 million, including \$44.1 million in the third quarter. This compares to \$127.1 million in the first nine months of 2005, of which \$41.7 million related to the third quarter. The increases of 6% and 2% for the three and nine months, respectively, are attributable to increases in salary and non-labour costs across all segments in the business and to the growth in Calgary and surrounding area, which drives growth in the transmission and distribution systems and their operating costs.

Amortization has increased to \$64.1 million for the first nine months of 2006, of which \$24.2 million related to the third quarter. This compares to \$51.6 million and \$17.4 million, respectively, for the same periods in 2005. The increase is mainly the result of amortization relating to ENMAX's 55% interest in the Battle River PPA acquired in the second quarter.

Interest on long-term debt has increased to \$13.5 million for the first nine months of 2006 from \$10.7 million for the same period in 2005. For the three months ended September 30, 2006 interest on long-term debt amounted to \$4.8 million compared to \$3.5 million for the same period in 2005. The increase is the result of additional long-term debt issued in the first quarter of 2006, the proceeds of which were used to finance capital expenditures in ENMAX Power.

Income tax expense was \$19.7 million during the first nine months of 2006, including \$7.9 million for the third quarter. This compares to \$17.7 million for the same nine month period of 2005, including \$5.9 million in the third quarter. The increase in income taxes is driven by higher earnings before tax from the Corporation's taxable operations.

In the third quarter of 2006, ENMAX paid The City of Calgary \$12.5 million as part of its annual dividend of \$50 million declared earlier in the year, which amounts are consistent with 2005.

SELECTED QUARTERLY FINANCIAL DATA

Net earnings for the three months ended September 30, 2006 increased \$3.1 million or 10% compared to the same period in 2005. The impact of increased sales volumes of electricity and natural gas combined with higher average prices was offset by higher charges for amortization resulting from the acquisition of the Battle River PPA and the growth in the Calgary and surrounding area transmission and distribution networks, combined with increased interest on long-term debt following the issuance of debt in the first quarter, and additional income taxes due to higher pre-tax earnings in the taxable operations of the Corporation.

<i>(millions of dollars)</i>	2006			2005				2004
	Third	Second	First	Fourth	Third	Second	First	Fourth
Total revenue	458.3	346.5	379.4	405.8	309.8	289.2	293.6	306.0
Operating margin ⁽¹⁾	115.0	115.5	93.0	85.8	99.4	98.6	97.1	102.1
Net earnings	34.1	37.0	25.3	28.5	31.0	25.7	31.5	26.3
Funds generated from operations ⁽¹⁾	61.1	61.6	43.4	34.0	49.9	47.5	46.2	35.3
Cash provided by (used in) operating activities	29.7	57.0	(9.8)	30.1	28.2	41.6	(20.1)	65.2

(1) *Non-GAAP financial measure. See discussion that follows.*

NON-GAAP FINANCIAL MEASURES

The Corporation provides non-GAAP financial measures in this Management's Discussion and Analysis. These measures do not have any standardized meaning prescribed by Canadian generally accepted accounting principles and may not be comparable to similar measures presented by other companies. The purpose of these financial measures and their reconciliation to GAAP financial measures are shown below.

<i>(millions of dollars)</i>	Three months ended September 30		Nine months ended September 30	
	2006	2005	2006	2005
Operating margin	115.0	99.4	323.5	295.1
Add: cost of sales	343.3	210.4	860.7	597.5
Revenue (GAAP financial measure)	458.3	309.8	1,184.2	892.6

Net revenue is a more useful measure of business performance than revenue, as changes in the market price of electricity and natural gas purchased for resale affect both revenue and costs of sales. Management believes net revenue also better reflects growth in the business as it removes the price volatility from the revenue and cost of sales income statement line items.

Funds generated from operations	Three months ended September 30		Nine months ended September 30	
	2006	2005	2006	2005
<i>(millions of dollars)</i>				
Funds generated from operations	61.1	49.9	166.1	143.6
Deduct changes in non-cash working capital	(31.4)	(21.7)	(89.2)	(93.9)
Cash provided by operating activities (GAAP financial measure)	29.7	28.2	76.9	49.7

Funds generated from operations is provided to assist in determining the ability of ENMAX to generate cash from operations, after interest and taxes and non-controlling interest, without regard to changes in the Corporation's non-cash working capital in the period. Funds from operations is more representative of the cash generated from the ongoing operations of the business than is cash provided by operating activities.

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

<i>(millions of dollars)</i>	September 30, 2006	December 31, 2005
Long-term debt ⁽¹⁾	\$ 364.0	\$ 234.3
Shareholder's equity		
Share capital	280.1	280.1
Contributed surplus	36.0	—
Retained earnings	1,071.7	1,025.3
Total shareholder's equity	1,387.8	1,305.4
Total capitalization	\$ 1,751.8	\$ 1,539.7

⁽¹⁾ Includes current portion of \$40.0 million (2005 – \$29.8 million). Maturity dates range from June 2006 to June 2024.

Coverage ratios

	For the Nine Months Ended September 30, 2006	For the Year Ended December 31, 2005
Debt to total capitalization ⁽¹⁾	20.8%	15.2%
Interest coverage ratio ⁽²⁾	9.6X	10.9X

⁽¹⁾ As at period end, debt to total capitalization is equal to long-term debt divided by long-term debt plus shareholder's equity.

⁽²⁾ The interest coverage ratio is equal to earnings before interest and taxes divided by interest expense.

Cash provided by operating activities

Cash provided by operating activities increased 55% to \$76.9 million in the first nine months of 2006, including \$29.7 million in the third quarter. This compares to \$49.7 million and \$28.2 million in the same periods of 2005. The improvement is driven by increased earnings before future income taxes. In addition, lower income tax payments, deferred costs of electricity and natural gas supply, partially offset by increases in accounts receivable, attributable to the growing sales volumes, generated favorable impacts in non-cash working capital changes period over period.

Investing activities

Capital spending was \$433.7 million in the first nine months of 2006, of which \$345.2 million was for the acquisition of a 55% interest in the Battle River Power Purchase Arrangement in June of 2006. The expansion of the electrical distribution and transmission systems required a further \$74.7 million and approximately \$10.4 million was spent on the construction of the Taber wind farm. Investments in billing and other information systems amounted to \$2.6 million.

Financing activities

During the nine months ended September 30, 2006, ENMAX repaid \$24.6 million of long-term debt in regularly scheduled principal payments. In the first quarter of 2006, \$154.3 million in long-term debt was obtained from the City of Calgary through arrangements with the Alberta Capital Finance Authority to finance regulated capital expenditures by the Corporation's subsidiary, ENMAX Power. During the quarter ended September 30, 2006, the Corporation issued \$9.0 million of commercial paper, which is backstopped by ENMAX's credit facilities, to fund capital and short-term operating requirements.

In July 2006, ENMAX increased its credit facilities by \$100.0 million, to \$450.0 million, to facilitate additional credit requirements associated with the acquisition of the Battle River Power Purchase Arrangement.

ENMAX believes that its access to debt markets, unused bank credit facilities and funds generated from operations will provide it with sufficient capital resources and liquidity to fund existing operations, capital additions and commitments.

ENMAX declared a dividend of \$50.0 million to The City of Calgary, its sole shareholder, earlier in the year which is consistent with the 2005 amount, paying \$12.5 million in each quarter of 2006 for a total of \$37.5 million in the nine month period. In March 2006, the City contributed \$36.0 million to ENMAX to fund capital projects in the distribution and transmission businesses.

BUSINESS SEGMENT RESULTS

The operating businesses of ENMAX Corporation are managed principally in two business segments, ENMAX Power and ENMAX Energy. The results of those segments are discussed in the comments that follow.

In 2006, ENMAX realigned its reportable segments to be consistent with changes in its internal management structure, combining the regulated operations of the business in one segment. The significant changes were to move reporting of Regulated Rate Option (RRO) and Envision business lines from ENMAX Energy to ENMAX Power. Comparative amounts have not been restated as the information is not practically available.

ENMAX Power

ENMAX Power's results are driven by the Corporation's distribution, transmission and regulated rate tariffs, all subject to regulation by the Alberta Energy and Utilities Board (EUB), as well as earnings from its non-regulated power services and fibre-optic business lines.

ENMAX Power recorded earnings before interest and income tax of \$37.0 million in the first nine months of 2006, including \$13.4 million in the third quarter. This compared to earnings before interest and income tax of \$36.7 million during the first nine months of 2005, of which \$11.6 million related to the third quarter of 2005. The increases in net earnings are the result of the inclusion of non-regulated operations in 2006 previously reported in the ENMAX Energy segment, partially offset by the impact of disallowed costs by the regulator from the 2005/2006 Distribution Tariff decision issued in the first quarter of 2006 and increased amortization charges.

During the first nine months of 2006, revenues totaled \$515.1 million, of which \$193.0 million relates to the third quarter. This compares to \$252.4 million and \$83.9 million, respectively, for the same periods in 2005. The increase in revenues is substantially attributed to the reporting of the Corporation's RRO operating results in ENMAX Power rather than ENMAX Energy commencing January 2006.

ENMAX Power delivered 6,591 GWh of electricity during the first nine months of 2006, including 2,238 GWh in the third quarter up 8% and 9%, respectively, compared to 6,121 GWh and 2,044 GWh for the first nine months and third quarter of 2005. The increase is the result of continued electrical load growth in Calgary and the surrounding area. Of the total electricity sold, 2,171 GWh was purchased by RRO customers for the nine months ended September 30, 2006, including 699 GWh in the third quarter. This compared to 2,643 GWh in the first nine months of 2005, of which 780 GWh was sold in the third quarter. The lower RRO volumes reflect the continued movement of Calgary RRO customers to the competitive market.

ENMAX Power's cost of services provided for the first nine months of 2006 totaled \$440.1 million including \$167.1 million during the third quarter of 2006. This compared to \$185.0 million during the first nine months of 2005, of which \$61.8 million was incurred in the third quarter of 2005. Electricity purchases, grid charges and customer billing and collection costs associated with the inclusion of the Calgary RRO business in ENMAX Power's 2006 cost of services provided are the main drivers of this increase.

Amortization totaled \$38.0 million for the first nine months of 2006, of which \$12.5 million related to the third quarter. This compares to \$30.7 million and \$10.5 million, respectively, for the same periods in 2005. The increase is driven by Enmax Power's capital investment in the electrical distribution and transmission systems in Calgary and the surrounding area and the inclusion of non-regulated operations in 2006 previously reported in the ENMAX Energy segment.

During the third quarter of 2006, the EUB established a process that includes a two week oral hearing in mid-November for the Distribution Phase II process. This hearing will determine the allocation of distribution and transmission system access charges between the various classes of electricity consumers (i.e. residential, commercial and industrial) in ENMAX Power's service territory. ENMAX, customer representatives and EUB staff are working together to narrow the scope of the hearing in order to minimize costs.

On October 24, 2006, the EUB issued a decision relating to the RRO non-energy revenue requirement for 2006. The EUB approved \$20.6 million of the \$21.7 million included in the application. The rates derived from these decisions will commence in the fourth quarter of 2006.

On November 1, 2006, the EUB issued a decision relating to the RRO energy margin, for the first six months of 2006. This decision resulted in a margin increase to \$1.53/Mwh from \$1.09/Mwh compared to the 2005 decision. The rates derived from this decision will commence in the fourth quarter of 2006.

Certain estimates are necessary since the regulatory environment that the Corporation operates in often requires amounts to be recorded at estimated values until finalization and adjustment is determined pursuant to subsequent regulatory proceedings. Adjustments could materially impact net income and will be recorded in the periods they become known.

ENMAX Energy

ENMAX Energy earnings are driven by its wholesale and retail electricity sales as well as the retail sale of natural gas. Electricity from its generation supply – coal fired through Power Purchase Arrangements (PPA's) and wind generated - is sold to retail customers and to the Alberta power pool. Natural gas sales commitments are supplied through purchases from producers. ENMAX Energy contributes to the Corporation's strategy of delivering long-term stable cash flows to its shareholder, having implemented rigorous risk management processes and systems to carefully monitor and manage its business in light of certain price and commodity risks it faces.

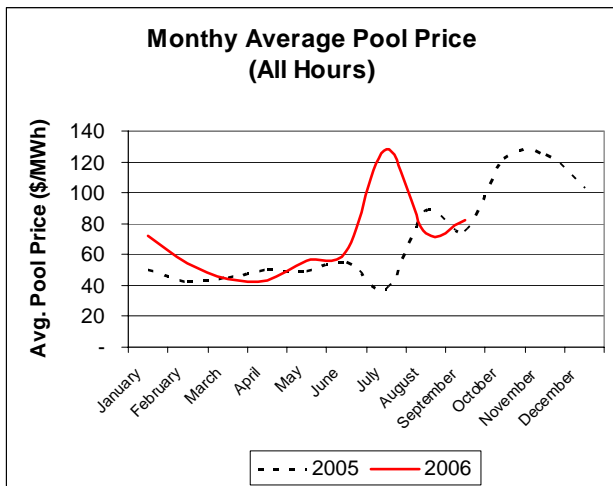
For the nine months ended September 30, 2006 ENMAX Energy recorded earnings before interest and income tax of \$87.1 million of which \$32.8 million related to the third quarter. This compares to earnings before interest and income tax of \$71.8 and \$25.7 million, respectively, for the same periods of 2005. The growth for the three and nine month periods was driven by higher electricity and natural gas sales volumes, of 74% and 47%, respectively, compared to the same periods in 2005. Partially offsetting these gains were unplanned outages in ENMAX's generation driving the need to purchase electricity supply in short periods of high prices combined with higher amortization charges on assets acquired in the Energy segment. While average electricity prices are forecasted to be marginally lower than those in the fourth quarter of 2005, additional generation volumes obtained in the Battle River acquisition and a higher proportion of fixed contract prices are anticipated to provide improved segment operating results in the final quarter of 2006.

During the first nine months of 2006, revenues totaled \$822.7 million, including \$321.1 million in the third quarter. This compares to \$787.1 million in the first nine months of 2005, of which \$274.1 related to the third quarter. Of this increase, \$39.0 million is the result of increased electricity sales volumes, of which \$56.4 million relates to the third quarter. Increased sales volumes for natural gas accounted for \$31.8 million of the increase, including \$1.9 million in the third quarter, compared to the same periods last year.

Cost of services provided during the first nine months of 2006 was \$706.3 million, including \$275.8 million in the third quarter. This compared to \$692.7 million and \$240.9 million, respectively, for the same periods in 2005. These increases were driven by increased purchase volumes of electricity and natural gas, the impact of increased prices for electricity and the impact of new operating costs of the Battle River PPA. Partially offsetting these increases is a decrease in natural gas purchase costs compared to the same periods last year due to lower prices.

ENMAX Energy sold 7,132 GWh of electricity to customers in the nine months ended September 30, 2006, including 2,739 GWh in the third quarter. This compares to 4,089 GWh in the first nine months of 2005, of which 1,442 GWh related to the third quarter. Increased sales volumes reflect the success of the EasyMax program as well as higher sales to commercial and industrial customers for both electricity and the natural gas. These gains are partially offset by the impact of ENMAX RRO revenues now being reported in the ENMAX Power segment.

The average wholesale Power Pool price was \$68.36 per megawatt hour (MWh) in the first nine months of 2006 compared to \$54.72 per MWh in the same period in 2005. In the third quarter of 2006, wholesale prices were \$94.74 per MWh compared to \$66.79 per MWh in the third quarter of 2005. Third quarter 2006 pool prices were higher primarily due to increased demand across the province in the absence of new generation capacity and the impact of generation plant outages. ENMAX's retail strategy and the growth in volumes sold under short and long term contracts limits earnings volatility that would otherwise be driven by changes in the Pool Price.



Natural gas prices averaged \$5.35 per gigajoule (GJ) in the third quarter of 2006 compared to \$ 8.81 per GJ in the third quarter of 2005.

Amortization has increased to \$29.6 million for the first nine months of 2006, of which \$12.6 million related to the third quarter. This compares to \$22.8 million and \$7.6 million, respectively, for the same periods in 2005. The increase is the result of amortization associated with the \$345.2 million capital cost of the 55% interest in the Battle River PPA acquired in the second quarter.

ENMAX Corporate

ENMAX Corporate incurs all costs related to the provision of shared services to the ENMAX Power and ENMAX Energy business segments and provides financing, resulting in interest income being recorded in the entity. During the nine months ended September 30, 2006, earnings before interest and income tax for ENMAX Corporate were \$5.5 million, including \$0.6 million in the third quarter, compared to \$8.1 and \$3.1 million for the same periods, respectively, in 2005. The decrease was driven by higher shared service charges due to increases in salary and non-labour costs.

RISK MANAGEMENT AND UNCERTAINTIES

ENMAX follows an integrated approach to risk management across its businesses. For further information on risks, refer to Management's Discussion and Analysis in the 2005 Annual Report, available on the ENMAX website at www.enmax.com.

OUTLOOK

ENMAX expects 2006 full year earnings to compare favorably to 2005 based on expectations for electricity prices, generation acquisition opportunities and the strength of the Alberta economy.

ENVIRONMENT

ENMAX continues to focus on renewable sources of energy, including wind generating facilities and run-of-river hydro electricity generating facilities. Construction continued in the third quarter of 2006 on ENMAX's 80 MW wind power generating facility in the Municipal District of Taber in southern Alberta. Foundations for the 37 wind turbines are currently being poured and the project is expected to be completed and fully commissioned by the first quarter of 2007.

The company currently owns a 50% interest in the McBride Lake wind power generating facility in southern Alberta, a 99% interest in the Furry Creek run-of-river hydro facility near Squamish, BC and a 65% interest in Hydromax, a Vancouver based company focused on developing run-of-river hydro projects.

FORWARD-LOOKING INFORMATION

Certain information in this quarterly report is forward-looking information related, among other things, to anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "target" or similar words suggesting future outcomes. By their nature, such statements are subject to various risks and uncertainties, which could cause ENMAX's actual results and experience to differ materially from anticipated results. Such risks and uncertainties include, but are not limited to, competitive factors and pricing pressures, regulatory decisions and the impact of deregulation on the industry. Management does not intend and does not assume any obligation to update these forward looking statements except as required by law.

CONTACT INFORMATION

ENMAX Corporation and its predecessors have provided Albertans with safe and reliable electricity for 100 years. ENMAX provides electricity, natural gas, renewable energy and value-added services to more than 460,000 residential, commercial and industrial customers in Alberta through its subsidiary companies. ENMAX Energy procures low-cost electricity from the Keephills and Battle River coal-fired plants and, through a subsidiary, is one of Alberta's largest investors in renewable energy with 50 per cent ownership of the McBride Lake Wind Farm and 100 per cent ownership of the Taber Wind Farm. ENMAX Energy has the largest green power marketing program of its kind in Canada and in 2006 received the Consumer Champion Award for its ground-breaking EasyMax™ program. For more information, visit our website at enmax.com.

ENMAX welcomes questions from stakeholders.

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CONSOLIDATED BALANCE SHEETS

(unaudited)	September 30, 2006	December 31, 2005
(millions of dollars)		
ASSETS		
Cash and cash equivalents	-	27.1
Temporary investments, at lower of cost or market	-	174.8
Accounts receivable (Note 2)	319.3	305.9
Income taxes receivable (Note 8)	40.6	23.7
Inventories	20.0	13.0
Other current assets	11.6	2.7
	391.5	547.2
Property, plant and equipment (Note 2)	912.2	874.9
Power purchase arrangements (Note 3)	477.7	149.8
Intangible assets	20.8	22.6
Future income tax asset	170.2	180.5
Other long-term assets	16.2	11.1
	1,988.6	1,786.1
LIABILITIES		
Bank indebtedness	6.2	-
Short-term financing (Note 4)	9.0	-
Accounts payable and accrued liabilities	151.3	190.9
Dividend payable	12.5	-
Income taxes payable	19.1	22.5
Customer deposits	15.3	13.7
Current portion of long-term debt (Note 4)	40.0	29.8
	253.4	256.9
Long-term debt (Note 4)	324.0	204.5
Future income tax liability	12.2	8.6
Other long-term liabilities (Note 2)	10.8	10.0
	600.4	480.0
NON-CONTROLLING INTEREST	0.4	0.7
SHAREHOLDER'S EQUITY		
Share capital	280.1	280.1
Contributed surplus (Note 5)	36.0	-
Retained earnings	1,071.7	1,025.3
	1,387.8	1,305.4
COMMITMENTS AND CONTINGENCIES (Notes 3 and 8)		
	1,988.6	1,786.1

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(unaudited)	Three months ended		Nine months ended	
	September 30 2006	2005	September 30 2006	2005
(millions of dollars)				
REVENUE				
Sales of electricity and natural gas	348.7	216.6	890.8	614.2
Transmission and distribution revenue	75.2	67.9	207.1	204.0
Contractual services and other	34.4	25.3	86.3	74.4
	458.3	309.8	1,184.2	892.6
COST OF SERVICES PROVIDED				
Electricity and natural gas costs	303.1	181.3	753.4	509.5
Local access fees	21.7	18.0	58.6	54.2
Cost of providing contractual services	18.5	11.1	48.7	33.8
Operations, maintenance and administration (note 6)	44.1	41.7	130.1	127.1
	387.4	252.1	990.8	724.6
EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAX	70.9	57.7	193.4	168.0
Amortization	24.2	17.4	64.1	51.6
Interest on long-term debt	4.8	3.5	13.5	10.7
EARNINGS BEFORE INCOME TAX AND NON-CONTROLLING INTEREST	41.9	36.8	115.8	105.7
Income tax	7.9	5.9	19.7	17.7
Non-controlling interest	(0.1)	(0.1)	(0.3)	(0.2)
NET EARNINGS	34.1	31.0	96.4	88.2
RETAINED EARNINGS, BEGINNING OF PERIOD	1,037.6	965.8	1,025.3	958.6
Dividend declared	-	-	(50.0)	(50.0)
RETAINED EARNINGS, END OF PERIOD	1,071.7	996.8	1,071.7	996.8

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	Three months ended September 30		Nine months ended September 30	
	2006	2005	2006	2005
(millions of dollars)				
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net earnings	34.1	31.0	96.4	88.2
Amortization	24.2	17.4	64.1	51.6
Future income taxes	5.6	1.1	13.3	4.7
Non-controlling interest	(0.1)	(0.1)	(0.3)	(0.2)
Change in unrealized market value of financial contracts	(2.7)	0.5	(7.4)	(0.7)
	61.1	49.9	166.1	143.6
Change in non-cash working capital items	(31.4)	(21.7)	(89.2)	(93.9)
	29.7	28.2	76.9	49.7
INVESTING ACTIVITIES				
Purchase of power purchase arrangements	(0.2)	-	(345.2)	-
Purchase of capital assets	(37.1)	(28.9)	(88.5)	(76.7)
Contributions in aid of construction	5.0	2.3	6.8	6.8
Acquisition of (proceeds on disposition of) marketable securities	-	(250.1)	174.8	(250.1)
Customer deposits	1.8	1.8	1.6	-
Other long-term assets	(4.7)	0.3	(5.1)	(1.0)
2000 deficiency rider receivable	-	-	-	5.3
Acquisitions, net of cash acquired	-	-	-	(9.4)
	(35.2)	(274.6)	(255.6)	(325.1)
FINANCING ACTIVITIES				
Long-term debt issued	-	-	154.3	-
Proceeds of short-term financing	9.0	-	9.0	-
Contributed surplus (Note 5)	-	-	36.0	-
Other long-term liabilities	6.8	1.8	8.2	(1.1)
Long-term debt repaid	(11.6)	(5.3)	(24.6)	(19.7)
Dividend paid	(12.5)	(12.5)	(37.5)	(37.5)
	(8.3)	(16.0)	145.4	(58.3)
Decrease in cash and cash equivalents	(13.8)	(262.4)	(33.3)	(333.7)
Cash and cash equivalents, beginning of period	7.6	282.0	27.1	353.3
Cash and cash equivalents, (bank indebtedness), end of period	(6.2)	19.6	(6.2)	19.6
Interest paid	5.9	2.6	13.1	10.6
Income taxes paid	25.8	1.9	33.4	44.9

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Unaudited)

1. Significant accounting policies

The interim consolidated financial statements of ENMAX Corporation (“ENMAX” or the “Corporation”) have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies applied are consistent with those outlined in the Corporation’s annual consolidated financial statements for the year ended December 31, 2005. These interim consolidated financial statements do not include all disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements included in ENMAX’s 2005 Annual Report. Amounts are stated in millions of Canadian dollars.

ENMAX is subject to fluctuations in the demand for and price of electricity and natural gas, therefore interim results are not necessarily indicative of annual results.

Temporary investments

Temporary investments are carried at the lower of cost and fair market value. At September 30, 2006, the fair market value was nil (December 31, 2005 – \$179.0 million).

2. Financial statement effects of rate regulation

In May 2005, the Canadian Institute of Chartered Accountants issued Accounting Guideline 19, Disclosures by Entities Subject to Rate Regulation (AcG-19). AcG-19 expands disclosure requirements relating to circumstances in which the accounting for transactions or events is affected by rate regulation. The guideline is effective for fiscal years ending on or after December 31, 2005.

Under regulatory accounting, the timing of recognition of certain assets, liabilities, revenues and expenses may differ from what is otherwise expected under Canadian GAAP for non-regulated operations.

Regulatory assets

<i>(millions of dollars)</i>	September 30, 2006	December 31, 2005
Regulatory assets		
Distribution assets – intercompany profit on underground residential development ⁽¹⁾	21.3	18.6
Accounts receivable – Purchased power price variance ⁽²⁾	6.2	4.2
Total regulatory assets	27.5	22.8
Regulatory liabilities		
Other long-term liabilities – pension funding ⁽³⁾	2.2	–
Total regulatory liabilities	2.2	–

- (1) Distribution assets for the regulated operations of ENMAX include intercompany profit relating to construction work performed by an ENMAX subsidiary. Such profit is deemed to be realized to the extent that the transfer price is recognized for rate-making purposes by the regulator and included in the capital cost. In the absence of rate regulation, generally accepted accounting principles would require that intercompany profits be eliminated upon consolidation. The impact on earnings for the three and nine months ended September 30, 2006 would be a reduction of \$1.2 million (2005 – \$1.3 million) and \$2.7 million (2005 – \$3.3 million), respectively, representing the profit on these services. The balances for property, plant and equipment and retained earnings at September 30, 2006 would be reduced by \$21.3 million (December 31, 2005 – \$18.6 million).
- (2) Purchased power costs are included in allowed rates on a forecast basis. For rate-setting purposes, differences between forecast and actual purchased power costs in the rate year are held until the following year, when their final disposition is decided. ENMAX recognizes purchased power cost variances as a regulatory asset or liability, based on the expectation that amounts held from one year to the next for rate-setting purposes will be approved for subsequent collection from, or refund to, customers. The regulatory receivable represents the excess of actual over forecast purchased power costs. In the absence of rate regulation, generally accepted accounting principles would require that actual purchased power costs be recognized as an expense when incurred. In this case, net earnings for the three and nine months ended September 30, 2006 would have been \$7.0 million lower (2005 – \$0.4 million higher) and \$4.2 million lower (2005 – unchanged). The increase in this item during the third quarter of 2006 is driven by the increased pool prices impacting grid charges. The regulatory asset is included in accounts receivable.
- (3) Pension costs are recorded using the accrual method as required by Canadian GAAP. The EUB approved a revenue requirement which allowed for the recovery of solvency payments, on a cash basis over 10 years. As a result, ENMAX has recorded a regulatory liability in the amount of \$2.2 million (2005 – nil) to reflect this regulatory treatment. In the absence of rate regulation, for the three and nine months ended September 30, 2006, distribution and transmission revenues would have been \$2.2 million higher (2005 – nil), respectively. At September 30, 2006 other long-term liabilities would have been reduced and retained earnings would have been increased by \$2.2 million, respectively.

Other items affected by rate regulation

The regulator permits an allowance for funds used during construction (AFUDC), based on ENMAX's weighted-average cost of capital, to be included in the rate base. AFUDC is also included in the cost of property, plant and equipment for financial reporting purposes, and is depreciated over future periods as part of the total cost of the related asset, based on the expectation that depreciation expense, including the AFUDC component, will be approved for inclusion in future customer rates. Since AFUDC includes not only an interest component, but also a cost-of-equity component, it exceeds the amount allowed to be capitalized in similar circumstances in the absence of rate regulation. For the three and nine months ended September 30, 2006, AFUDC and capitalized interest totaling \$1.8 million (2005 – \$0.5 million) and \$2.9 million (2005 – \$1.5 million) were included in property, plant and equipment.

3. Power Purchase Arrangements

In June 2006, the Corporation purchased a 55% interest in the Battle River Power Purchase Arrangement for \$345.2 million. The agreement also provides that the Corporation will purchase the remaining 45%, in annual increments of 10 – 15% over the next 3.5 years for total additional consideration of \$222.0 million.

4. Long-term debt

<i>(millions of dollars)</i>	September 30, 2006	December 31, 2005	Weighted average interest rates
Debtentures, with remaining terms of:			
Less than 5 years	47.4	40.7	7.4%
5 – 10 years	112.1	121.4	6.0%
10 – 15 years	190.1	57.3	4.5%
Non-recourse term financing	14.4	14.9	7.6%
	364.0	234.3	6.0%
Less: current portion	40.0	29.8	
	324.0	204.5	

In 2006, the Corporation issued \$15.0 million and \$139.3 million in five and 15 year debentures, respectively, to the City of Calgary through arrangements with the Alberta Capital Finance Authority. Interest on \$139.3 million of the debt, which matures in January 2016, is compounded semi-annually at 4.600%, with the remaining \$15.0 million, maturing in January 2011, bearing interest at 4.349%. The funds will be used for capital expenditures in ENMAX Power.

Short-term financing is comprised of commercial paper which is backstopped by ENMAX's credit facilities. At September 30, 2006, the Corporation had issued \$9.0 million (December 31, 2005 – nil) at average rates of 4.25%.

ENMAX has unsecured credit facilities amounting to \$450.0 million (December 31, 2005 - \$350.0 million) to fund general operating requirements and provide liquidity support for commercial paper and commodity marketing programs. In July 2006, the Corporation increased its credit facilities to facilitate operating requirements associated with the Battle River acquisition. As at September, 30 2006, the Corporation has issued letters of credit totaling \$231.1 million (December 31, 2005 - \$150.7 million).

5. Contributed surplus

In 2006, the City of Calgary contributed \$36.0 million to the Corporation. The funds will be invested in growing the distribution systems throughout the Calgary area.

6. Employee future benefits

The Corporation established a registered pension plan on January 1, 2001 to provide future pension benefits for its employees. The registered pension plan covers substantially all employees and includes both defined benefit and defined contribution provisions. The Corporation also sponsors a supplemental pension plan providing an additional pension to members whose benefits are limited by maximum pension rules under the Income Tax Act. In addition, the Corporation provides employees with other post

7. Segmented information (cont'd)

Segmented Total Assets <i>(millions of dollars)</i>	September 30, 2006	December 31, 2005
ENMAX Energy	1,076.0	839.6
ENMAX Power	866.8	708.9
ENMAX Corporate	45.8	237.6
	1,988.6	1,786.1

8. Commitments and contingencies

Property, plant and equipment

The Corporation is committed to major capital projects over the next five years, with minimum annual payments as follows:

<i>(millions of dollars)</i>	
2006	96.8
2007	58.8
2008	53.3
2009	47.9
2010	63.8

Income tax

Alberta Finance, Tax and Revenue Administration (Alberta Finance) is responsible for assessing the income tax returns filed under the payment in lieu of taxes (PILOT) regulation of the Electric Utilities Act (EUA). In August 2004, Alberta Finance notified the Corporation that it was reviewing the value of certain assets established for the purpose of this regulation. At January 1, 2001 the balance of the future income tax asset associated with the assets in question was \$195.0 million, based on an estimated fair market value of \$855.0 million.

In May 2006, the Corporation received a Notice of Assessment from Alberta Finance relating to the 2002 taxation year, in the amount of \$23.7 million, including \$3.9 million of interest. This assessment is in addition to that which was received in June 2005, when the Corporation received a Notice of Assessment in respect of the 2001 taxation year, which amounted to \$16.9 million, including \$3.2 million of interest. The assessments relate primarily to the value of certain assets established for the purpose of the PILOT regulation and the allocation of costs and benefits of the energy supply portfolio between taxable and non-taxable operations for those years. Income taxes receivable include amounts remitted in respect of the Notices of Assessment, which the Corporation voluntarily paid to stop interest and penalties from accruing until the issues are resolved.

The Corporation does not agree with the assessments and has filed Notices of Objection for both taxation years. ENMAX expects this process to be successful and will vigorously pursue all options available should the appeals process result in an unfavorable outcome. The amount of possible adjustment, which could have a material impact on net earnings, cannot be reasonably estimated at this time and no provision has been made in the consolidated financial statements for any additional income tax expense which may be payable relating to this assessment.

9. Subsequent event

On October 24 and November 1, 2006, the EUB issued decisions positively impacting the energy and non-energy margins for the RRO business. These changes come into effect in the fourth quarter of 2006 and will be accounted for on a prospective basis.

10. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.