

Report of management.

The consolidated financial statements and all the information in the 2009 annual report are the responsibility of management. The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and management's best estimates and judgments. The financial and operating information presented in this annual report is consistent with consolidated financial statements and accompanying notes.

Management has prepared the management's discussion and analysis (MD&A). The MD&A compares the Corporation's financial performance in 2009 to 2008 and should be read in conjunction with the consolidated financial statements and accompanying notes.

ENMAX Corporation has designed and maintains internal controls to safeguard assets and facilitate the preparation of reliable and relevant financial information on a timely basis.

The Board of Directors has appointed an Audit and Finance Committee, which consists of independent directors of the Board, to ensure management fulfills its responsibilities for financial reporting.

The independent external auditors, Deloitte & Touche LLP, have been appointed by the shareholder to express an opinion on ENMAX's consolidated financial statements. The accompanying report of Deloitte & Touche LLP outlines the scope of their examination and their opinion on the consolidated financial statements.

[signed]

GARY R. HOLDEN,
President and Chief Executive Officer

February 19, 2010

[signed]

DAVID HALFORD, CA
Executive Vice President, Finance and
Chief Financial Officer

Auditors' report.

To the Shareholder of ENMAX Corporation,

We have audited the balance sheet of ENMAX Corporation as at December 31, 2009 and 2008, and the consolidated statements of earnings and comprehensive income, shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the management of ENMAX Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of ENMAX Corporation as at December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in accordance with Canadian Generally Accepted Accounting Principles.

[signed]

DELOITTE & TOUCHE LLP
Chartered Accountants
Calgary, Alberta

February 19, 2010

AS AT DECEMBER 31	2009	2008
Millions of dollars		
ASSETS		
Cash and cash equivalents	55.7	35.3
Accounts receivable [notes 6 and 14]	512.3	542.8
Inventory	0.6	0.9
Income taxes receivable	59.6	20.4
Future income tax asset [note 7]	3.1	10.4
Other current assets [note 6]	99.2	114.0
Assets held for sale [note 8]	2.3	2.0
	732.8	725.8
Property, plant and equipment [note 9]	2,054.5	1,827.9
Power purchase arrangements [note 10]	504.7	502.4
Intangible assets [notes 3 and 11]	128.7	136.1
Goodwill [note 12]	16.0	16.0
Employee future benefits [note 13]	18.2	14.6
Future income tax asset [note 7]	89.2	136.3
Other long-term assets [notes 6, 14 and 15]	81.0	45.2
Assets held for sale [note 8]	119.2	77.3
TOTAL ASSETS	3,744.3	3,481.6
LIABILITIES		
Short-term debt [note 16]	18.2	125.2
Accounts payable and accrued liabilities [note 6]	399.4	416.2
Income taxes payable	49.3	47.3
Customer guarantee deposits	12.8	10.9
Future income tax liability [note 7]	2.9	1.0
Current portion of long-term debt [notes 6 and 17]	46.1	43.4
Liabilities held for sale [note 8]	19.2	17.9
	547.9	661.9
Long-term debt [notes 6 and 17]	1,273.7	956.2
Future income tax liability [notes 3 and 7]	94.8	135.3
Other long-term liabilities [note 6]	70.1	118.9
Liabilities held for sale [note 8]	13.3	12.8
SHAREHOLDER'S EQUITY		
Share capital [note 18]	280.1	280.1
Retained earnings	1,487.4	1,328.3
Accumulated other comprehensive loss [note 19]	(23.0)	(11.9)
	1,464.4	1,316.4
	1,744.5	1,596.5
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	3,744.3	3,481.6
Commitments and contingencies [notes 10 and 20]		

Consolidated statements of earnings and comprehensive income.

YEAR ENDED DECEMBER 31	2009	2008
Millions of dollars		
REVENUE [note 5]		
Electricity	1,503.8	1,850.1
Natural gas	310.1	347.7
Transmission and distribution	349.4	333.6
Contractual services	79.9	109.4
Other	71.0	27.2
TOTAL REVENUE	2,314.2	2,668.0
COST OF SERVICES PROVIDED [note 5]		
Electricity	1,119.3	1,495.8
Natural gas	302.9	342.7
Local access fees and grid charges	157.7	180.3
Contractual services	51.7	72.4
Operations, maintenance and administration	223.0	210.9
TOTAL COST OF SERVICES PROVIDED	1,854.6	2,302.1
Amortization	459.6	365.9
Interest [note 21]	135.2	115.9
Income taxes [note 7]	54.0	35.9
	63.8	32.0
NET EARNINGS FROM CONTINUING OPERATIONS	206.6	182.1
Net loss from discontinued operations [note 8]	0.7	1.0
NET EARNINGS	205.9	181.1
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Unrealized gains (losses) on available-for-sale financial assets arising during the year, includes future income tax expense of \$0.3 (2008 – \$0.6 benefit)	1.8	(4.8)
Unrealized losses on derivatives designated as cash flow hedges, includes future income tax expense of \$4.3 (2008 – \$1.2 benefit)	(37.6)	(11.0)
Realized losses on derivatives designated as cash flow hedges in prior periods transferred to net earnings in current year, includes future income tax expense of \$0.1 (2008 – \$7.3 expense)	24.5	23.2
Realized losses (gains) on available-for-sale financial assets transferred to net earnings in the current year, includes future income tax expense of \$nil (2008 – \$0.1 benefit)	0.2	(0.8)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(11.1)	6.6
COMPREHENSIVE INCOME	194.8	187.7

Consolidated statements of shareholder's equity.



	SHARE CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
Millions of dollars				
BALANCE, JANUARY 1, 2008	280.1	1,197.2	(18.5)	1,458.8
Net earnings	-	181.1	-	181.1
Dividends	-	(50.0)	-	(50.0)
Other comprehensive income (loss), including future income tax expense of \$5.4	-	-	6.6	6.6
BALANCE, DECEMBER 31, 2008	280.1	1,328.3	(11.9)	1,596.5
Transition adjustment resulting from adopting new accounting standard (note 3)	-	8.2	-	8.2
Net earnings	-	205.9	-	205.9
Dividends	-	(55.0)	-	(55.0)
Other comprehensive income (loss), including future income tax expense of \$4.7 (note 19)	-	-	(11.1)	(11.1)
BALANCE, DECEMBER 31, 2009	280.1	1,487.4	(23.0)	1,744.5

Consolidated statements of cash flows.

YEAR ENDED DECEMBER 31	2009	2008
Millions of dollars		
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings	205.9	181.1
Items not involving cash:		
Amortization	135.2	115.9
Future income taxes (note 7)	52.4	(9.8)
Change in unrealized market value of financial contracts (note 6)	(49.7)	2.5
Other	17.3	26.4
	361.1	316.1
Change in non-cash working capital (note 22)	(68.5)	(32.9)
Employee future benefits	(10.9)	(12.1)
	281.7	271.1
INVESTING ACTIVITIES		
Additions to power purchase arrangements (note 10)	(48.1)	(53.6)
Purchase of property, plant and equipment	(416.1)	(328.4)
Other long-term assets	(2.8)	6.1
Obtain (refund) customer guarantee deposits	1.9	(3.5)
Acquisitions, net of cash acquired (note 12)	–	(247.2)
Contributions in aid of construction	50.2	18.6
Restricted cash	7.7	(30.4)
	(407.2)	(638.4)
FINANCING ACTIVITIES		
Repayment of short-term debt	(1,104.4)	(1,337.3)
Proceeds of short-term debt	997.4	1,426.6
Repayment of long-term debt	(45.9)	(61.6)
Proceeds of long-term debt (note 17)	365.3	375.2
Dividend paid	(55.0)	(50.0)
Other long-term liabilities	(11.5)	(2.7)
	145.9	350.2
Increase (decrease) in cash and cash equivalents	20.4	(17.1)
Cash and cash equivalents at beginning of year	35.3	52.4
CASH AND CASH EQUIVALENTS, END OF YEAR	55.7	35.3
Supplementary information:		
Interest paid	71.4	35.8
Income taxes paid	68.5	31.2
Cash and cash equivalents consist of:		
Cash and cash equivalents	53.7	35.3
Short-term investments	2.0	–
	55.7	35.3

1 Description of the business.

ENMAX Corporation together with its subsidiaries (ENMAX or the Corporation), a wholly owned subsidiary of The City of Calgary (The City), was incorporated under the Business Corporations Act (Alberta) in July 1997. The Corporation was formed to carry on the electric utility transmission and distribution operations previously carried on by the Calgary Electric System (CES), a former department of The City, in contemplation of the emerging deregulated electric industry in Alberta. As such, operations of the Corporation began on January 1, 1998, with the transfer of substantially all of the assets and liabilities of the CES by The City into the Corporation at net book value for consideration of one common share issued to The City.

The Corporation operates in two segments representing separately managed business units, each of which offers different products and services.

ENMAX ENERGY

ENMAX Energy Corporation is a wholly owned subsidiary established to carry out all energy supply and retail functions in its own right and through various subsidiaries and affiliated companies. ENMAX Energy is non-regulated, except for its Regulated Rate Option (RRO) business. Although ENMAX Energy is the RRO provider, the RRO is administered by ENMAX Power.

ENMAX POWER

ENMAX Power Corporation is a regulated, wholly owned subsidiary established to carry out all electricity transmission and distribution service functions in its own right and through two subsidiaries providing non-regulated power services.

2 Significant accounting policies.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (GAAP). The consolidated financial statements include the accounts of the Corporation and its subsidiaries, as well as its proportionate share of the accounts of its joint ventures.

The assets and liabilities, results of operations and cash flows of the subsidiaries are included in the consolidated financial statements of the Corporation.

All inter-company accounts and transactions have been eliminated, except as described in note 14.

MEASUREMENT UNCERTAINTY

The preparation of the Corporation's consolidated financial statements, in accordance with GAAP, requires management to make estimates that affect the reported amounts of revenues, expenses, assets and liabilities as well as the disclosure of contingent assets and liabilities at the financial statement date.

On January 1, 2001, the Alberta retail electricity marketplace opened to retail competition. The various systems and procedures used by third parties to provide load and settlement data to retailers across the province are required to completely and accurately capture all customer movement, load classification and consumption data. However, by regulation, wire service providers are not required to submit final load settlement data on customer electricity usage until eight months after the month in which such electricity was con-

2 Significant accounting policies. [CONTINUED]

sumed. The data and associated processes and systems are used by the Corporation to estimate electricity revenues and costs, including unbilled consumption. The Corporation's estimation procedures will not necessarily detect errors in underlying data provided by industry participants including wire service providers and load settlement agents. Any changes to electricity revenues and costs arising from these estimation processes will be accounted for as a change in estimate in the period they occur.

For determining potential impairment, the Corporation is required to estimate the fair values of certain assets. Estimates of fair values are based on undiscounted cash flow techniques which rely on a number of assumptions, such as the amount of future cash flows that will be generated from the asset, expected future prices for inputs and outputs and expected usage of the asset.

The allowance for doubtful accounts reflects an estimate of the accounts receivable that are ultimately expected to be uncollectible. It is based on a number of factors, including the aging of accounts receivable, historical write-offs within customer groups, assessments of the collectibility of amounts from individual customers and general economic conditions.

Amortization is an estimate to allocate the cost of an asset over its estimated useful life on a systematic and rational basis. Estimating the appropriate useful lives of assets requires significant judgment and is based on estimates of common life characteristics of common assets.

Measurement of the Corporation's asset retirement obligations requires the use of estimates with respect to the amount and timing of asset retirements, the extent of site remediation required and related future cash flows, inflation rates and discount rates.

Income taxes and amounts in lieu of income taxes are determined based upon estimates of the Corporation's current income taxes and estimates of future taxes resulting from temporary tax differences. Future income tax assets are assessed to determine the likelihood that they will be recovered from future taxable income. To the extent that recovery is not considered likely, a valuation allowance will be recorded and charged against income in the period that the allowance is created or revised.

Certain estimates are necessary since the regulatory environment in which the Corporation operates often requires amounts to be recorded at estimated values until finalization and adjustment, pursuant to subsequent regulatory decisions, or other regulatory proceedings.

Certain financial instruments are recorded at fair value. These fair values can be subject to estimates around inputs other than quoted market prices, future prices, expected cash flows and discount rates.

ENMAX has a defined benefit pension plan and post-retirement benefits that are provided to certain employees. The cost of these benefits recognized in the financial statements are subject to estimates around many factors including, but not limited to, assumptions of future return on plan assets, retirement age, mortality rates, discount rates, future health care costs, salary escalation rates and claims experiences.

Adjustments to previous estimates, which will impact net income and could be material, are recorded in the period they become known.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand balances with banks and investments in money market instruments with maturities within three months from the date of acquisition.

2 Significant accounting policies. [CONTINUED]

INVENTORY

Inventory is comprised of excess gas supply which has not been consumed in the generation of electricity and items held for resale. Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PPE) are recorded at cost, which includes direct labour, material, equipment charges, directly attributable overhead and interest incurred on debt used to fund long-term projects. In the regulated segment, PPE also includes allowable overhead and allowance for funds used during construction (AFUDC). The AFUDC is charged and recovered at approved rates to customers over the service life of the assets, as described in note 14. The Corporation classifies all major future components of its electricity distribution system infrastructure as PPE. Once capitalized, these items are not amortized until transferred to active capital projects and those projects are placed into service.

Amortization of PPE is recorded on a straight-line basis over the estimated useful life of the asset class at the following rates:

Transmission, distribution and substation equipment	0.00%	–	22.72%
Tools, systems and equipment	3.66%	–	14.40%
Buildings and site development	0.61%	–	33.33%
Generation facilities and equipment	2.77%	–	3.33%
Vehicles	2.36%	–	13.71%

Construction in progress represents assets which are not available for use and therefore not subject to amortization.

Original costs of retired regulated depreciable assets are charged and the related net disposal proceeds are credited to accumulated amortization in a manner consistent with regulatory accounting. As a result, all gains and losses on the disposal of regulated depreciable assets are deferred and amortized over the estimated remaining service life of the related assets, as described in note 14. Gains and losses on the disposal of non-regulated, non-depreciable assets are recognized in the year of disposal.

INTANGIBLE ASSETS

Intangible assets are recorded at cost and amortization is recorded on a straight-line basis over the estimated useful lives of the assets at the following rates:

Customer lists and contracts	5.00%	–	13.33%
Computer software	10.69%	–	13.46%
Land easements, rights and lease options	3.33%	–	57.14%

Intangible assets with indeterminate lives include some land easements, renewable energy certificates and water licenses and are not subject to amortization. These assets are assessed annually for impairment or more frequently if events or changes in circumstances indicate that the asset may be impaired.

2 Significant accounting policies. [CONTINUED]

ASSET IMPAIRMENT

Long-lived assets subject to amortization are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with infinite lives are tested for impairment annually or more frequently when events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss would be recognized if the carrying amount exceeds the recoverable value of an asset, determined as the sum of the undiscounted cash flows expected to result from the asset's use and eventual disposition. The loss, if any, is measured as the amount by which the carrying amount exceeds the fair value of the asset.

The fair values are estimated using accepted valuation methodologies such as discounted future net cash flows, earnings multiples or prices for similar assets, whichever is most appropriate under the circumstances.

ASSET RETIREMENT OBLIGATION

The Corporation recognizes its obligation to retire certain tangible long-lived assets, whereby the fair value of an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and then amortized over its estimated useful life. In subsequent periods, the asset retirement obligation is adjusted for the passage of time and any changes in the amount or timing of the underlying future cash flows are recognized as a change in the carrying amount of the liability for an asset retirement obligation, and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset. A gain or loss may be incurred upon settlement of the liability. To date, there has been no change in amounts or timing of the underlying future cash flows for any of the Corporation's assets.

At December 31, 2009 and 2008, the Corporation's asset retirement obligations relate to costs associated with the removal and decommissioning of its fibre optic network, generating assets and proportionate share of jointly owned assets.

The Corporation has an obligation to decommission its electricity transmission and distribution assets in Alberta. However, the likely timing, method and cost of such future decommissioning activities are unknown and cannot be reasonably estimated. Accordingly, the Corporation is unable to estimate the fair value of this asset retirement obligation and has not recorded it in the consolidated financial statements. The obligation will be recorded when sufficient information is available to reasonably estimate the settlement date and the cost and method of settlement.

CONTRIBUTIONS IN AID OF CONSTRUCTION

Under various statutory requirements and agreements with customers and developers, the Corporation receives contributions in aid of construction (CIAC) in the form of cash contributions. Such contributions are recorded as a reduction of property, plant and equipment and amortized on the same basis as, and offset the amortization charge for, the assets to which they relate.

POWER PURCHASE ARRANGEMENTS (PPAS)

The cost to acquire the PPAs has been recorded on the consolidated balance sheet as a long-term asset. The cost is amortized on a straight-line basis to electricity costs over the life of the arrangements.

2 Significant accounting policies. [CONTINUED]

GOODWILL

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is annually assessed for impairment. Goodwill and all other assets and liabilities have been allocated to the Corporation's segments, referred to as reporting units. To assess impairment, the fair value of each reporting unit is determined and compared to the book value of the reporting unit. If the fair value of the reporting unit is less than the book value, then a second test is performed to determine the amount of the impairment. The amount of the impairment is determined by deducting the fair value of the reporting unit's assets and liabilities from the fair value of the reporting unit to determine the implied fair value of goodwill and comparing that amount to the book value of the reporting unit's goodwill. Any excess of the book value of goodwill over the implied fair value of goodwill is the impairment amount.

REVENUE RECOGNITION

Revenues are recognized on an accrual basis as services are provided and include an estimate of fees for services provided but not yet billed. For construction projects, revenue is recognized on the percentage of completion basis. All revenues are reviewed for collectibility and only recognized when collection is reasonably assured.

INCOME TAX

The Corporation and certain subsidiaries of the Corporation are municipally owned and are generally not subject to federal and provincial income taxes. Some subsidiaries are taxable under the Income Tax Act (Canada). Other subsidiaries record income tax expense based on an Alberta regulation to the Electric Utilities Act (EUA) that requires municipally owned entities to make payments in lieu of income taxes (PILOT) on certain portions of their operations. ENMAX uses the liability method of accounting for income taxes and payments in lieu of income taxes.

Under this method, current income taxes are recognized for the estimated income taxes payable or recoverable for the current year. Future income tax assets and liabilities are recognized for the future tax consequences attributable to temporary (or timing) differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted rates of tax expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on future tax assets and liabilities is recognized in income in the period that includes the date of enactment or substantive enactment.

FINANCIAL INSTRUMENTS

The financial instruments of the Corporation include held-for-trading instruments, loans and receivables, available-for-sale instruments and other financial liabilities.

Cash and cash equivalents are classified as held-for-trading instruments and are recorded at fair value. Accounts receivable are classified as loans and receivables and are recorded initially at fair value and subsequently carried at amortized cost, with interest and other income earned from these financial assets recorded in other revenue. Short-term debt, long-term debt, customer guarantee deposits, dividends payable, accounts payable and accrued liabilities are classified as other financial liabilities and are recorded initially at fair value and subsequently carried at amortized cost using the effective interest method. Investments in equity instruments are classified as available-for-sale instruments and are carried at fair value, with changes to fair value recorded through other comprehensive income. Investments in equity instruments that do not

2 Significant accounting policies. [CONTINUED]

have a quoted market price in an active market are measured at cost. Derivatives such as swaps, futures, options and forwards are classified as held-for-trading instruments and are recorded at their fair value with changes in fair value recorded through income. However, if these derivatives are designated as hedging items, they are accounted for as described in the Hedges section of this note.

Held-for-trading items are required to be classified as such due to their nature as a derivative, or are items held for the purpose of selling or repurchasing in the near term. Available-for-sale items are non-derivative financial assets that do not fit into any of the other classes of financial assets.

The Corporation uses an allowance for doubtful accounts to reduce the carrying amount of accounts receivables that are impaired. This allowance is based on a number of factors including the aging of accounts receivable, historical write-offs within customer groups, assessments of the collectibility of amounts from individual customers and general economic conditions. Write-offs are determined using similar techniques and by reviewing significant amounts on a case by case basis.

Other financial assets are reviewed for impairment by comparing their carrying value to fair value. An impairment loss is recorded in earnings during the period in which the fair value falls below the carrying value and such decline is other than temporary.

The Corporation has entered into a procurement contract in Japanese Yen. As this foreign currency is not a common transaction currency of the Corporation, the Corporation's policy is to account for this embedded foreign currency derivative separately from the underlying host contract.

Transaction costs that are directly attributable to the issuance of financial liabilities are netted against the fair value initially recognized. These costs are subsequently expensed to earnings using the effective interest rate method.

HEDGES

In conducting its business, the Corporation uses derivatives and other financial instruments, including forward contracts, swaps, options and contracts-for-differences to manage its exposure to certain market risks. Certain derivatives are designated as hedging instruments for accounting purposes when meeting certain effectiveness and documentation requirements at inception of the hedging relationship and on an ongoing basis. Effectiveness is measured with reference to the risk management objective and strategy for the hedged item.

Cash flow hedges are used to manage the variability of cash flows resulting from the purchase and sale of electricity and natural gas as well as foreign exchange. For cash flow hedges, changes in the fair value of the effective portion of the hedging derivative are accumulated in other comprehensive income and recognized in net earnings during the periods when the cash flows of the hedged item is realized. Gains and losses on cash flow hedges are reclassified immediately to net earnings when the hedged item is sold or terminated early, or when a hedged anticipated transaction is no longer probable. Changes in fair value due to ineffectiveness of hedges, as well as changes in fair value of non-hedge derivatives are recorded in earnings under cost of services provided. Changes in fair value of de-designated or discontinued hedges are recorded in earnings under cost of services provided from the date of de-designation or discontinuation. The unrealized changes in fair value recorded prior to de-designation or discontinuation are reclassified from accumulated other comprehensive income to earnings when the relating hedged item is recognized in earnings.

2 Significant accounting policies. [CONTINUED]

EMPLOYEE BENEFIT PLANS

The Corporation sponsors pension plans that contain both defined benefit and defined contribution provisions. The cost of defined benefit pensions and other post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Pension plan assets are measured at fair market value. For the purpose of calculating the expected return on plan assets for the net benefit cost, a market-related value is used.

The market-related value of assets is calculated based on the average of the adjusted market value of assets for the current and three preceding years. The adjusted market values are determined from the preceding three year-end market values accumulated to the end of the fiscal year in question using net contributions less distributions and assumed investment return. Adjustments arising from plan amendments are amortized on a straight-line basis over the average remaining service lifetime of employees active at the date of amendment. The excess of the cumulative, unamortized net actuarial gain or loss over 10% of the greater of the benefit obligation and the fair value of plan assets at the beginning of the year is amortized over the average remaining service lifetime of the active employees.

EMISSION CREDITS AND ALLOWANCES

Effective July 1, 2007, the Climate Change and Emissions Management Amendment Act (the Act) was enacted into law in Alberta. The Act establishes baseline emission intensity levels for each large generating facility and emissions over this baseline are subject to a surcharge. Changes in law provisions in ENMAX Energy's PPAs have the potential to expose the Corporation to significant portions of these compliance costs (see note 20). The Corporation's accounting policy for emission credits and allowances, which will form part of the compliance cost, is described below.

Purchased emission allowances are recorded on the consolidated balance sheet, as part of intangible assets, at historical cost and are carried at the lower of weighted-average cost and net realizable value. Allowances granted to the Corporation or internally generated from approved projects are accounted for as intangible assets.

The Corporation has recorded emissions liabilities on the consolidated balance sheet, as a component of accounts payable and accrued liabilities, using the best estimate of the amount required to settle the obligation in excess of government established emission intensity levels. To the extent compliance costs are charged to the Corporation under the change in law provisions of the Corporation's PPAs, these amounts are recognized as cost of electricity services provided in the period they are charged.

3 Change in accounting policy.

RATE REGULATED OPERATIONS

Effective January 1, 2009, the temporary exemption from Canadian Institute of Chartered Accountants (CICA) Handbook Section 1100 'Generally Accepted Accounting Principles', which permits the recognition and measurement of assets and liabilities arising from rate regulation, was withdrawn. This change has been applied prospectively beginning January 1, 2009. This new standard did not have a material effect on the Corporation's consolidated financial statements as other Canadian GAAP standards deal with the specific accounting requirements of regulatory accounting.

INTANGIBLE ASSETS

Effective January 1, 2009, the Corporation adopted the CICA Handbook sections relating to the revisions to standards dealing with intangible assets. The revisions are intended to align the definition of an intangible asset under Canadian GAAP with those under International Financial Reporting Standards (IFRS) and U.S. GAAP. Section 1000 'Financial Statement Concepts' was revised to remove the references that permitted the recognition of assets that might not otherwise meet the definition of an asset and to add guidance from the International Accounting Standards Board (IASB's) 'Framework for the Preparation and Presentation of Financial Statements' that will help distinguish assets from expenses. Section 3064 'Goodwill and Intangible Assets', which replaced Section 3062 'Goodwill and Other Intangible Assets', gives guidance on the recognition of intangible assets, as well as the recognition and measurement of internally developed intangible assets. Section 3450 'Research and Development Costs' will be withdrawn from the CICA Handbook. Emerging Issues Committee (EIC) abstract 27 'Revenues and Expenditures During the Pre Operating Period' will no longer apply with the adoption of Section 3064. Under this new guidance, computer software assets classified as property, plant and equipment have been reclassified as intangible assets. The net book value amount reclassified for the year ended December 31, 2008 was \$107.4 million. The adoption of this new section did not have an effect on the amount of assets capitalized and had no impact on previously reported earnings. No assets had been capitalized using the guidance in EIC-27.

CREDIT RISK AND FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

In January 2009, the CICA issued EIC-173 'Credit Risk and the Fair Value of Financial Assets and Financial Liabilities'. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This standard is effective for the Corporation's fiscal year beginning January 1, 2009, with retrospective application without restatement. As a result of the application of this new standard, the fair value of derivatives included in other long-term liabilities was reduced by \$11.0 million and future income tax liability was increased by \$2.8 million. As this was an opening balance adjustment, retained earnings were increased by \$11.0 million, excluding the tax impact of \$2.8 million. There was no impact to net earnings during the fiscal years ended December 31, 2009 or December 31, 2008.

FINANCIAL INSTRUMENTS DISCLOSURES

The Accounting Standards Board of Canada (AcSB) agreed to adopt the final version of the amendments to IFRS 7 'Financial Instruments: Disclosures', issued in March 2009. The amendments were made to Section 3862 'Financial Instruments: Disclosures' (and also the version of IFRS 7 to be incorporated into the CICA Handbook later this year as part of the AcSB's IFRS transition strategy). The amendments to Section 3862 are to enhance disclosures about fair value measurements, including the relative reliability of the inputs used in those measurements and about the liquidity risk of financial instruments. The Corporation adopted these amendments in the fourth quarter of 2009. The additional disclosure has been incorporated in note 6.

3 Change in accounting policy. [CONTINUED]

FINANCIAL DEBT INSTRUMENTS RECOGNITION AND MEASUREMENT

In July 2009, the AcSB approved amendments to Section 3855 "Financial Instruments: Recognition and Measurement" in order to converge with international standards for impairment of debt instruments by changing the categories into which debt instruments are required and permitted to be classified. These amendments will permit (or require in certain circumstances) entities to reclassify certain investments in debt instruments, amend the guidance regarding impairment measurement for held-to-maturity debt instruments and require reversals of impairment losses for available-for-sale debt instruments when conditions have changed. These amendments apply only to investments in debt instruments and do not apply to investments in equity instruments or to debt instruments that have been designated at origination as held-for-trading. The amendments are effective for annual financial statements for fiscal years beginning on or after November 1, 2008. There is no impact to the Corporation as a result of this amendment.

FOREIGN CURRENCY DENOMINATED PROCUREMENT CONTRACTS

In 2008, the Corporation entered into a procurement contract partially denominated in Japanese Yen. During the year ended December 31, 2009, the Corporation determined that to better present the economic risks associated with the Japanese Yen, it was appropriate to separate the embedded foreign currency derivative from the underlying host contract. As a result of this change in accounting policy, net earnings for the year have increased by \$15.1 million, other current assets have increased by \$2.0 million, future income tax asset has decreased \$1.9 million, other long-term assets have increased by \$20.0 million and future income tax liability has increased by \$5.0 million. There is no material impact on previous year reported results. During 2009, the Corporation entered into an economic hedge in order to match the cash flow impact of this foreign currency fluctuation.

4 Future accounting changes.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 13, 2008, the AcSB formally confirmed full convergence of Canadian accounting standards with IFRS, as issued by the IASB, would be required by 2011 with appropriate comparative information for the previous year. The Corporation will be required to report using IFRS, effective for interim and annual financial statements relating to fiscal years beginning January 1, 2011, including comparative periods for 2010. Under IFRS there is significantly more disclosure than currently required under Canadian GAAP. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies. The Corporation expects the transition to IFRS to impact accounting, financial reporting, internal controls and information technology systems and processes, as well as certain contractual arrangements.

The CICA has issued amendments to standards in addition to new standards and abstracts that will be required to be adopted under Canadian GAAP for fiscal periods beginning on January 1, 2011. These include: EIC-175 "Multiple Deliverable Revenue Arrangements", Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements", Section 1602 "Non-controlling interests" and amendments to Sections 1625, 3251 and 3855. As the Corporation will begin to report using IFRS during this fiscal period, these changes to Canadian GAAP do not impact the Corporation.

Notes to consolidated financial statements.

5 Segmented information.

YEAR ENDED DECEMBER 31	ENMAX ENERGY		ENMAX POWER		CORPORATE & INTERSEGMENT ELIMINATIONS		CONSOLIDATED TOTALS	
	2009	2008 [1]	2009	2008 [1]	2009	2008 [1]	2009	2008 [1]
Millions of dollars								
REVENUE								
Electricity	1,645.4	2,006.1	186.9	253.2	(328.5)	(409.2)	1,503.8	1,850.1
Natural gas	310.1	347.7	–	–	–	–	310.1	347.7
Transmission and distribution	–	–	349.4	333.6	–	–	349.4	333.6
Contractual services	46.0	45.4	66.0	92.6	(32.1)	(28.6)	79.9	109.4
Other	73.0	22.3	1.3	2.7	(3.3)	2.2	71.0	27.2
TOTAL REVENUE	2,074.5	2,421.5	603.6	682.1	(363.9)	(435.6)	2,314.2	2,668.0
COST OF SERVICES PROVIDED								
Electricity	1,266.9	1,659.5	180.6	245.1	(328.2)	(408.8)	1,119.3	1,495.8
Natural gas	302.9	342.7	–	–	–	–	302.9	342.7
Local access fees and grid charges	–	–	157.7	180.3	–	–	157.7	180.3
Contractual services Operations, maintenance and administration	4.3	3.9	52.6	72.9	(5.2)	(4.4)	51.7	72.4
	166.5	151.6	88.6	89.2	(32.1)	(29.9)	223.0	210.9
TOTAL COSTS OF SERVICES PROVIDED	1,740.6	2,157.7	479.5	587.5	(365.5)	(443.1)	1,854.6	2,302.1
EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAXES								
Amortization	333.9	263.8	124.1	94.6	1.6	7.5	459.6	365.9
	92.0	70.6	41.1	40.0	2.1	5.3	135.2	115.9
EARNINGS BEFORE INTEREST AND INCOME TAXES	241.9	193.2	83.0	54.6	(0.5)	2.2	324.4	250.0
Interest							54.0	35.9
Income taxes							63.8	32.0
NET EARNINGS FROM CONTINUING OPERATIONS							206.6	182.1
Net loss from discontinued operations							0.7	1.0
NET EARNINGS							205.9	181.1
GOODWILL	16.0	16.0	–	–	–	–	16.0	16.0
CAPITAL ADDITIONS	326.6	232.6	135.4	140.3	2.2	9.3	464.2	382.2

[1] Certain comparative figures have been restated to conform to the current year presentation for a business unit reclassification between segments. In 2009, ENMAX realigned its reportable segments to be consistent with changes in its internal management structure, which transferred the functions of ENMAX's fibre optics networks business from ENMAX Power to ENMAX Energy.

5 Segmented information. [CONTINUED]

SEGMENTED TOTAL ASSETS

AS AT DECEMBER 31	2009	2008 [1]
Millions of dollars		
ENMAX Energy	2,524.5	2,300.1
ENMAX Power	1,068.7	1,003.2
Corporate and eliminations	150.1	178.3
	3,743.3	3,481.6

[1] Certain comparative figures have been restated to conform to the current year presentation for a business unit reclassification between segments. In 2009, ENMAX realigned its reportable segments to be consistent with changes in its internal management structure, which transferred the functions of ENMAX's fibre optics networks business from ENMAX Power to ENMAX Energy.

6 Financial instruments, hedges and risk management.

OVERVIEW OF RISK MANAGEMENT

ENMAX is exposed to market risk, credit risk and liquidity risk. The Corporation's strategy, policies and controls are designed to ensure that the risks it assumes and other related risks comply with regulatory requirements, ENMAX's internal objectives and its risk tolerance. Risks are managed within limits approved by the Board of Directors and applied by senior management. The following table summarizes the risk associated with the Corporation's financial instruments and derivatives outstanding as at December 31, 2009:

	MEASURED INITIALLY AT FAIR VALUE AND SUBSEQUENTLY AT COST OR AMORTIZED COST			INITIALLY AND SUBSEQUENTLY MEASURED AT FAIR VALUE		
	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	SHORT-TERM DEBT AND LONG-TERM DEBT	CASH AND CASH EQUIVALENTS	INVESTMENTS	ELECTRICITY AND NATURAL GAS DERIVATIVES
MARKET RISK						✓
Commodity prices						✓
Foreign exchange		✓	✓	✓		
Interest rate			✓			
Equity price risk					✓	
CREDIT RISK	✓			✓	✓	✓
LIQUIDITY RISK		✓	✓			✓

MARKET RISK

ENMAX Energy builds and acquires infrastructure assets and enters into energy supply contracts to meet its demand obligations; purchases and sells commodities in North American markets, both for resale and to manage market risk associated with generation output; enters transactions denominated in foreign currencies (mainly U.S. dollars) and borrows funds over short- and long-term time horizons. These activities expose ENMAX Energy to market risk from changes in commodity prices, foreign exchange rates and interest rates, which affect the Corporation's earnings and the value of associated financial instruments it holds.

6 Financial instruments, hedges and risk management. [CONTINUED]

ENMAX Energy uses various contractual agreements and financial instruments to manage its energy portfolio and market risk exposures resulting from these activities including, but not limited to, the following:

- PPAs – contractual agreements to convey rights for the PPA purchaser to all, or a portion of, the electricity from a generation facility for suitable compensation, as defined under the respective terms and conditions of each agreement. ENMAX Energy has entered into PPAs for the electricity from the units at the Keephills and Battle River coal-fired generation facilities.
- Swaps – contractual agreements between two parties to exchange streams of payments over time according to specified terms. ENMAX Energy enters into commodity, cross-currency and interest rate swaps to mitigate the impact of changes in commodity prices, foreign exchange rates and interest rates.
- Forwards and futures – contractual agreements to purchase or sell a specific commodity or financial instrument at a specified price and date in the future. ENMAX enters into forwards and futures to mitigate the impact of volatility in commodity prices and foreign exchange rates.
- Options – contractual agreements to convey the right, but not the obligation, for the purchaser to buy or sell a specific amount of a commodity or financial instrument at a fixed price, either at a fixed date or at any time within a specified period. Occasionally, ENMAX enters into option agreements to mitigate the impact of changes in commodity prices, foreign exchange rates and interest rates.

COMMODITY PRICE RISK

ENMAX Energy has inherent positions in electricity and natural gas commodities arising from its owned and controlled supply assets and its demand obligations. While ENMAX's vertically integrated business model is designed to achieve a balanced portfolio, its electricity and natural gas positions experience periodic imbalances resulting in exposures to price volatility from spot or short-term contract markets. The Corporation purchases and sells electricity and natural gas commodities in the wholesale market to mitigate the risk exposures arising from such positions.

While ENMAX Energy does not engage in speculative trading, it uses various hedging strategies executed within a controlled environment to mitigate these commodity price risks. These strategies include the use of derivatives instruments such as swaps and forwards. However, hedging does not guard against all risks and is not always effective, particularly because it is based upon predictions about future market conditions. ENMAX could recognize financial losses as a result of volatility in the market values of these contracts.

RISK ANALYSIS AND CONTROL

ENMAX Energy manages its exposure to energy risk on a portfolio basis, which includes asset positions arising from its interests in generation facilities, liability positions arising from its commitments to its customers and transacting positions arising from its hedging activities.

SENSITIVITY ANALYSIS ON MARKET RISKS

The analysis below represents the effect of market risks (interest rate risk, foreign currency exchange risk, commodity price risk and equity price risk) on ENMAX Energy's results as those risks apply to derivative financial instruments. Non-derivative financial instruments are recorded at cost. These carrying amounts are not affected by changes in market variables, whereas carrying amounts of derivative financial instruments are affected by market variables.

6 Financial instruments, hedges and risk management. [CONTINUED]

The following table reflects the sensitivity in the fair value of outstanding derivative instruments to reasonably possible changes in market interest rates, Canadian Dollar to U.S. Dollar exchange rates, Canadian Dollar to Japanese Yen exchange rates, forward prices of natural gas and electricity and market values of equity investments. Market interest rates impact interest rate swaps. Foreign currency exchange rates impact commodity derivatives and foreign currency hedge contracts. Forward prices of natural gas and electricity impact commodity derivatives. Market value of equity investments impacts those instruments carried at fair value.

Certain assumptions have been made in arriving at the sensitivity analysis. These assumptions are as follows:

- The same fair value methodologies have been used as were used to obtain actual fair values in the fair values section of this note.
- Changes in the fair value of derivative instruments that are effective cash flow hedges are recorded in other comprehensive income.
- Changes in the fair value of derivative instruments that are not designated as hedges, that are fair value hedges or that are ineffective cash flow hedges are recorded in earnings.
- Foreign currency balances, principal and notional amounts are based on amounts as at December 31, 2009.
- Interest rate sensitivities are based on a combination of the Canadian Dealer Offered Rate (CDOR) and the London Interbank Offered Rate (LIBOR) with an assumption that LIBOR is equal to CDOR plus 0.001%.
- Sensitivities are exclusive of any potential income tax provisions.

AS AT DECEMBER 31	2009		2008	
	EARNINGS	OTHER COMPREHENSIVE INCOME	EARNINGS	OTHER COMPREHENSIVE INCOME
Interest rates +/- 100 basis points (1% pure rate change)	+/- 0.6	+/- 15.3	+/- 20.3	–
U.S. Dollar to Canadian Dollar exchange rate +/- 10%	+/- 0.3	+/- 11.5	+/- 5.9	+/- 8.5
Japanese Yen to Canadian Dollar exchange rate +/- 10%	+/- 0.3	–	–	+/- 0.5
Forward price of natural gas +/- 10%	+/- 2.7	+/- 21.1	+/- 0.5	+/- 39.9
Forward price of electricity +/- 10%	+/- 0.9	+/- 8.9	–	+/- 2.5
Equity investment +/- 10%	–	+/- 0.3	–	+/- 0.2

These sensitivities are based on financial instruments carried at fair value, which include derivative contracts. The impact of a change in one factor may be compounded or offset by changes in other factors. This table does not consider the impact of any interrelationship among the factors. These sensitivities are hypothetical and should be used with caution.

FOREIGN EXCHANGE AND INTEREST RATE RISK

Foreign exchange and interest rate risk is created by fluctuations in the fair values or cash flows of financial instruments due to changes in foreign exchange rates and/or changes in the market interest rates.

ENMAX is not exposed to interest rate risk and volatility as a result of the issuance of fixed rate long-term debt and the use of interest rate hedging instruments. However, the fair value of ENMAX's long-term debt and any associated interest rate hedging instruments change as interest rates change, assuming all other variables remain constant. For example, a 1% change in interest rates as at December 31, 2009, would have an effect on fair value of fixed interest rate debt of \$72.3 million (December 31, 2008 – \$70.0 million).

6 Financial instruments, hedges and risk management. [CONTINUED]

Changes in the value of the Canadian Dollar relative to the U.S. Dollar could impact the Canadian Dollar cost of natural gas, which affects the input cost of ENMAX Energy's natural gas-fired generation capacity, as well as the cost to ENMAX Energy offering fixed price gas contracts to its customers. The foreign exchange impact on these gas purchases is offset, when possible, by foreign exchange contracts. Foreign exchange exposures as a result of procurement contracts have also been mitigated by foreign exchange contracts. Therefore, ENMAX is not materially exposed to foreign exchange risk.

CREDIT RISK

ENMAX is exposed to credit risk mainly through its wholesale and retail energy business. Credit risk is the loss that may result from counterparties' non-performance. ENMAX evaluates the credit risk of wholesale and retail competitive supply activities separately as discussed below.

The Corporation's maximum financial statement exposure to credit risk is the carrying value of the financial assets, as set out in the table below. However, this maximum exposure does not reflect losses expected by management nor experienced in the past.

AS AT DECEMBER 31	2009	2008
Millions of dollars		
Cash and cash equivalents [1]	55.7	35.3
Accounts receivable [2]	512.3	542.8
Other current assets [3]	99.2	114.0
Other long-term assets [3]	81.0	45.2

[1] Cash and cash equivalents

Credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed with governments, well capitalized financial institutions and other counterparties. Continuous reviews are performed to evaluate changes in the credit quality of counterparties.

[2] Accounts receivable – credit risk

The majority of the Corporation's accounts receivable are exposed to credit risk. Exposure to credit risk occurs through competitive electricity and natural gas supply activities which serve residential, commercial and industrial customers on the basis that customers could default on their contractual obligations. The risk represents the loss that may be incurred due to the non-payment of a customer's accounts receivable balance, as well as the loss that may be incurred from the resale of energy previously allocated to serve the customer.

Charges to income as a result of credit losses for the Corporation for 2009 totaled \$6.8 million (2008 – \$7.4 million). Management has increased its credit and collections activities to monitor credit risk exposures in light of recent market conditions and has implemented measures to protect against any further losses. In specific situations, this includes, but is not limited to, a reduction of credit limits, requests for additional collateral or restriction of new transaction terms.

6 Financial instruments, hedges and risk management. [CONTINUED]

The aging analysis of trade receivables which are past due but not impaired is as follows:

AS AT DECEMBER 31	2009	2008
Millions of dollars		
1 - 30 days past due	21.0	16.9
31 - 60 days past due	4.8	4.0
61 days past due and over	14.1	9.4
Total past due	39.9	30.3

As at December 31, 2009, the allowance for doubtful accounts was \$11.4 million. The changes in the allowance were as follows:

AS AT DECEMBER 31	2009	2008
Millions of dollars		
Provision at the beginning of the year	7.1	8.3
Increase to allowance	6.8	7.4
Write-offs	(2.5)	(8.6)
Provision at end of the year	11.4	7.1

The remainder of the accounts receivable balance outstanding at December 31, 2009 are unbilled revenue accruals and as such no provisions have been recorded due to the minimal credit risk as at the consolidated balance sheet date.

[3] Other current and long-term assets – wholesale credit risk

ENMAX Energy measures wholesale credit risk as the replacement cost for open energy commodity and derivative transactions (both mark-to-market and accrual) adjusted for amounts owed to or due from counterparties for settled transactions and all other amounts owing but not yet due. The replacement cost of open positions represents unrealized gains, net of any unrealized losses, where ENMAX Energy has a legally enforceable right of offset and intends to settle on a net basis. ENMAX Energy monitors and manages the credit risk of wholesale operations through credit policies and procedures which include an established credit approval process, daily monitoring of counterparty credit limits and the use of credit mitigation measures such as margin, collateral, letters of credit and/or prepayment arrangements.

Due to the possibility of extreme volatility in the prices of energy commodities and derivatives, the market value of contractual positions with individual counterparties could exceed established credit limits or collateral provided by those counterparties. If such a counterparty were to fail to perform its obligations under its contract (for example, fail to provide adequate assurances or credit support), ENMAX Energy could incur a loss that could have a material impact on its financial results.

Additionally, if a counterparty were to default and ENMAX Energy were to liquidate all contracts with that entity, the credit loss would include the loss in value of mark-to-market contracts, the amount owed for settled transactions and unbilled deliveries and additional payments, if any, that would have to be made to settle unrealized losses on accrual contracts.

6 Financial instruments, hedges and risk management. [CONTINUED]

The majority of wholesale counterparty credit exposure is with entities who are rated investment grade (BBB to AAA) by recognized rating agencies, including Standard & Poor's and Dominion Bond Rating Service (DBRS). However, the Corporation has concentrations of counterparty credit risk with unrated entities that are considered material as at December 31, 2009. ENMAX Energy had no concentration of counterparty credit risk with unrated entities as at December 31, 2008. The majority (96%) of this exposure at December 31, 2009 was with an industry-accepted and independently collateralized energy exchange with widespread operations in the Alberta market. ENMAX Energy believes there is minimal risk of default, however, mitigating trading strategies have been implemented to reduce exposures and to further minimize risk.

LIQUIDITY RISK

Liquidity risk is the risk that ENMAX will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it always has sufficient cash and credit facilities to meet its obligations when due.

The following table details the remaining contractual maturities for ENMAX's non-derivative financial liabilities, including both the principal and interest cash flows:

AS AT DECEMBER 31	2009	2008
Millions of dollars		
2010	516.8	517.4
2011	118.0	95.9
2012	115.2	90.8
2013	112.0	87.4
2014	351.0	93.7
Thereafter	1,147.6	983.0

The following table details the remaining contractual maturities for ENMAX's derivative financial liabilities, including both the principal and interest cash flows:

AS AT DECEMBER 31	2009	2008
Millions of dollars		
2010	68.5	28.5
2011	24.4	15.4
2012	8.3	10.1
2013	3.6	5.7
2014	1.7	4.6
Thereafter	6.3	11.3

In addition, guarantees are provided by the Corporation to third parties on behalf of certain consolidated subsidiaries for obligations under contracts that facilitate physical and financial transactions using various derivatives. The guarantees provided as at December 31, 2009 were for a maximum of \$630.2 million (December 31, 2008 – \$579.9 million). The fair value of the trading and hedging positions under contracts with a net liability at December 31, 2009, under the guarantees, was \$59.3 million (December 31, 2008 – \$67.6 million). The liabilities for these amounts are included in the consolidated balance sheet under 'Accounts payable and accrued liabilities'.

6 Financial instruments, hedges and risk management. [CONTINUED]

The Corporation has also provided guarantees on behalf of certain consolidated subsidiaries for obligations to perform and make payments under various other contracts. The amount guaranteed under these contracts at December 31, 2009, was a maximum of \$346.7 million (December 31, 2008 – \$418.8 million).

The Corporation was in compliance with all financial covenants as of December 31, 2009. One subsidiary of the Corporation was not in compliance with its financial covenants as of December 31, 2009. The details of the non-compliance are outlined in note 23.

Management typically forecasts cash flows for a period of 12 months and beyond to identify financing requirements. These requirements are then addressed through a combination of committed credit facilities and access to capital markets, as discussed in note 23 to these consolidated financial statements.

NON-DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Cash, cash equivalents and restricted cash are recorded at fair market value. Fair values for accounts receivable, short-term debt, accounts payable and accrued liabilities are not materially different from their carrying amounts due to their short-term nature.

Equity investments in private companies do not have an available active market for their shares and are therefore carried at cost.

The fair value of the Corporation's long-term debt was estimated based on quoted market prices for the same or similar debt instruments. When such information was not available, future payments of interest and principal were discounted at estimated interest rates that were made available to ENMAX for comparable credit-rated entities to the Corporation.

The carrying amounts and fair values of the long-term debt are as follows:

AS AT DECEMBER 31	2009		2008	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Millions of dollars				
Long-term debt [1], consisting of:				
Debentures, with remaining terms of:				
Less than 5 years	48.0	51.0	29.8	32.1
6 - 10 years	90.7	99.6	74.6	82.8
11 - 15 years	114.7	122.5	169.5	177.5
16 - 20 years	26.9	28.3	17.6	18.3
21 - 25 years	236.6	247.4	147.0	151.0
Private debentures				
Series 1 (6.15%)	296.9	322.3	296.6	280.3
Series 2 (5.85%)	248.5	270.5	–	–
Non-recourse term financing (Kettles Hill and CEC)	251.8	262.0	258.6	311.9
Promissory note	5.7	5.4	5.9	4.8
	1,319.8	1,409.0	999.6	1,058.7

[1] Includes current portion of \$46.1 million (2008 – \$43.4 million). Maturity dates range from January 2010 to September 2034.

6 Financial instruments, hedges and risk management. [CONTINUED]

DERIVATIVE ASSETS AND LIABILITIES

Financial derivative instruments are recorded on the consolidated balance sheet at fair value. As at December 31, 2009, the mark-to-market adjustment based on the fair value of these hedge contracts resulted in unrealized gains or losses on derivative instruments which are included in the consolidated balance sheet as per the table below.

AS AT DECEMBER 31	2009		2008	
	HEDGE INSTRUMENTS	NON-HEDGE DERIVATIVES	HEDGE INSTRUMENTS	NON-HEDGE DERIVATIVES
Millions of dollars				
ASSETS				
Current	40.5	14.6	50.5	3.8
Non-current	23.4	38.0	31.8	–
LIABILITIES				
Current	54.5	14.0	55.1	–
Non-current	23.6	20.7	32.6	52.5

Cash flow hedges are used to manage the variability of cash flows resulting from the purchase and sale of electricity and natural gas as well as foreign exchange exposure. For cash flow hedges, which are described in greater detail in the market risk section above, changes in the fair value of the effective portion of the hedging derivative are accumulated in other comprehensive income and recognized in net earnings during the periods when the variability in cash flows of the hedged item is realized. In 2009, gains of \$0.1 million (2008 – \$0.5 million loss) were recognized in income as a reflection of the ineffectiveness of the relevant hedges. Gains and losses on cash flow hedges are reclassified immediately to net earnings when the hedged item is sold or terminated early, or when a hedged anticipated transaction is no longer likely to occur. During 2009, there were no such amounts recorded in net earnings (2008 – \$0.9 million gain).

The Corporation estimates that of the \$23.0 million of losses reported in accumulated other comprehensive income as at December 31, 2009, \$14.0 million is expected to be realized within the next 12 months at market prices in effect at the time of settlement.

Non-hedge derivatives are classified as held-for-trading and recognized at fair market value with changes in fair market value being recorded through net earnings. During 2009, gains of \$65.4 million (2008 – \$3.5 million loss) were recorded in net earnings.

FAIR VALUE

Fair value of financial instruments is determined by reference to quoted bid or asking price, as appropriate, in active markets at reporting dates. In the absence of an active market, ENMAX Energy determines fair value by using valuation techniques that refer to observable market data or estimated market prices. Fair values determined using valuation models require the use of assumptions about the amount and timing of estimated future cash flows and discount rates. In making these assumptions, ENMAX Energy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III), as applicable.

6 Financial instruments, hedges and risk management. [CONTINUED]

Level determination and classifications

The Level I, II and III classifications in the fair value hierarchy utilized by ENMAX Energy are defined as follows:

Level I

Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access. In determining Level I, the Corporation uses quoted prices for identically traded commodities obtained from active exchanges such as the New York Mercantile Exchange (NYMEX) and the Natural Gas Exchange (NGX).

Level II

Fair values are determined using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Fair values determined using inputs including interest rate yield curves, forward market rates, quoted commodity prices and/or credit spreads that are readily observable and reliable or for which unobservable inputs are determined not to be significant to the fair value, are categorized as Level II.

Commodity contracts fair values falling within the Level II category are determined through the use of quoted prices in active markets adjusted for factors specific to the asset or liability. Level II fair values include those determined using pricing applications for creating power curves, where the inputs are readily observable, including commodity prices for similar assets or liabilities in active markets.

Interest rate swap contract fair values falling within the Level II fair values include those determined by using a benchmark index and applying that index to the notional debt outstanding.

Level III

The fair values are determined using significant unobservable data or inputs.

In rare circumstances, ENMAX Energy enters into commodity transactions with non-standard features for which market-observable data is not available. In these cases, Level III fair values are determined using valuation techniques with inputs that are based on historical data.

The fair value measurement of a financial instrument is included in only one of the three levels. Where a transaction involves two markets with two different fair value levels, the lower of the fair value level will be used for this transaction (Level I – highest and Level III – lowest).

Notes to consolidated financial statements.

6 Financial instruments, hedges and risk management. [CONTINUED]

As at December 31, 2009, the fair values of the Corporation's financial assets and liabilities measured at fair value are:

AS AT DECEMBER 31, 2009	FAIR VALUE [1]				TOTAL CARRYING VALUE
	LEVEL I	LEVEL II	LEVEL III	TOTAL	
Millions of dollars					
Financial assets / (liabilities) measured at fair value					
Energy trading forward contracts	(27.2)	16.5	(5.1)	(15.8)	(15.8)
Foreign currency forward contracts	–	(11.5)	–	(11.5)	(11.5)
Interest rate swap	–	16.3	–	16.3	16.3
Net risk management assets (liabilities)	(27.2)	(21.3)	(5.1)	(11.0)	(11.0)

[1] Excludes financial assets and liabilities where carrying value approximates fair value due to the liquid nature of the asset or liability (cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities).

Fair value factors

The following table summarizes the key factors impacting the change in the fair value of the Corporation's Level III net risk management assets and liabilities separately by source of valuation during the year ended December 31, 2009:

	HEDGES
Millions of dollars	
Net risk management assets as at December 31, 2008	11.0
Changes attributable to:	
Commodity price changes	(17.5)
New contracts entered	3.2
Contracts settled	(1.8)
NET RISK MANAGEMENT ASSETS AT DECEMBER 31, 2009	(5.1)
Total change in fair value included in Other Comprehensive Income	(14.3)
Total change in fair value included in pre-tax earnings	(1.8)

Fair value of contracts-for-differences

The fair value of ENMAX Energy's contracts-for-differences is determined by estimating the amounts that would have to be received or paid to counterparties to terminate the contracts at December 31, 2009 and December 31, 2008. The following contracts-for-differences were outstanding at the end of the period:

6 Financial instruments, hedges and risk management. [CONTINUED]

AS AT DECEMBER 31	2009	2008
NOTIONAL QUANTITY		
Electricity sales	3,578 GW	3,800 GW
Natural gas sales	4,077 TJ	900 TJ
Electricity purchases	1,863 GW	3,400 GW
Natural gas purchases	27,966 TJ	49,300 TJ

Notional quantities are not recorded in the consolidated financial statements because these amounts are not exchanged by ENMAX Energy and its counterparties and are not a measure of ENMAX Energy's exposure. Notional amounts are used only as the basis for calculating payments for certain contracts.

At December 31, 2009, on the basis of electricity and natural gas prices at that date, the estimated unrecorded fair value of these hedge contracts, excluding PPA sales, would be a negative mark-to-market adjustment amounting to \$25.7 million (December 31, 2008 – \$9.8 million). This amount does not reflect the fact that these contracts will settle at prices in effect at the time of expiration.

7 Income taxes.

AS AT DECEMBER 31	2009	2008
Millions of dollars		
Current	11.4	41.8
Future	52.4	(9.8)
	63.8	32.0

RECONCILIATION OF INCOME TAX EXPENSE

AS AT DECEMBER 31	2009	2008
Millions of dollars		
Earnings before income taxes from continuing operations	270.4	214.1
Income not subject to taxes	(164.7)	(112.6)
Federal and provincial tax rate	105.7 29.0%	101.5 29.5%
Expected income tax expense	30.7	29.9
Non-deductible expenses	0.4	1.2
Adjustment for future tax reversal and other estimate revisions	32.7	13.2
Benefit of previously unrecognized loss carry-forwards	–	(12.3)
Income taxes on continuing operations	63.8	32.0

Notes to consolidated financial statements.

7 Income taxes. [CONTINUED]

FUTURE INCOME TAX ASSET

The tax effects of temporary differences and loss carry-forwards that give rise to significant portions of the Corporation's future income tax asset and future income tax liability are presented below:

AS AT DECEMBER 31	2009	2008
Millions of dollars		
FUTURE INCOME TAX ASSET:		
Power purchase arrangements [1]	89.3	98.6
Cumulative eligible capital	8.4	8.9
Other	1.4	1.5
Loss carry-forwards	0.3	37.7
Other comprehensive income	(7.1)	–
	92.3	146.7
Less current portion	(3.1)	(10.4)
	89.2	136.3
FUTURE INCOME TAX LIABILITY:		
Property, plant and equipment differences in net book value and undepreciated capital cost	101.4	126.7
Cumulative eligible capital	5.0	6.3
Other comprehensive income	–	2.4
Loss carry-forwards	(12.3)	–
Mark-to-market liability	5.8	–
Other	(2.2)	0.9
	97.7	136.3
Less current portion	(2.9)	(1.0)
	94.8	135.3
Net future income tax asset	(5.4)	10.4

[1] Under PILOT, certain assets of the Corporation were deemed to be disposed of and reacquired at fair market value for tax purposes on December 31, 2000. This resulted in tax values in excess of book value for these assets.

The Corporation has loss carry-forwards that will be used to offset taxes in future years. These loss carry-forwards expire as follows:

AS AT DECEMBER 31	2009
Millions of dollars	
2027	17.3
2028	18.9
2029	12.1
	48.3

8 Assets held for sale.

In 2009, ENMAX Energy began soliciting interest from potential purchasers of assets located in British Columbia. These assets are being actively marketed and a sale is probable in the first half of 2010. As such, the assets and liabilities of this disposal group have been reclassified to assets held for sale and liabilities held for sale on the consolidated balance sheet. Operating results related to these assets and liabilities have been included in net loss from discontinued operations on the consolidated statements of earnings and comprehensive income. Comparative periods for the ENMAX Energy segment have been restated. Net loss from discontinued operations comprise the following:

AS AT DECEMBER 31	2009	2008
Millions of dollars		
REVENUE		
Electricity	3.7	1.9
Other	0.2	–
TOTAL REVENUE	3.9	1.9
COST OF SERVICES PROVIDED		
Electricity	0.3	0.1
OM&A	1.8	1.1
COST OF SERVICES PROVIDED	2.1	1.2
Amortization	1.8	0.7
Interest	1.2	0.8
Income taxes	1.8	0.9
	(0.5)	–
NET LOSS FROM DISCONTINUED OPERATIONS	(0.7)	(1.0)

The assets and liabilities of the asset group held for sale comprise of the following:

AS AT DECEMBER 31	2009	2008
Millions of dollars		
ASSETS		
Cash and cash equivalents	0.9	0.3
Accounts receivable	1.4	1.6
Other current assets	–	0.1
	2.3	2.0
Property, plant and equipment	113.7	69.6
Intangible assets	3.3	3.3
Other long-term assets	2.2	4.4
TOTAL ASSETS	121.5	79.3
LIABILITIES		
Accounts payable and accrued liabilities	6.3	4.5
Current portion of long-term debt	12.9	13.4
	19.2	17.9
Long-term debt	11.3	11.6
Other long-term liabilities	2.0	1.2
TOTAL LIABILITIES	32.5	30.7

9 Property, plant and equipment.

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Millions of dollars			
AS AT DECEMBER 31, 2009			
Transmission, distribution and substation equipment	1,380.7	(489.6)	891.1
Capital spares and other	22.2	–	22.2
Tools, systems and equipment	137.1	(67.8)	69.3
Construction in progress	242.9	–	242.9
Buildings and site development	154.5	(38.4)	116.1
Generation facilities and equipment	960.4	(77.9)	882.5
Land	30.2	–	30.2
Vehicles	24.7	(12.0)	12.7
	2,952.7	(685.7)	2,267.0
Contributions in aid of construction	(281.0)	68.5	(212.5)
	2,671.7	(617.2)	2,054.5
AS AT DECEMBER 31, 2008 (RESTATED)			
Transmission, distribution and substation equipment	1,256.2	(466.4)	789.8
Capital spares and other	22.3	–	22.3
Tools, systems and equipment	129.1	(60.3)	68.8
Construction in progress	179.9	–	179.9
Buildings and site development	116.4	(34.3)	82.1
Generation facilities and equipment	885.0	(51.1)	833.9
Land	24.9	–	24.9
Vehicles	23.3	(10.3)	13.0
	2,637.1	(622.4)	2,614.7
Contributions in aid of construction	(249.5)	62.7	(186.8)
	2,387.6	(559.7)	1,827.9

Previous year numbers have been restated to reflect the financial position of discontinued operations (note 8) and changes in accounting policy (note 3).

10 Power Purchase Arrangements.

Under the Keephills PPA, which was acquired in 2000 for \$247.7 million and expires December 2020, ENMAX Energy owns the rights to the physical output of two electrical generating units. ENMAX Energy is entitled to an estimated average 5.9 million megawatt hours (MWh) of electricity per year until 2020. The MWhs available decrease yearly as the units age. In return for the output, ENMAX Energy is obligated to make monthly fixed and variable payments which are included in the commitments in note 20.

In June 2006, ENMAX Energy purchased a 55% interest in the Battle River PPA, which expires December 2020, for \$345.5 million. On each of January 1, 2007, 2008 and 2009 ENMAX Energy purchased an additional 10% interest in the Battle River PPA for \$59.1 million, \$53.6 million and \$48.1 million, respectively. The agreement also provides that ENMAX Energy will purchase the remaining 15% for additional consideration of \$63.8 million on January 1, 2010 (see note 20).

10 Power Purchase Arrangements. [CONTINUED]

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Millions of dollars			
AS AT DECEMBER 31, 2009			
Battle River	506.1	(111.2)	394.9
Keephills	247.7	(137.9)	109.8
	753.8	(249.1)	504.7
AS AT DECEMBER 31, 2008			
Battle River	458.2	(75.6)	382.6
Keephills	247.7	(127.9)	119.8
	705.9	(203.5)	502.4

11 Intangible assets.

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Millions of dollars			
AS AT DECEMBER 31, 2009			
Customer lists and contracts	20.0	(9.3)	10.7
Computer software	234.5	(128.4)	106.1
Land easements, rights and lease options	3.2	(2.1)	1.1
Land and mineral rights	0.5	-	0.5
Renewable energy certificates and water licenses	12.4	(2.1)	10.3
	270.6	(141.9)	128.7
AS AT DECEMBER 31, 2008 (RESTATED)			
Customer lists and contracts	20.0	(7.2)	12.8
Computer software	219.4	(111.9)	107.5
Land easements, rights and lease options	3.2	-	3.2
Land and mineral rights	1.9	(1.7)	0.2
Renewable energy certificates and water licenses	12.4	-	12.4
	256.9	(120.8)	136.1

Previous year numbers have been restated to reflect the financial position of discontinued operations (note 8) and changes in accounting policy (note 3).

12 Acquisitions.

On December 19, 2008, ENMAX Energy acquired the Calgary Energy Centre (CEC) for \$368.3 million, represented by \$240.3 million in non-recourse financing and \$128.0 million of cash. ENMAX Energy had a pre-existing 20-year tolling agreement with Calgary Energy Centre No.2 Inc. prior to the acquisition. With the acquisition of CEC, this tolling agreement is deemed to be settled for accounting purposes and a gain of \$6.6 million was recorded on the settlement of this agreement, representing the excess of the current market value of the electricity supply from CEC over the cost of that supply under the tolling agreement. This gain was recorded in other revenue on the consolidated Statement of Earnings in 2008.

ENMAX Energy accounted for this acquisition using this purchase method and the results of operations have been included in the consolidated financial statements since the dates that control was obtained. The allocations of the purchase prices are as follows:

AS AT DECEMBER 31, 2009	CEC	ADJUSTMENTS	CEC (FINAL)
Millions of dollars			
NET ASSETS ACQUIRED:			
Current assets net of cash acquired [1]	3.4	(0.2)	3.2
Capital assets	530.1	(43.9)	486.2
Current liabilities	(8.3)	–	(8.3)
Non-recourse financing	(240.3)	–	(240.3)
Promissory notes	(118.9)	–	(118.9)
Other long-term liabilities	(1.7)	–	(1.7)
Derivative liability	(49.5)	–	(49.5)
Future income tax liabilities	(110.3)	44.0	(66.3)
	4.5	(0.1)	4.4
PURCHASE PRICE:			
Cash consideration, net of cash acquired [1]	115.6	(0.1)	115.5
Assumptions of related party promissory notes	(118.9)	–	(118.9)
Settlement of existing tolling arrangement	6.6	–	6.6
Transaction costs	1.2	–	1.2
	4.5	(0.1)	4.4

[1] Current cash and cash consideration are shown net of cash acquired of \$12.4 million. The cash acquired in CEC includes \$9.9 million of restricted cash.

The adjustments to the purchase price noted in the table above resulted from corrections to preliminary calculations of future income tax balances. These adjustments have no impact on current or previously reported earnings, cash flows or compliance with covenants of the Corporation. These adjustments were reflected in the second quarter of 2009 without prior period restatement, as this reclassification of the components of the purchase price allocation was not considered to be material to the presentation of prior period financial statements.

12 Acquisitions. [CONTINUED]

AS AT DECEMBER 31, 2008	CEC (PRELIMINARY)	KETTLES HILL (FINAL)	TOTAL
Millions of dollars			
NET ASSETS ACQUIRED:			
Current assets net of cash acquired [1]	3.4	5.4	8.8
Capital assets	530.1	151.4	681.5
Intangible assets	–	14.4	14.4
Goodwill [2]	–	16.0	16.0
Current liabilities	(8.3)	(1.8)	(10.1)
Non-recourse financing	(240.3)	(44.2)	(284.5)
Promissory notes	(118.9)	(57.0)	(175.9)
Other long-term liabilities	(1.7)	(1.3)	(3.0)
Derivative liability	(49.5)	–	(49.5)
Future income tax liabilities	(110.3)	(17.7)	(128.0)
	4.5	65.2	69.7
PURCHASE PRICE			
Cash consideration, net of cash acquired [1]	115.6	121.7	237.3
Assumption of related party promissory notes	(118.9)	(57.0)	(175.9)
Settlement of existing tolling arrangement	6.6	–	6.6
Transaction costs	1.2	0.5	1.7
	4.5	65.2	69.7

[1] Current cash and cash considerations are shown net of cash acquired of \$12.4 million in CEC and \$1.7 million in Kettles Hill. The cash acquired in CEC includes \$9.9 million in restricted cash.

[2] The goodwill acquired is not expected to be deductible for tax purposes.

The CEC purchase price allocation was not finalized as of the date of issuance of the December 31, 2008 consolidated financial statements as the closing of the acquisition occurred a few weeks prior to the end of the reporting period.

13 Employee future benefits.

The Corporation has a registered pension plan that covers substantially all employees and includes both defined benefit (DB) and defined contribution (DC) provisions. The DB provisions provide a pension based on years of service and highest average earnings over five consecutive years of employment. DB pension benefits under the registered plan will increase annually by 60% of the Consumer Price Index for Alberta. Under the DC provisions, employer contributions are based on the participating members' pensionable earnings and contribution levels.

The Corporation also sponsors a supplemental pension plan providing an additional DB pension based on years of service and highest average earnings (including incentive pay) to both DB and DC members whose benefits are limited by maximum pension rules under the Income Tax Act. The supplemental pension plan benefits do not automatically increase. In addition, the Corporation provides employees with post-retirement benefits other than pensions, including extended health and dental benefits beyond those provided by government sponsored plans, life insurance and a lump sum allowance payable at retirement, up to age 65.

Notes to consolidated financial statements.

13 Employee future benefits. [CONTINUED]

The Corporation measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at December 31 of each year. Actuarial valuations are conducted every three years. The most recent actuarial valuation was prepared as at December 31, 2006. The next required valuation will be performed in 2010 for the period ended December 31, 2009. Results from this valuation are expected during the second quarter of 2010.

Total cash payments for employee future benefits for 2009, consisting of cash contributed by the Corporation under the DB and DC provisions of the registered pension plan and cash payments directly to beneficiaries of the Corporation's unfunded other benefit plans, were \$17.3 million (2008 – \$13.0 million).

For the year ended December 31, 2009, the total expense for the DC provisions of the plan was \$7.1 million (December 31, 2008 – \$5.6 million).

Information about the DB provisions of the plan, including the supplemental pension plan and the post-retirement non-pension benefit plan, is as follows:

YEAR ENDED DECEMBER 31	2009		2008	
	PENSION BENEFIT PLAN	OTHER BENEFIT PLAN	PENSION BENEFIT PLAN	OTHER BENEFIT PLAN
Millions of dollars				
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation, beginning of year	171.1	6.2	168.9	7.4
Current service cost	4.8	0.4	5.0	0.5
Employee contributions	2.4	–	2.0	–
Benefits paid	(5.3)	(0.3)	(6.2)	(0.3)
Interest cost	11.3	0.3	8.9	0.4
Non-investment expenses	(0.4)	–	–	–
Plan amendments	–	0.6	–	(1.6)
Experience gain (loss)	5.9	0.5	(16.5)	(0.5)
Acquisitions and divestitures	–	–	9.0	0.3
Benefit obligation, end of year	189.8	7.7	171.1	6.2
CHANGE IN PLAN ASSETS				
Plan assets at market-related value, beginning of year	161.9	–	141.3	–
Employer contributions	10.1	0.3	11.8	0.3
Employee contributions	2.4	–	2.0	–
Benefits paid	(5.3)	(0.3)	(6.2)	(0.3)
Non-investment expenses	(0.4)	–	–	–
Return on plan assets	11.5	–	10.4	–
Acquisitions and divestitures	–	–	9.8	–
Experience loss	(6.4)	–	(7.2)	–
Plan assets at market-related value, end of year	173.8	–	161.9	–
Deferred investment gain	(9.1)	–	(28.4)	–
Plan assets at fair value, end of year	164.7	–	133.5	–
Funded status – plan deficit	(25.1)	(7.7)	(37.6)	(6.2)
Unamortized transitional asset	(0.4)	–	(0.8)	(0.1)
Unamortized past service cost	–	(0.8)	–	(1.6)
Unamortized experience losses	50.6	1.6	59.3	1.6
Accrued benefit asset/(liability)	25.1	(6.9)	20.9	(6.3)

13 Employee future benefits. [CONTINUED]

Plan assets at December 31, 2009, consist of Canadian equity securities of 39% (December 31, 2008 – 34%), foreign equity securities of 18% (December 31, 2008 – 19%), long-term fixed income securities of 39% (December 31, 2008 – 43%) and cash and short-term securities of 4% (December 31, 2008 – 4%).

The significant weighted-average actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations and net benefit plan expense are as follows:

YEAR ENDED DECEMBER 31	2009		2008	
	PENSION BENEFIT PLAN	OTHER BENEFIT PLAN	PENSION BENEFIT PLAN	OTHER BENEFIT PLAN
Percent				
ACCRUED BENEFIT OBLIGATION:				
Discount rate	6.00	5.50	6.50	6.50
Rate of compensation increase	3.50	3.50	3.50	3.50
Health care cost trend rate for next year	n/a	10.00	n/a	10.00
Decreasing gradually to 5% in the year	n/a	2021	n/a	2021
BENEFIT COST:				
Discount rate	6.50	6.50	5.25	5.25
Expected long-term rate of return on plan assets	7.00	n/a	7.25	n/a
Rate of compensation increase	3.50	3.50	3.60	3.60
Health care cost trend rate for next year	n/a	10.00	n/a	10.00
Decreasing gradually to 5% in the year	n/a	2021	n/a	2018

The per capita cost of covered dental benefits was assumed to increase by 4.5% per year (2008 – 4.5%).

The Corporation's net benefit cost is as follows:

YEAR ENDED DECEMBER 31	2009		2008	
	PENSION BENEFIT PLAN	OTHER BENEFIT PLAN	PENSION BENEFIT PLAN	OTHER BENEFIT PLAN
Millions of dollars				
Current service costs	4.8	0.4	5.0	0.5
Interest cost	11.3	0.3	8.9	0.4
Plan amendments	–	0.7	–	(1.6)
Actual return on assets	(24.4)	–	31.5	–
Actuarial gains (losses)	5.9	0.5	(17.2)	(1.3)
Difference between expected and actual return	13.0	–	(41.9)	–
Difference between recognized and actual actuarial gains	(4.4)	(0.4)	20.3	1.4
Difference between amortization of past service costs and actual plan amendments for the year	–	(0.7)	–	1.6
Amortization of net transitional asset	(0.4)	–	(0.4)	–
Net benefit plan expense	5.8	0.8	6.2	1.0

13 Employee future benefits. [CONTINUED]

Assumed health care cost trend rates may have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in the assumed health care cost trend rate would have the following effect for 2009:

	1% INCREASE	1% DECREASE
EFFECT OF CHANGE IN HEALTH CARE COST TREND RATE:		
Increase (decrease) in service cost for year ended December 31	0.1	(0.1)
Increase (decrease) in interest cost for year ended December 31	0.1	(0.1)
Increase (decrease) in accrued benefit obligation at December 31	0.2	(0.2)

14 Financial statement effects of rate regulation.

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. ENMAX Power has recorded the following regulatory assets and liabilities:

AS AT DECEMBER 31	2009	2008
Millions of dollars		
REGULATORY ASSETS		
Accounts receivable: purchased power variances [1]	33.6	43.5
Accounts receivable: regulatory decision [2]	8.1	–
Distribution assets: inter-company profit on underground residential development [3]	33.3	30.7
TOTAL REGULATORY ASSETS	75.0	74.2
REGULATORY LIABILITIES		
Other long-term liabilities: pension funding [4]	–	7.5
TOTAL REGULATORY LIABILITIES	–	7.5

The following describes each of the circumstances in which rate regulation affects the accounting for a transaction or event. Regulatory assets represent future revenues associated with certain costs, incurred in the current period or in prior periods, which are expected to be recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that are expected to be returned to customers as a result of the rate-setting process.

- [1] 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 Power 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 collection from, or refund to, future customers. The regulatory asset represents the excess of actual over forecast purchased power costs. In the absence of rate regulation, Canadian GAAP would require that actual purchased power costs be recognized as an expense when incurred. In this case, operating results for 2009 would have been \$9.9 million higher (2008 – \$17.2 million lower). The regulatory asset is included in accounts receivable.

14 Financial statement effects of rate regulation. [CONTINUED]

- [2] In May 2007, ENMAX Power applied to the AUC to have rates set under a regulated approach. On March 25, 2009, the regulator approved the application with adjustments, retroactive to January 1, 2007. ENMAX Power recorded \$16.6 million of transmission and distribution receivables reflecting the preliminary estimate of the decision. Management awaits the AUC's final decision to determine the impact of the decision on its results. In accordance with the Interim Compliance Decision, ENMAX Power commenced collection of this receivable on July 1, 2009, with \$8.5 million being collected as at December 31, 2009. Subsequent to December 31, 2009, this receivable will continue to be collected on a monthly basis and will be fully collected by July 2010.
- [3] Distribution assets for the regulated operations of ENMAX Power include intercompany profit relating to construction work performed by an ENMAX subsidiary. Such profit is deemed for regulatory purposes 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, Canadian GAAP would require that intercompany profits be eliminated upon consolidation. The impact on current period earnings for 2009 would be a reduction of \$2.6 million (2008 – \$3.4 million), representing the profit on these services. The balances for property, plant and equipment and retained earnings at December 31, 2009 would further be reduced by \$33.3 million (December 31, 2008 – \$30.7 million).
- [4] Pension costs are recorded using the accrual method as required by Canadian GAAP. Previously, the AUC approved the recovery of amounts relating to the unfunded liability for the defined benefit pension plan over 10 years. As a result of AUC Decision 2009-35, ENMAX is required to eliminate the previously approved regulatory liability. Consequently, the previous balance of \$8.2 million as at March 31, 2009 was recognized as revenue in the second quarter of 2009. At December 31, 2009, ENMAX Power has recorded a regulatory liability in the amount of \$nil (December 31, 2008 – \$7.5 million) to reflect this regulatory treatment. In the absence of a regulatory liability as at December 31, 2009, net earnings for 2009 would have been unchanged (2008 – \$1.3 million higher). In addition to this, due to the absence of a regulatory liability as at December 31, 2009, retained earnings and other long-term liabilities would have been unchanged (December 31, 2008 – \$7.5 million increase to retained earnings and decrease to other long-term liabilities).

For certain of the regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties relating to the ultimate authority of the regulator in determining the item's treatment for rate-setting purposes. For example, ENMAX Power's treatment of purchased power costs is dependent on the continued use of an automatic adjustment mechanism for regulatory purposes. This would require reconsideration if the regulator decided to discontinue the use of this mechanism or to require ENMAX Power to absorb cost variances in a particular year. Similarly, there is a risk that the regulator may disallow a portion of certain costs incurred in the current period for recovery through future rates, or disagree with the proposed recovery period.

OTHER ITEMS AFFECTED BY RATE REGULATION

Current regulations exclude transmission, distribution and rate regulated electricity sales earnings from corporate income taxes, although rate regulated electricity sales are subject to PILOT. Accordingly, ENMAX Power has not recognized current or future corporate income taxes on tax exempt earnings. In the event regulations change, it would be expected that when these amounts became payable, they would be recovered through future rate revenues. In the absence of rate regulation, Canadian GAAP requires the recognition of current and future income tax liabilities and future tax assets.

Gains and losses on the disposal and retirement of regulated depreciable assets are deferred and amortized over the remaining term of the regulatory decision, through a charge to accumulated amortization equal to the net book value of the disposed or retired asset. In the absence of rate regulation, under Canadian GAAP, the difference between the proceeds and net book value would be charged or credited to earnings in the period as a gain or loss on sale when the asset is disposed of or retired.

14 Financial statement effects of rate regulation. [CONTINUED]

The regulator permits an AFUDC, based on ENMAX Power'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. As of December 31, 2009, AFUDC totaling \$5.7 million (December 31, 2008 – \$8.6 million) was included in property, plant and equipment.

15 Restricted cash.

As at December 31, 2009, other current assets include restricted cash and cash equivalents of \$33.1 million (December 31, 2008 – \$42.6 million), relating to margin posted with a financial institution. This margin is required as a result of ENMAX Energy's commodity trading activity.

As at December 31, 2009, other long-term assets include restricted cash and cash equivalents of \$8.3 million (December 31, 2008 – \$6.5 million), relating to a debt servicing obligation on the non-recourse financing (see note 17).

16 Short-term debt.

As at December 31, 2009, the Corporation has unsecured credit facilities amounting to \$750.0 million (December 31, 2008 – \$730.0 million) to fund general operating requirements and to provide liquidity support for commercial paper and commodity marketing programs. Combined, all of the facilities encompass \$500.0 million in operating facilities and \$250.0 million of syndicated credit facilities. As at December 31, 2009, \$69.8 million (December 31, 2008 – \$333.3 million) of operating facilities and \$167.7 million (December 31, 2008 – \$30.0 million) of syndicated facilities were used in support of outstanding letters of credit (see note 20).

Short-term debt is comprised of commercial paper and banker's acceptances which are guaranteed by the Corporation's credit facilities. At December 31, 2009, the Corporation had \$18.2 million in commercial paper and bank overdrafts at a weighted-average rate of 1.21% (2008 – \$125.2 million in banker's acceptance at a weighted-average rate of 2.09%). The commercial paper debt is payable upon maturity in January 2010.

17 Long-term debt.

AS AT DECEMBER 31	2009		2008	
	2009	WEIGHTED AVERAGE INTEREST RATES	2008	WEIGHTED AVERAGE INTEREST RATES
Millions of dollars				
DEBENTURES [1], WITH REMAINING TERMS OF:				
Less than 5 years	48.0	4.92%	29.8	5.82%
6 - 10 years	90.7	5.29%	74.6	5.79%
11 - 15 years	114.7	4.60%	169.5	4.56%
16 - 20 years	26.9	4.85%	17.6	4.85%
21 - 25 years	236.6	4.92%	147.0	4.89%
Private debenture	545.4	6.01%	296.6	6.15%
Non-recourse financing	251.8	6.43%	258.6	6.62%
Promissory note	5.7	5.00%	5.9	5.00%
	1,319.8	—	999.6	—
Less: current portion	46.1	—	43.4	—
	1,273.7	—	956.2	—

[1] Unsecured debentures

DEBENTURES

City debentures

Debentures were initially issued by The City on behalf of the Calgary Electric System pursuant to City bylaw authorizations prior to January 1, 1998. Pursuant to the Master Agreement between the Corporation and The City, the debentures were included in the assumed liabilities upon transfer of substantially all of the assets and liabilities of the CES from The City to the Corporation at January 1, 1998. In accordance with a debt management service level agreement between the Corporation and The City, The City shall continue to service the existing debentures through the disbursement of principal and interest payments.

On June 15, 2009, the Corporation obtained \$116.9 million of 5, 10, 20 and 25-year debentures from The City of Calgary through arrangements with the Alberta Capital Finance Authority (June 16, 2008 – \$66.7 million in 10, 20 and 25-year debentures). Interest on the debentures is compounded semi-annually as follows: \$9.7 million, which matures in June 2014, at 3.06%; \$3.3 million, maturing in June 2019, at 4.19%; \$10.0 million, maturing in June 2029, at 5.11%; and the remaining \$93.9 million, which matures in June 2034, at 5.23%. The funds were used for capital expenditures in ENMAX Power only and not in the Corporation's non-regulated business.

The Corporation is required to reimburse The City for all principal repayments and interest payments with respect to the debentures on the same day as The City disburses the payments to the debt holders. In addition, the Corporation is required to pay a loan guarantee and administration fee to The City of 0.25% on the average monthly outstanding debenture balance held by The City on behalf of the Corporation.

Private debentures

On April 8, 2009, the Corporation issued \$250.0 million in private debentures, bearing interest at 5.85%, payable semi-annually. The debentures mature on April 8, 2014. Issue costs of \$1.6 million are being amortized using the effective interest method.

17 Long-term debt. [CONTINUED]

NON-RECOURSE FINANCING

AS AT DECEMBER 31				2009			2008		
DATE	PRINCIPAL OUTSTANDING	MATURITY DATE	AVERAGE INTEREST RATE	PRINCIPAL OUTSTANDING	MATURITY DATE	AVERAGE INTEREST RATE	PRINCIPAL OUTSTANDING	MATURITY DATE	AVERAGE INTEREST RATE
Millions of dollars									
CEC	232.1	Sep. 2026	6.47%	238.9	Sep. 2026	6.68%			
Kettles Hill	19.7	Dec. 2016	5.90%	19.7	Dec. 2016	5.90%			
	251.8		6.43%	258.6		6.62%			
Less: current portion	7.2			6.7					
	244.6			251.9					

The non-recourse financing represents the Corporation's share, through its subsidiary ENMAX Green Power Inc., of loans for the Furry Creek, Kettles Hill, EnPower and CEC projects. These financing arrangements are secured by the related project assets. Of the \$14.9 million originally assumed with Furry Creek, the balance outstanding at December 31, 2009 was \$12.6 million (December 31, 2008 – \$13.1 million) which bears interest at a fixed rate of 7.3%, payable monthly, maturing in June 2024. The Furry Creek non-recourse financing has been reclassified to "Liabilities held for sale" on the consolidated balance sheet as a current liability, as the non-recourse financing on this subsidiary is in breach of its covenants (note 23) and the project assets are currently classified as held for sale. Of the \$44.2 million originally assumed with the Kettles Hill acquisition, the balance outstanding at December 31, 2009 was \$19.7 million (December 31, 2008 – \$20.0 million) which bears interest at a fixed rate of 6.11%, payable monthly, maturing in December 2016. Of the \$240.3 million originally assumed with the CEC acquisition, the balance outstanding at December 31, 2009 was \$232.1 million (December 31, 2008 – \$238.9 million) which was effectively fixed to an interest rate of 6.75% using an interest rate swap which was also acquired as part of the acquisition. The CEC debt is payable quarterly and matures in September 2026. The Corporation's share of the EnPower debt as at December 31, 2009 was \$11.6 million (December 31, 2008 – \$11.9 million) which bears interest at a fixed rate of 6.65%. This debt is payable monthly and matures in November 2028. The non-recourse financing on this joint venture has been reclassified to "Liabilities held for sale" on the consolidated balance sheet, as the project assets are currently classified as held for sale.

Currently, ENMAX Green Power Inc. has provided a limited recourse guarantee to the extent of its interest in the shares of Furry Creek Power Ltd. The construction loan was converted to project debt in December 2006. Once post-conversion land registrations are completed, the limited recourse guarantee will be released. A charge against project assets, which have a carrying value of \$18.9 million, will remain as security.

PROMISSORY NOTE

The promissory note was issued in the fourth quarter of 2006 and represents an amortizing loan from The Board of Trustees of Westwind School Division No. 74, acting as agent for the Wind Participation Consortium (WPC), which is comprised of three school divisions. The 20-year note, in the amount of \$6.3 million, bears interest at a fixed rate of 5% and is repayable in monthly installments. The Corporation provided a fixed charge over two wind turbines located at Taber, Alberta, as security for the loan. Concurrent with execution of the loan, WPC executed a 20-year electricity services agreement with ENMAX Energy.

17 Long-term debt. [CONTINUED]

PRINCIPAL REPAYMENTS

The required repayments of principal on the long-term debt at December 31, 2009, are as follows:

Millions of dollars	
2010	46.1
2011	45.7
2012	45.1
2013	44.3
2014	293.4
Thereafter	845.2

18 Share capital.

AS AT DECEMBER 31, 2008 AND 2009	NUMBER OF SHARES	AMOUNT
Millions of dollars except share amounts		
AUTHORIZED:		
Unlimited number of common shares		
Issued and outstanding:		
Issued on incorporation	1	–
Issued on transfer of net assets from CES (note 1)	1	278.2
Issued on transfer of billing and customer care assets from The City in 2001	1	1.9
	3	280.1

19 Accumulated other comprehensive income.

AS AT DECEMBER 31	2009	2008
Millions of dollars		
Unrealized losses on available-for-sale financial assets	(1.7)	(3.7)
Unrealized losses on derivatives designated as cash flow hedges	(21.3)	(8.2)
Accumulated other comprehensive losses, including a future income tax expense of \$7.1 million (2008 – expense of \$2.4 million)	(23.0)	(11.9)

20 Commitments and contingencies.

PROPERTY, PLANT AND EQUIPMENT

The Corporation is committed to major capital expenditures over the next five years, with minimum annual payments (including cancellation costs) as follows:

Millions of dollars	
2010	165.4
2011	0.4
2012	0.4
2013	0.4
2014	0.4

OBLIGATIONS UNDER OTHER AGREEMENTS

The Corporation rents premises, vehicles and equipment under multiple lease contracts with varying expiration dates.

ENMAX Energy is obligated to make monthly payments in return for the output from PPAs and other power purchase agreements, based on normal operating conditions adjusted for inflation, other than in the event of a forced outage.

ENMAX Energy commits to the purchase of renewable energy certificates and carbon offset credits. The Corporation is obligated to make payments in return for the certificates and credits subsequent to the delivery.

ENMAX Energy commits to long-term service arrangements on certain generating facilities.

The aggregate payments under these arrangements over the next five years are as follows:

Millions of dollars	
2010	278.3
2011	287.1
2012	288.7
2013	297.8
2014	225.7
Thereafter	1,528.1

REGULATORY

ENMAX Power, along with other electrical transmission and distribution utilities in the province of Alberta, is subject to regulatory reviews and decisions. The impact of the reviews and decisions is reflected in the consolidated financial statements when the amount can be reasonably estimated.

POWER PURCHASE ARRANGEMENTS

The facilities covered under PPAs were subject to outages and operational issues during the year. The PPA owners and ENMAX often differ in opinion as to who should bear the costs arising from these events. Although there can be no assurance that these disputes will be resolved in ENMAX Energy's favour, ENMAX Energy does not believe that the outcome of these disputes will have a material adverse affect on the financial position of ENMAX Energy.

20 Commitments and contingencies. [CONTINUED]

LEGAL CLAIMS

In the normal course of business, the Corporation is named as a defendant in lawsuits related to various matters. The Corporation believes the outcome of these lawsuits will not have a material impact on the operating results or financial position of the Corporation.

INCOME TAX

Alberta Finance, Tax and Revenue Administration (Alberta Finance) is responsible for assessing the income tax returns filed under the PILOT regulation of the EUA which became effective January 1, 2001.

The Corporation regularly reviews the potential for adverse outcomes in respect of tax matters and believes it has adequate provisions for these tax matters. Tax provisions are adjusted, positively or negatively, for changes in estimates and assessments by tax authorities in the period in which they are more likely than not to have an impact on the financial results.

In August 2004, Alberta Finance notified ENMAX Energy 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 the asset of \$855.0 million.

From June 2005 through July 2008, ENMAX Energy received Notices of Reassessment from Alberta Finance in respect of the taxation years 2001 through 2005. ENMAX Energy does not agree with the reassessments and has commenced the necessary steps to defend its position through the formal appeals process. However, ENMAX Energy voluntarily remitted certain amounts to minimize interest and penalties until the issues are resolved. These amounts are recorded as income taxes receivable as at December 31, 2009 and December 31, 2008. ENMAX Energy has received refunds in 2008 and 2009 relating to taxation years 2001 and 2002 taxation years, including a further reassessment of its 2002 taxation year on February 13, 2009, resulting in an additional refund of \$2.4 million including interest. ENMAX Energy expects this process to be successful and will pursue all options available should the appeals process result in an unfavourable outcome. The amount of a possible adjustment, which could have a material impact on net earnings, cannot be reasonably estimated at this time. No provision has been made in the consolidated financial statements for any additional income tax expense that may be payable relating to these assessments.

ENVIRONMENTAL

Provincial regulations aimed at reducing the levels of greenhouse gas emissions took effect July 2007. These changes in law due to the change of law provisions in ENMAX Energy's PPAs and Tolling Agreements expose ENMAX Energy to the associated compliance costs.

For the year ended December 31, 2009, the consolidated financial statements include a charge to earnings in the amount of \$24.2 million (December 31, 2008 – \$20.3 million), included in costs of electricity services provided, relating to estimated compliance costs under the provincial greenhouse gas (GHG) regulations for ENMAX Energy's interests in coal and natural gas-fired generation facilities through its PPAs and owned assets. Compliance payments are due to the facility owners by June 30 of the year following the compliance. ENMAX Energy has taken steps, including acquiring qualified offset credits from both its wind generation assets and purchases on the wholesale market, to mitigate impacts of the GHG regulations.

Federal regulations aimed at reducing the level of greenhouse gas emissions are unlikely to come into force in 2010. As these regulations are not yet in effect and the applicable compliance details have not yet been finalized, the total amounts of these costs, which could have a material impact on future net earnings, cannot be reasonably estimated at this time. The Corporation continues to assess and monitor the implications that these changes in legislation may have on its business.

20 Commitments and contingencies. [CONTINUED]

LETTERS OF CREDIT

In the normal course of operations, letters of credit are issued to facilitate the extension of sufficient credit for counterparties having credit exposure to the Corporation or its subsidiaries. As at December 31, 2009, the Corporation has issued letters of credit amounting to \$237.5 million (December 31, 2008 – \$363.3 million).

DIRECTOR/OFFICER INDEMNIFICATIONS

Under its bylaws, the Corporation indemnifies individuals who have acted at the Corporation's request to be a director and/or officer of the Corporation and/or one or more of its direct and indirect subsidiaries, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory or other legal restrictions and limitation periods. The nature of the indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. The Corporation has purchased various insurance policies to reduce the risks associated with the indemnification.

OTHER INDEMNIFICATIONS

In the ordinary course of business, the Corporation and its subsidiaries enter into contracts which contain indemnification provisions, such as purchase and sale contracts, service agreements, intellectual property licensing agreements, purchases and sales of assets and equipment, joint venture agreements, operating agreements and leasing and land use arrangements. In such contracts, the Corporation may indemnify counterparties to the contracts if certain events occur, such as undisclosed liabilities, changes in financial condition and loss caused by the actions of third parties or as a result of litigation or other claims by third parties. These indemnification provisions will vary based upon the contract. In most cases, there are no pre-determined amounts or limits included in these indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount the Corporation could be required to pay cannot be estimated.

21 Interest.

YEAR ENDED DECEMBER 31	2009	2008
Millions of dollars		
Interest on long-term debt	71.2	34.4
Short-term interest and other financing charges	3.6	10.1
Less: allowance for funds used during construction and capitalized interest	(20.8)	(8.6)
	54.0	35.9

22 Change in non-cash working capital.

YEAR ENDED DECEMBER 31	2009	2008
Millions of dollars		
Accounts receivable	33.7	(40.4)
Inventory	0.3	0.4
Income taxes receivable	(39.2)	19.3
Other current assets	(23.3)	1.7
Accounts payable and accrued liabilities	(42.0)	(36.7)
Income taxes payable	2.0	22.8
	(68.5)	(32.9)

23 Capital management.

The Corporation's objectives when managing capital are: (i) to maintain a flexible capital structure which optimizes corporate liquidity as well as the cost of capital at acceptable risk; (ii) to manage capital in a manner which balances the interests of stakeholders and (iii) to meet regulatory requirements for certain operations subject to rate regulation. The capital structure of the Corporation's regulated business is set by the Alberta Utilities Commission (AUC) in the course of ENMAX Power's regular rate filings.

The Corporation's management considers its capital structure to consist of net debt and shareholder's equity. Net debt is comprised of long-term debt, including current portions, less cash and cash equivalents. The capital structure is as follows:

AS AT DECEMBER 31	2009	2008
Millions of dollars		
Long-term debt [1]	1,319.8	999.6
Less: cash and cash equivalents	55.7	35.3
NET DEBT	1,264.1	964.3
Shareholder's equity	1,744.5	1,596.5
TOTAL CAPITAL	3,008.6	2,560.8

[1] Includes current portion of \$46.1 million (2008 – \$43.4 million). Maturity dates range from January 2010 to September 2034.

The Corporation manages its consolidated capital structure through prudent levels of borrowing, cash flow forecasting and working capital management and makes adjustments to these measures in light of changes in economic conditions and the risk characteristics for both its regulated and non-regulated operations. Certain components of ENMAX Power's operations are regulated by the AUC, which permits a return on a deemed capital structure. The Corporation manages ENMAX Power's capital structure such that it is consistent with the deemed capital structure in order to achieve the returns allowed by the regulator.

In addition, the Corporation monitors its capital using various ratios including (i) debt to total capitalization and (ii) earnings before interest, taxes, depreciation and amortization (EBITDA) to interest expense.

Debt to total capitalization is calculated as long-term debt, including current portion, divided by total capital and is also a calculation used for the Corporation's compliance with debt covenants.

23 Capital management. [CONTINUED]

The calculation of EBITDA is a measure whose nearest GAAP measure is net earnings with the reconciliation between the two measures set out in the following schedule:

YEAR ENDED DECEMBER 31	2009	2008
Millions of dollars		
Adjusted EBITDA	461.4	366.6
Less: EBITDA from discontinued operations	1.8	0.7
Standardized EBITDA	459.6	365.9
Deduct: amortization	135.2	115.9
Earnings before interest and taxes	324.4	250.0
Deduct: Interest	54.0	35.9
Deduct: Income taxes	63.8	32.0
Net earnings from continuing operations	206.6	182.1

The calculation obtained by using Interest expense and Standardized EBITDA from the above table is substantially the same as the interest coverage ratio covenant set out in the Corporation's credit facilities.

These capital management policies, which remain unchanged from prior periods, provide access to capital at a reasonable cost while maintaining investment grade credit ratings. DBRS and Standard & Poor's issued credit ratings for the Corporation are at A (low) (stable trend) and BBB+ (negative outlook) respectively.

The Corporation itself was in compliance with all financial covenants as of December 31, 2009. One of its subsidiaries, Furry Creek Power Ltd., was not in compliance with respect to \$12.7 million of non-recourse debt. The covenants on the non-recourse financing of the Furry Creek business line were breached during 2009. ENMAX has sufficient cash on hand at the consolidated balance sheet date to extinguish all non-recourse debt related to the breached covenant. The covenants on the Corporation's remaining \$1,331.3 million in debt have not been breached. The entire long-term debt related to the Furry Creek project has been included in current liabilities on the consolidated balance sheet as a result of this breach.

24 Joint venture investments.

In 2002, ENMAX Energy entered into a joint venture agreement (McBride) with Vision Quest Windelectric Inc. to build and operate 114 wind turbines in southern Alberta. The wind farm began generating electricity in 2003 and ENMAX Energy has a 50% ownership interest. ENMAX Energy has also agreed to purchase the output from the wind farm under a 20-year power purchase agreement.

In 2006, ENMAX Energy entered into a joint venture agreement (EnPower) with Pristine Power Inc. to build waste heat recovery generation facilities. Operations began in 2008 and ENMAX Energy has a 50% ownership interest.

Summarized financial information of ENMAX Energy's proportionate share of the joint ventures' assets, operations and cash flows are as follows:

24 Joint venture investments. [CONTINUED]

AS AT AND FOR THE YEAR ENDED DECEMBER 31	2009			2008		
	MCBRIDE	ENPOWER [1]	TOTAL	MCBRIDE	ENPOWER [1]	TOTAL
Millions of dollars						
BALANCE SHEET						
Cash and cash equivalents	–	0.3	0.3	–	2.9	2.9
Accounts receivable	0.6	0.4	1.0	1.3	0.5	1.8
Other current assets	–	0.1	0.1	–	0.1	0.1
Property, plant and equipment	39.2	14.6	53.8	42.1	15.3	57.4
Future income taxes asset (liability)	–	0.1	0.1	(0.2)	–	(0.2)
Other long-term assets	–	0.5	0.5	–	–	–
Accounts payable	–	(0.1)	(0.1)	(0.3)	(0.5)	(0.8)
Current portion of long-term debt	–	(0.3)	(0.3)	–	(0.6)	(0.6)
Long-term debt	–	(11.4)	(11.4)	–	(11.7)	(11.7)
Other long-term liabilities	(0.5)	–	(0.5)	(0.4)	–	(0.4)
Proportionate share in net assets of joint ventures	39.3	4.2	43.5	42.5	6.0	48.5
INCOME STATEMENT						
EARNINGS						
Revenue	7.9	1.8	9.7	8.1	0.5	8.6
Costs and expenses	(2.9)	(0.6)	(3.5)	(1.9)	(0.4)	(2.3)
Amortization	(1.7)	(0.6)	(2.3)	(1.7)	(0.2)	(1.9)
Income taxes recovery (expenses)	–	0.1	0.1	0.2	–	0.2
Proportionate share in net earnings of joint venture	3.3	0.7	4.0	4.7	(0.1)	4.6
CASH FLOWS						
Operating activities	4.9	0.1	5.0	0.6	6.4	7.0
Investing activities	–	–	–	(15.5)	1.6	(13.9)
Financing activities	(4.9)	(2.7)	(7.6)	17.8	8.0	25.8
Proportionate share in the increase in cash and cash equivalents of joint venture	–	(2.6)	(2.6)	2.9	16.0	18.9

[1] EnPower has been reclassified to held for sale on the consolidated balance sheet and as discontinued operations on the consolidated income statement as at December 31, 2009 (see note 8).

25 Related party transactions.

Total revenues received from The City for the year ended December 31, 2009 were \$89.7 million (December 31, 2008 – \$92.4 million). Revenues include contract sales of electricity, provision of non-regulated power distribution services and billing and customer care services relating to The City's utilities departments.

25 Related party transactions. [CONTINUED]

Amounts owing to the Corporation from The City for services provided are as follows:

AS AT DECEMBER 31	2009	2008
Millions of dollars		
Total receivable from The City	25.6	24.1

Total expenditures for goods and services received from The City for the year ended December 31, 2009 were \$116.6 million (December 31, 2008 – \$134.2 million). Expenditures include local access fees for use of The City's rights of way.

The Corporation is required to pay a loan guarantee and administration fee to The City of 0.25% of the average monthly outstanding City debenture balance. For the year ended December 31, 2009, the amount paid was \$1.2 million (December 31, 2008 – \$1.1 million).

Included in accounts payable are amounts owed to The City as follows:

AS AT DECEMBER 31	2009	2008
Millions of dollars		
Goods and services received	0.4	0.4
Local access fees	8.4	10.5
Total payable to The City	8.8	10.9

Transactions between the Corporation and The City have been recorded at the exchange amounts. Exchange amounts are the amounts as outlined by the contracts in effect between the Corporation and The City.

26 Comparative figures.

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