

ENMAX CORPORATION
First Quarter 2004 Earnings Report – Q&A

Why are net earnings lower in the first quarter of 2004 compared to the same period in 2003?

The main reason was that a decrease in the 2004 provincial tax rate lowered future income tax deductions expected for certain assets, thus increasing tax expense in the first quarter of 2004 compared to the same period in 2003.

What does ENMAX do with its earnings?

ENMAX uses earnings for ongoing operations, to fund new growth through capital expenditures, to optimize its financial structure through reduction of long-term debt and for payment of dividends to its shareholder, The City of Calgary. ENMAX also uses earnings to grow shareholder's equity in the company, which as at March 31, 2004 was \$1.15 billion.

How do your owners – Calgarians – benefit from these profits?

Like any company, ENMAX profits are earned for the benefit of its shareholder. ENMAX has declared dividends of \$50.4 million in 2004. The amount is based on a dividend policy stipulating the company will pay The City 30% of the prior year's net earnings (\$168.1 million in 2003). In the first three months of 2004, ENMAX paid a dividend installment of \$12.6 million to The City. Earnings in excess of dividends are used to pay down debt or are reinvested in the growth of the corporation. In addition, ENMAX also contributes to community programs throughout the province.

What impact do wholesale market prices have on ENMAX's net earnings?

ENMAX's net earnings are impacted by wholesale market prices because of the link between rates paid by retail customers and the cost of electricity supply to meet these customers' needs. Wholesale market prices impact all customers' rates. Those on the Default Supply rate pay a commodity price directly tied to actual Power Pool prices. Customers on recent commercial contracts pay rates based on ENMAX's best estimate of future Power Pool prices. Customers on the 2004 Regulated RateTariff (residential and small-commercial customers) pay a fixed commodity charge based mainly on forecasted Power Pool prices. There is also a slight exposure to actual pool prices. The other half of the equation is the extent to which the ups and downs of wholesale market prices impact ENMAX's cost for electricity supply. While most of the supply needed to meet customer demand has been secured at fixed price, a portion of electricity supply is purchased from the Power Pool at the wholesale price for any given hour.

What is ENMAX doing to manage fluctuating energy prices and the impact on earnings?

ENMAX's energy trading department hedges the impact of price fluctuations. This department manages the amount of electricity supply secured at a fixed price over a set period compared to the amount of electricity supply purchased from the spot market. At the same time, ENMAX has diversified its revenue sources to ensure retail margins are not the only financial performance driver. For example, the distribution and energy services businesses create an additional revenue stream. The company also is reducing costs. General and administrative expenses in the first three months of 2004 were \$8.5 million compared to \$10.5 million in the first three months of 2003.