

## FIRST QUARTER 2005

<i>(unaudited – millions of dollars, except return on equity and operating statistics)</i>	Three months ended March 31	
	2005	2004
Total revenue	\$ 293.6	\$ 298.3
Operating expenses	253.7	247.7
Earnings before interest and income tax	39.9	50.6
Interest	3.5	2.8
Income tax	4.9	15.4
Net earnings	\$ 31.5	\$ 32.4
Return on equity (annualized)	10%	13%
Payments to shareholder:		
Dividends	12.5	12.6
Local access fees	18.5	17.1
Operating statistics:		
Electricity sold to customers (gigawatt hours)	2,316	2,352
Energy delivered (gigawatt hours)	2,083	2,064
Natural gas sold to customers (terajoules)	3,524	1,550

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis as at May 17, 2005 should be read in conjunction with the accompanying unaudited consolidated financial statements of ENMAX Corporation (ENMAX or the corporation) for the three months ended March 31, 2005 and 2004, as well as the 2004 Annual Report. Amounts are stated in Canadian dollars.

## RESULTS OF OPERATIONS

### Consolidated

In the first quarter of 2005, ENMAX net earnings were \$31.5 million compared to \$32.4 million in the first quarter of 2004. Net earnings were lower compared to the same period in 2004 due to the impact of the Alberta Energy and Utilities Board (EUB) decisions in the third quarter of 2004 relating to ENMAX's Distribution Tariff and Regulated Rate Tariff (RRT) combined with the continued trend of tightening retail electricity gross margins, offset by lower income tax charges.

Total revenue was \$293.6 million in the first quarter of 2005 compared to \$298.3 million in the first quarter of 2004. The decrease in revenue was mainly due to lower revenue from the Distribution Tariff and the Regulated Rate Tariff and lower average market prices for electricity, which reduced rates paid by customers on flow through or flexible rate contracts. These reductions were offset by a growth in natural gas volumes and revenue.

Components of total revenue in the first quarter of 2005 included \$198.5 million from sales of electricity and natural gas; \$69.0 million from distributing electricity and leasing transmission facilities; and \$26.1 million from contractual services and other revenue. Sales of electricity include energy trading revenue, which was \$2.7 million during the first three months of 2005 compared to \$5.2 million in the first quarter of 2004.

Cost of services provided was \$239.1 million for the first three months of 2005 compared to \$234.3 million in the same period in 2004. Cost of services provided increased in the first three months of 2005 compared to the same period in 2004 due to increased natural gas costs from higher sales volumes offset by lower overall market prices for electricity.

Higher average debt balances resulted in interest expense of \$3.5 million in the first quarter of 2005 compared to \$2.8 million in the first quarter of 2004. Income tax expense was \$4.9 million compared to \$15.4 million in the first quarter of 2004. This decrease was largely due to the impact of a provincial tax rate reduction in the first quarter of 2004 which decreased ENMAX's future income tax asset balance by \$5.6 million through a charge to net earnings in that quarter. No comparable charge was recorded in 2005. Also contributing to lower income tax expense was lower earnings before income tax from the taxable portion of ENMAX's operations.

For 2005, ENMAX has declared dividends of \$50 million, which is consistent with 2004. In the first quarter of 2005, ENMAX paid a dividend installment to The City of Calgary of \$12.5 million.

**SELECTED QUARTERLY FINANCIAL DATA**

Three months ended (millions of dollars, unaudited)

	2005		2004		2003	
	Total Revenue	Net Earnings	Total Revenue	Net Earnings	Total Revenue	Net Earnings
<b>March 31</b>	\$ 293.6	\$ 31.5	\$ 298.3	\$ 32.4		
<b>June 30</b>			\$ 276.2	\$ 29.3	\$ 280.9	\$ 37.9
<b>September 30</b>			\$ 312.6	\$ 64.2	\$ 303.1	\$ 51.1
<b>December 31</b>			\$ 306.0	\$ 26.3	\$ 306.0	\$ 47.8

**LIQUIDITY AND CAPITAL RESOURCES****Capitalization***(millions of dollars, unaudited)*

	<b>March 31, 2005</b>	December 31, 2004
Cash and cash equivalents	<b>\$ 290.6</b>	\$ 353.3
Long-term debt <sup>(1)</sup>	<b>244.1</b>	252.3
Shareholder's equity		
Share capital	<b>280.1</b>	280.1
Retained earnings	<b>940.1</b>	958.6
Total shareholder's equity	<b>1,220.2</b>	1,238.7
Total capitalization	<b>\$ 1,464.3</b>	\$ 1,491.0

(1) Includes current portion of \$33.5 million (December 31, 2004 - \$32.8 million). Maturity dates range from August 2005 to June 2019.

**Coverage Ratios***(Unaudited)*

	<b>For the Three Months Ended March 31, 2005</b>	For the Year Ended December 31, 2004
Debt to total capitalization (as at period end) <sup>(1)</sup>	<b>16.7%</b>	16.9%
Net debt to total capitalization (as at period end) <sup>(1)</sup>	<b>Nil</b>	Nil
Interest coverage ratio <sup>(2)</sup>	<b>11.4 X</b>	15.6 X

(1) Debt to total capitalization is equal to long-term debt divided by long-term debt plus shareholders equity. Net debt to total capitalization reduces long-term debt by cash and cash equivalents for purposes of this calculation.

(2) Interest coverage on long-term debt is equal to earnings before interest and taxes divided by interest expense.

### Cash Provided by Operating Activities

Cash used in operating activities was \$20.1 million for the first three months of 2005, compared to positive cash flow of \$69.3 million in the first three months of 2004. Reduced cash flow in the first quarter of 2005 is primarily due to an increase in working capital over the period resulting from the payment of accrued income taxes, the payment of a portion of the refund owed to customers relating to the 2004 EUB decisions for the RRT and Distribution tariffs, and lower capital and operating accruals. Funds for ongoing cash requirements will come from cash flow from operations, available lines of credit, and a commercial paper program. ENMAX continues to generate adequate amounts of cash and cash equivalents to meet short term requirements.

### Investing Activities

ENMAX's net capital spending was \$20.5 million in the first three months of 2005, primarily for expansion of the distribution system. In January 2005, ENMAX purchased 100% of the outstanding shares of a privately held electricity retailer and services company from the shareholders for cash consideration. The primary assets of the company are commercial and industrial electricity contracts, which have been recorded as intangible assets. The aggregate purchase price, net of cash acquired, was \$7.2 million.

In 2005, capital expenditures are budgeted to be about \$210 million for ongoing requirements of the business and smaller growth projects. Approval of capital projects in excess of \$30 million are sought from the shareholder.

### Financing Activities

ENMAX made \$8.2 million in regularly scheduled debt principal payments in the first quarter of 2005. An additional \$33.5 million in long term debt is scheduled for maturity before March 31, 2006.

## BUSINESS SEGMENT RESULTS

### Net Earnings by Segment

Three months ended March 31

(millions of dollars, unaudited)

	2005	2004
ENMAX Energy	\$ 2.9	\$ 18.2
ENMAX Power	10.0	13.4
Corporate & Intersegment Eliminations	18.6	0.8
Total Earnings	<u>\$ 31.5</u>	<u>\$ 32.4</u>

In December 2004, ENMAX recapitalized its subsidiaries through a combination of inter-company loan arrangements and dividends. The recapitalization was undertaken to match the regulator approved capital structure in ENMAX Power and to make the ENMAX Energy capital structure more consistent with the fair market value of its assets. To reflect this new structure, ENMAX has revised its segmented

reporting. Beginning with the first quarter of 2005, external and intercompany interest revenue and expense incurred by ENMAX Corporation is reported as part of Corporate & Intersegment Eliminations. Previously these amounts were included within the operating segment results.

## ENMAX Energy

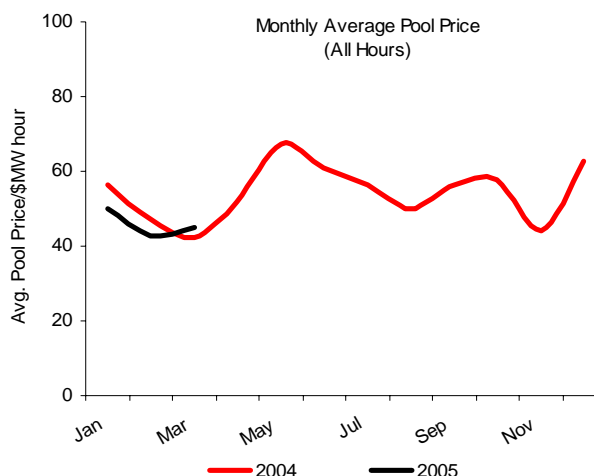
During the first quarter of 2005, net earnings for ENMAX Energy were \$2.9 million compared to \$18.2 million in the same period in 2004. Lower net earnings are a result of lower gross margins on electricity, and higher interest costs as result of the recapitalization, partially tempered by lower income tax expense. The recapitalization described above has resulted in additional interest expense in ENMAX Energy of approximately \$15 million. Since the debt is intercompany, the interest is offset in Corporate & Intersegment Eliminations.

The average Power Pool price was \$46 per megawatt-hour (MWh) in the first quarter of 2005 compared to \$49 per MWh in the first quarter of 2004 and \$55 per MWh in the fourth quarter of 2004. Natural gas prices averaged about \$6.50 per gigajoule (GJ) in the first quarter of 2005 compared to \$6 per GJ in both the prior quarter and in the first quarter of 2004.

ENMAX Energy sold 2,316 gigawatt hours (GWh) of electricity to customers in the first quarter of 2005 compared to 2,352 GWh in the first quarter of 2004. The volume variance is due to a more competitive market resulting in fewer sales and warmer weather conditions reducing customer consumption during the first quarter of 2005.

ENMAX Energy had total revenue of \$258.2 million in the first quarter of 2005. This compares to total revenue of \$264.5 million in the first quarter of 2004. The decrease in revenue was mainly due to lower wholesale prices putting downward pressure on flow through customer rates as well as the impact of the EUB decision in the third quarter of 2004, which reduced RRT revenue by approximately \$3 million in the first quarter of 2005 compared to the same period in 2004. This was partially offset by growth in natural gas sales as ENMAX Energy recorded revenue of \$27.7 million in the first quarter of 2005 compared to \$9.5 million in the same period in 2004.

Cost of services provided was \$230.4 million for the first three months of 2005 compared to \$226.9 million in the same period in 2004. Lower retail electricity volumes and prices in the first quarter of 2005 were offset by higher natural gas prices and volumes purchased as well as lower output from our Power Purchase Arrangements (PPAs), which required ENMAX to acquire supply at higher average prices. Grid charges were lower in the first quarter of 2005, reflecting the impact of the 2004 EUB decision on ENMAX's distribution tariff. Operations, maintenance, and administrative costs were higher in the first quarter due primarily to higher customer acquisition and consulting costs.



Income tax expense in ENMAX Energy was \$4.7 million compared to \$14.5 million in the first quarter of 2004. This decrease was largely due to the impact of a provincial tax rate reduction in the first quarter of 2004 which decreased ENMAX's future income tax asset balance by \$5.6 million through a charge to earnings in that quarter. No comparable charge was recorded in 2005. Also contributing to lower income tax expense was lower earnings before income tax from the taxable portion of ENMAX's operations.

In the fourth quarter of 2004, ENMAX Energy reached a successful negotiated settlement with customers for the Calgary RRT on an energy procurement protocol to determine the RRT energy costs for 2005. ENMAX Energy filed its 2005 Regulated Rate Tariff (for non-energy costs) with the EUB for customers within The City of Calgary in the first quarter of 2005. A decision on the application is expected in the fourth quarter of 2005 or in early 2006. First quarter 2005 financial results are based on approved interim RRT regulated rates. Any financial impact of the regulatory decision will be recorded in the period the decision is released.

ENMAX has developed new product offerings, such as energy bundling, price protection and a flow through gas option in an effort to grow both electricity and natural gas sales volumes. ENMAX customers consume approximately 35% of the electricity sold in Alberta.

In April 2005, ENMAX increased its green power portfolio through the acquisition of a run-of-river hydro electricity generation facility and a business venture to develop more hydro facilities in British Columbia. ENMAX acquired 99% of the Furry Creek run-of-river 11 megawatt hydro-electric facility located north of Vancouver. In addition, ENMAX and Vancouver-based Eaton Power Corporation have announced a business venture to invest more than \$300 million over the next five years developing run-of-river hydro projects in British Columbia.

### **ENMAX Power**

ENMAX Power recorded net earnings of \$10.0 million in the first quarter of 2005 compared to \$13.4 million in the first quarter of 2004. Approved interim distribution tariff rates in the first quarter of 2005 are lower than approved interim rates for the same period last year, which resulted in a reduction of revenue compared to the first quarter of 2004 of approximately \$5 million. The first quarter of 2005 includes distribution revenue at interim rates equal to the rates approved in the final EUB decision regarding ENMAX's 2004 Distribution Tariff, which was received in the third quarter of 2004. The most significant item causing the reduction is the discontinuance of the historical practice of using regulated utility rates to fund the equity needed to expand the distribution system to meet customer demand. Net earnings were impacted favourably by lower grid charges (the cost to use Alberta's transmission system).

For the first three months of 2005, ENMAX Power had total revenue of \$86.2 million compared to \$90.2 million in the same period in 2004. Electricity volumes delivered were 2,083 GWh in the first quarter of 2005 compared to 2,064 GWh in the first quarter of 2004. Revenues declined primarily due to the impact of the 2004 EUB decision on the Distribution Tariff.

In the first quarter of 2005, ENMAX Power's grid charges were \$14.6 million compared to \$16.5 million in the same period in 2004. The decrease was the result of the establishment of a regulatory deferral account for transmission charges.

Operations, maintenance and administrative costs in ENMAX Power were \$28.4 million in the first quarter of 2005 compared to \$29.8 million in the first quarter of 2004. The reduction reflects the impact of higher overhead recoveries resulting from increased capital spending, and lower staffing and consulting costs.

ENMAX Power measures reliability performance based on frequency of system interruptions and total duration of interruptions over a 12-month period. On average, customers experienced 0.64 interruptions, which totaled 18 minutes of interruption time for the 12 months ended March 31, 2005. This compares to an average of 1.18 interruptions, which totaled 35 minutes of interruption time during the previous 12-month period. The improvement in reliability is due to the impact of reliability improvement projects and milder winter storm conditions.

ENMAX Power filed its 2005/2006 Distribution Tariff with the EUB for customers within The City of Calgary in the first quarter of 2005. A decision on ENMAX Power's application is expected in the fourth quarter of 2005 or in early 2006. First quarter 2005 financial results are based on approved interim regulated rates. Any financial impact of the regulatory decision will be recorded in the period the decision is released.

#### **Corporate & Intersegment Eliminations**

During the first quarter of 2005, net earnings for ENMAX Corporate & Intersegment Eliminations were \$18.6 million compared to \$0.8 million in the same period in 2004. Higher net earnings are a result of higher intercompany interest revenue as result of the 2004 recapitalization.

### **RISK MANAGEMENT AND UNCERTAINTIES**

ENMAX has an integrated approach to risk management across all ENMAX companies. The Risk Management Committee, consisting of ENMAX senior executives, oversees risk management and reports risk exposures to the Board of Directors. Financial and business risks reported in the 2004 Annual Report remain substantially unchanged during the first three months of 2005. For further information on risks, refer to Management's Discussion and Analysis in the 2004 Annual Report, available on the ENMAX website at [enmax.com](http://enmax.com).

## **OUTLOOK**

In April, ENMAX Corporation announced the appointment of Gary Holden as President and Chief Executive Officer.

Mr. Holden has been in the energy industry for over 20 years. He brings to ENMAX extensive experience in electricity and natural gas in Canada, New Zealand and Australia. Prior to joining ENMAX, he was President and Chief Operating Officer of the AltaGas Income Trust which participates in the utility, midstream and energy marketing fields. Mr. Holden spent 18 years with TransAlta Corporation where he held various positions, including Executive Vice President of Generation, and Chief Executive Officer of TransAlta New Zealand.

Mr. Holden will lead the execution of ENMAX's growth strategy. ENMAX will continue to concentrate its business strategy in five key focus areas: Wires, Electricity and Natural Gas Sales, Clean Power, Innovation Development, and Infrastructure, where we continue to see excellent opportunities for growth and successful investment.

## **COMMUNITY AND ENVIRONMENT**

In the first quarter of 2005, ENMAX invested \$450,000 into community programs. Contributions were allocated in the following categories: 45% community development, 15% sports and recreation and 40% youth and education. ENMAX is undergoing an extensive review of our community investment activities, therefore no new programs were introduced in first quarter of 2005. The ENMAX Rinklighter Pond Hockey program enjoyed a successful sixth year in the community and ENMAX sponsored the school program and volunteer program at the Tim Horton's Brier in Edmonton.

For 2005, ENMAX has adopted three new corporate environmental key performance indicators, two of which measure performance in preventing liquid releases, and one that focuses on air emissions from key generation sources in the supply portfolio. At the end of the first quarter 2005, ENMAX was well on track to meet or reduce emissions and releases below target levels for all three indicators.

## FORWARD-LOOKING INFORMATION

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

## CONTACT INFORMATION

ENMAX is an energy distribution, transmission and retail supply and services company, wholly owned by The City of Calgary. The business is led by ENMAX Corporation and carried out through subsidiary companies. ENMAX Energy Corporation ensures a balanced energy supply portfolio and competes against other retailers in Alberta to provide customers with electricity and natural gas. The ENMAX Energy business segment includes billing, customer care and other customer services for ENMAX and a number of municipalities. ENMAX Power Corporation owns, operates and maintains the regulated distribution and transmission system transmitting electricity to customers in the Calgary area, and provides power services through an unregulated subsidiary.

ENMAX welcomes questions from stakeholders.

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Visit the ENMAX website at [enmax.com](http://enmax.com)

**CONSOLIDATED BALANCE SHEETS**

(unaudited) (millions of dollars)	March 31, 2005	December 31, 2004
<b>ASSETS</b>		
Cash and cash equivalents	\$ 290.6	\$ 353.3
Accounts receivable	201.5	226.5
Inventories	14.4	13.6
Current portion of 2000 deficiency rider receivable	-	5.3
Other current assets	2.2	1.5
	<u>508.7</u>	<u>600.2</u>
Capital assets	806.7	786.8
Power purchase arrangements	157.4	160.0
Future income tax asset	171.9	173.6
Other long-term assets	9.6	9.8
<b>TOTAL ASSETS</b>	<u>\$ 1,654.3</u>	<u>\$ 1,730.4</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 153.7	\$ 203.8
Customer guarantee deposits	14.0	15.3
Current portion of long-term debt	33.5	32.8
	<u>201.2</u>	<u>251.9</u>
Long-term debt	210.6	219.5
Future income tax liability	6.9	2.1
Other long-term liabilities	15.4	18.2
<b>TOTAL LIABILITIES</b>	<u>434.1</u>	<u>491.7</u>
<b>SHAREHOLDER'S EQUITY</b>		
Share capital	280.1	280.1
Retained earnings	940.1	958.6
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<u>1,220.2</u>	<u>1,238.7</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u>\$ 1,654.3</u>	<u>\$ 1,730.4</u>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS**

Three months ended March 31 (unaudited)  
(millions of dollars)

	2005	2004
<b>REVENUE</b>		
Sales of electricity and natural gas	\$ 198.5	\$ 201.0
Transmission and distribution revenue	69.0	72.0
Contractual services and other	26.1	25.3
<b>TOTAL REVENUE</b>	<b>293.6</b>	<b>298.3</b>
<b>COST OF SERVICES PROVIDED</b>		
Electric and natural gas costs	137.3	131.4
Grid charges	31.5	36.0
Local access fees	18.5	17.1
Operations, maintenance and administration	51.8	49.8
<b>TOTAL COST OF SERVICES PROVIDED</b>	<b>239.1</b>	<b>234.3</b>
<b>EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAX CHARGES</b>	<b>54.5</b>	<b>64.0</b>
Amortization	14.6	13.4
Interest	3.5	2.8
<b>EARNINGS BEFORE INCOME TAX</b>	<b>36.4</b>	<b>47.8</b>
Income tax	4.9	15.4
<b>NET EARNINGS</b>	<b>31.5</b>	<b>32.4</b>
<b>RETAINED EARNINGS, BEGINNING OF PERIOD (Note 3)</b>	<b>958.6</b>	<b>856.8</b>
Dividends declared	(50.0)	(50.4)
<b>RETAINED EARNINGS, END OF PERIOD</b>	<b>\$ 940.1</b>	<b>\$ 838.8</b>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Three months ended March 31 (unaudited)  
(millions of dollars)

	<b>2005</b>	<b>2004</b>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 31.5	\$ 32.4
Amortization	17.2	15.8
Future income taxes	1.9	7.5
Change in unrealized market value of financial commodity contracts	(4.4)	4.8
	<u>46.2</u>	<u>60.5</u>
Change in non-cash working capital items	(66.3)	8.8
	<u>(20.1)</u>	<u>69.3</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(23.3)	(20.1)
Contributions in aid of construction	2.8	2.5
2000 deficiency rider receivable collected	5.3	12.0
Acquisitions, net of cash acquired (Note 4)	(7.2)	-
Customer guarantee deposits repaid	(1.3)	(2.2)
Other long-term assets	0.2	0.2
	<u>(23.5)</u>	<u>(7.6)</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt (repaid) / issued	(8.2)	66.9
Other long-term liabilities	1.6	1.6
Dividends paid	(12.5)	(12.6)
	<u>(19.1)</u>	<u>55.9</u>
(Decrease) / increase in cash and cash equivalents	(62.7)	117.6
Cash and cash equivalents, beginning of period	353.3	100.9
Cash and cash equivalents, end of period	<u>\$ 290.6</u>	<u>\$ 218.5</u>
Interest paid	<u>\$ 4.0</u>	<u>\$ 3.1</u>
Income taxes paid	<u>\$ 40.5</u>	<u>\$ 7.3</u>

See accompanying notes to consolidated financial statements.

**Notes to Consolidated Financial Statements**  
**March 31, 2005**  
(Unaudited)

**1. Significant Accounting Policies**

The interim consolidated financial statements of ENMAX Corporation (ENMAX or the corporation) have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies applied are consistent with those outlined in the corporation's annual financial statements for the year ended December 31, 2004. These interim consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements included in ENMAX's 2004 Annual Report. Amounts are stated in Canadian dollars.

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

2. Segmented Information <sup>(1)</sup>

Three months ended March 31 (unaudited) (millions of dollars)	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
	2005	2004	2005	2004	2005	2004	2005	2004
<b>REVENUE</b>								
Sales of electricity and natural gas	\$ 248.7	\$ 255.0	\$ -	\$ -	\$ (50.2)	\$ (54.0)	\$ 198.5	\$ 201.0
Transmission and distribution revenue	-	-	69.0	72.0	-	-	69.0	72.0
Contractual services and other	9.5	9.5	17.2	18.2	(0.6)	(2.4)	26.1	25.3
<b>TOTAL REVENUE</b>	<b>258.2</b>	<b>264.5</b>	<b>86.2</b>	<b>90.2</b>	<b>(50.8)</b>	<b>(56.4)</b>	<b>293.6</b>	<b>298.3</b>
<b>COST OF SERVICES PROVIDED</b>								
Electric and natural gas costs <sup>2</sup>	137.3	131.4	-	-	-	-	137.3	131.4
Grid charges	67.4	73.7	14.6	16.5	(50.5)	(54.2)	31.5	36.0
Local access fees	-	-	18.5	17.1	-	-	18.5	17.1
Operations, maintenance and administrative	25.7	21.8	28.4	29.8	(2.3)	(1.8)	51.8	49.8
<b>TOTAL COST OF SERVICES PROVIDED</b>	<b>230.4</b>	<b>226.9</b>	<b>61.5</b>	<b>63.4</b>	<b>(52.8)</b>	<b>(56.0)</b>	<b>239.1</b>	<b>234.3</b>
<b>EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAX CHARGES</b>	<b>27.8</b>	<b>37.6</b>	<b>24.7</b>	<b>26.8</b>	<b>2.0</b>	<b>(0.4)</b>	<b>54.5</b>	<b>64.0</b>
Amortization	5.1	4.3	10.1	9.9	(0.6)	(0.8)	14.6	13.4
Interest	15.1	0.6	4.6	3.5	(16.2)	(1.3)	3.5	2.8
Income tax	4.7	14.5	-	-	0.2	0.9	4.9	15.4
<b>NET EARNINGS</b>	<b>\$ 2.9</b>	<b>\$ 18.2</b>	<b>\$ 10.0</b>	<b>\$ 13.4</b>	<b>\$ 18.6</b>	<b>\$ 0.8</b>	<b>\$ 31.5</b>	<b>\$ 32.4</b>
<b>CAPITAL ADDITIONS</b>	<b>\$ 4.2</b>	<b>\$ 2.1</b>	<b>\$ 19.6</b>	<b>\$ 17.3</b>	<b>\$ (0.5)</b>	<b>\$ 0.7</b>	<b>\$ 23.3</b>	<b>\$ 20.1</b>

1. In December 2004, ENMAX recapitalized its subsidiaries through a combination of inter-company loan arrangements and dividends. The recapitalization was undertaken to match the regulator approved capital structure in ENMAX Power and to make the ENMAX Energy capital structure more consistent with the fair market value of its assets. To reflect this new structure, ENMAX has revised its segmented reporting. Beginning with the first quarter of 2005, external and intercompany interest revenue and expense incurred by ENMAX Corporation is reported as part of Corporate and Intersegment eliminations. Previously these amounts were included within the operating segment results. Comparative periods have been restated to reflect these changes.

2. Included in electric costs is \$2.6 million (2004 - \$2.4 million) pertaining to the amortization of PPAs.

Segmented Total Assets (millions of dollars)	March 31, 2005 (unaudited)	December 31, 2004
ENMAX Energy	\$ 681.5	\$ 706.9
ENMAX Power	650.3	657.0
Corporate and eliminations	322.5	366.5
	<b>\$ 1,654.3</b>	<b>\$ 1,730.4</b>

### **3. Accounting Change**

#### **Intercompany Profit relating to Rate-Regulated Operations**

Commencing in the first quarter of 2005, the intercompany profit related to capital asset construction work performed by an ENMAX subsidiary for the regulated operations of ENMAX is deemed to be realized to the extent that the transfer price is recognized for rate-making purposes by the regulator. Comparative periods have been adjusted to conform to this treatment. The impact on retained earnings at December 31, 2004 is an increase of \$14.7 million. The impact on first quarter 2004 earnings is an increase of \$1.3 million.

### **4. Acquisitions**

In January 2005, ENMAX purchased 100% of the outstanding shares of a privately held electricity retailer and services company from the shareholders for cash consideration. The primary assets of the company are commercial and industrial electricity contracts, which have been recorded as intangible assets. The results of operations of the acquired company have been included from the effective date of the acquisition on January 1, 2005. The aggregate purchase price, net of cash acquired, was \$7.2 million.

### **5. Employee Future Benefits**

The corporation established a registered pension plan on January 1, 2001 to provide future pension benefits for its employees. The registered pension plan covers substantially all employees and includes both defined benefit and defined contribution provisions. The corporation also sponsors a supplemental pension plan providing an additional pension to members whose benefits are limited by maximum pension rules under the Income Tax Act. In addition, the corporation provides employees with other post retirement benefits including extended health and dental benefits beyond those provided by government-sponsored plans, life insurance and a lump sum allowance payable at retirement.

The total benefit cost recorded in the consolidated statement of earnings for the three months ended March 31, 2005 is \$2.4 million (2004 - \$2.2 million).

### **6. Commitments and Contingencies**

#### **Income Tax**

Alberta Revenue, Tax and Revenue Administration (Alberta Revenue) is responsible for assessing the income tax returns filed under the payment in lieu of taxes (PILOT) regulation to the Electric Utilities Act (EUA). In August, 2004 Alberta Revenue notified the Corporation that it is questioning 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 these assets was \$195 million, based on an estimated fair market value of \$855 million. ENMAX believes that it appropriately measured the value of the assets

for PILOT purposes and will work diligently with Alberta Revenue to support its position. The amount of possible adjustment, which could have a material impact on net earnings, cannot be reasonably estimated at this time and no provision has been made in the consolidated financial statements for additional income tax expense.

## **7. Comparative Figures**

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