

FIRST QUARTER 2007

	Three months ended March 31	
<i>(unaudited - millions of dollars, except return on equity and operating statistics)</i>	2007	2006
Total revenues	\$ 525.9	\$ 362.5
Commodity margins: electricity and natural gas ⁽¹⁾	61.7	34.0
Transmission and distribution margins ⁽¹⁾	35.1	38.8
Other margins ⁽¹⁾	12.2	9.7
Operating margin ⁽¹⁾	109.0	82.5
Operations, maintenance and administration	42.7	32.3
Earning before interest, income taxes, depreciation, amortization and non-controlling interest	66.3	50.2
Amortization	23.9	17.5
Interest	6.0	3.3
Income taxes	3.8	4.2
Non-controlling interest ⁽²⁾	-	(0.1)
Net earnings	\$ 32.6	\$ 25.3
Return on equity (annualized) ⁽³⁾	9.5%	7.8%
Payments to shareholder:		
Dividends	\$ 12.5	\$ 12.5
Local access fees	\$ 27.5	\$ 19.0
Operating statistics:		
Electricity sold (gigawatt hours)	3,975	2,995
Natural gas sold (terajoules)	9,192	5,877
Distribution volumes (gigawatt hours)	2,230	2,108

(1) Non-GAAP financial measure. See discussion that follows in MD&A.

(2) Includes the interest of the non-controlling shareholders in the net earnings of Furry Creek Power Ltd. and Hydromax Energy Ltd. See note 9 to the consolidated financial statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis, prepared as at May 17, 2007 should be read in conjunction with the accompanying unaudited interim consolidated financial statements of ENMAX Corporation (ENMAX or the Corporation) as at and for the three months ended March 31, 2007 and 2006, as well as the Corporation's 2006 Annual Report. All dollar amounts are stated in Canadian currency.

RESULTS OF OPERATION

Consolidated

In the first three months of 2007, ENMAX's consolidated net earnings were \$32.6 million. This compares to net earnings of \$25.3 million in the first three months of 2006. The \$7.3 million improvement is the result of higher operating margins partially offset by increased operating, maintenance and administrative costs, higher amortization and interest on long-term debt.

Commodity margins increased to \$61.7 million for the three months ended March 31, 2007 from \$34.0 million for the same period in 2006. The increase was driven by higher electricity and natural gas sales volumes combined with improved market pricing conditions. For the quarter ended March 31, 2007, electricity and natural gas margins, as a percentage of their revenues, have remained consistent with those for the same three month period in 2006.

The transmission and distribution margins declined to \$35.1 million for the three months ended March 31, 2007 compared to \$38.8 million for the same period in 2006. The decline is attributable to lower allowed rates resulting from 2006 EUB decisions, partially offset by increased volumes delivered. Transmission and distribution revenues currently reflect 2006 approved rates. In May 2007, the Corporation applied to the Alberta Energy and Utilities Board ("EUB") for 2007 rates under the transmission and distribution tariffs. The corporation anticipates decisions on these applications late in 2007 or early 2008. The financial impact of the EUB's decisions will be recorded when received.

Other margins include contractual services and other income which for the quarter ended March 31, 2007 have increased to \$12.2 million from \$9.7 million for the same period last year. The increase is driven by additional LRT system expansion projects combined with continued growth in margins in the fibre-optic business.

Operating, maintenance and administrative expenses have increased to \$42.7 million in the first quarter of 2007 compared to \$32.3 million for the same three month period in the prior year. The increase is due to costs associated with rising sales volumes, higher staffing levels, additional marketing costs, regulatory hearing expenses, customer billing fees and charges for operating and maintaining the growing transmission and distribution systems in Calgary and surrounding area.

Amortization expense for the first three months of 2007 totaled \$23.9 million compared to \$17.5 million in the same period in 2006. The increase is driven by amortization charges related to the Battle River Power Purchase Arrangement (PPA) in which ENMAX acquired a 55% interest in June 2006 and a further 10% interest in January 2007.

Interest expense increased to \$6.0 million for the first three months of 2007 from \$3.3 million for the same period in 2006. The increase is the result of additional long-term debt issued in the first quarter of 2006, the proceeds of which were used to finance capital expenditures in the regulated transmission and distribution businesses. In addition, the Corporation issued \$141.0 million of commercial paper and bankers' acceptances during the first quarter of 2007 to fund capital and short-term operating requirements.

Income tax expense was \$3.8 million during the first three months of 2007 compared to \$4.2 million in the same period of 2006. The decrease is attributable to lower future income tax charges associated with recognizing future tax deductions on certain hedge transactions partially offset by higher current income tax expenses on the Corporation's taxable operations.

In the first quarter of 2007, ENMAX paid a dividend to The City of Calgary of \$12.5 million as part of its annual dividend of \$50.0 million declared earlier in the year, which is consistent with 2006.

SELECTED QUARTERLY FINANCIAL DATA

	2007		2006			2005		
	First	Fourth	Third	Second	First	Fourth	Third	Second
<i>(millions of dollars)</i>								
Total revenue	525.9	562.9	423.6	318.5	362.5	397.3	299.8	279.7
Operating Margin	109.0	104.3	104.8	106.2	82.5	88.2	90.4	90.3
Net earnings	32.6	33.7	34.1	37.0	25.3	28.5	31.0	25.7
Shareholder's equity	1,357.6	1,385.5	1,351.8	1,317.7	1,280.7	1,305.4	1,276.9	1,245.9
Funds generated from operations ⁽¹⁾	63.5	47.7	61.1	61.6	43.4	42.1	49.9	47.5
Cash provided by (used in) operating activities	(68.2)	112.9	29.7	57.1	(7.2)	30.1	28.2	41.6

(1) Non-GAAP financial measure. See discussion that follows in MD&A.

NON-GAAP FINANCIAL MEASURES

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

Operating margin

**Three months ended
March 31**

<i>(millions of dollars)</i>	2007	2006
Electricity and natural gas margins	\$ 61.7	\$ 34.0
Transmission and distribution margins	35.1	38.8
Other margins	12.2	9.7
Operating margin (Non-GAAP financial measure)	109.0	82.5
Add: Cost of sales	416.9	280.0
Revenue (GAAP financial measure)	\$ 525.9	\$ 362.5

Commodity and operating margins are a more useful measure of business performance than revenue, as changes in the market price of electricity and natural gas purchased for resale affect both revenue and costs of sales.

Earnings before interest, income tax, depreciation, amortization and non-controlling interest (EBITDA)

**Three months ended
March 31**

<i>(millions of dollars)</i>	2007	2006
Non-GAAP financial measure	\$ 66.3	\$ 50.2
Deduct (add): amortization and depreciation	23.9	17.5
Non-controlling interest	-	(0.1)
Earnings before interest and taxes	42.4	32.8
Deduct (add): interest	6.0	3.3
Income taxes	3.8	4.2
Net earnings (GAAP financial measure)	\$ 32.6	\$ 25.3

Earnings before interest, income taxes, depreciation, amortization and non-controlling interest (EBITDA) is a more useful supplemental measure of business performance than net earnings as management believes it provides an indication of the results generated by the Corporation's primary business activities prior to consideration of how those activities are financed, amortized or how the results are taxed in various business jurisdictions.

Funds generated from operations

**Three months ended
March 31**

<i>(millions of dollars)</i>	2007	2006
Funds generated from operations (Non-GAAP financial measure)	\$ 63.5	\$ 43.4
Changes in non-cash working capital ⁽¹⁾	(131.7)	(50.6)
Cash used in operating activities (GAAP financial measure)	\$ (68.2)	\$ (7.2)

(1) Relates to timing of 2006 year-end accrual payments for energy supply costs whereby two months were paid in the first quarter of 2007, compared to only one month in 2006, as a result of business closures during year-end holidays.

Funds generated from operations is provided to assist in determining the ability of ENMAX to generate cash from operations, after interest and taxes and non-controlling interest, without regard to changes in the corporation's non-cash working capital in the period.

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

<i>(millions of dollars)</i>	March 31, 2007	December 31, 2006
Long-term debt ⁽¹⁾	\$ 345.2	\$ 360.3
Shareholder's equity		
Share capital	280.1	280.1
Retained earnings	1,088.0	1,105.4
Accumulated other comprehensive income	(10.5)	-
Total shareholder's equity	1,357.6	1,385.5
Total capitalization	\$ 1,702.8	\$ 1,745.8

(1) Includes current portion of \$35.5 million (2006– \$39.6 million). Maturity dates range from April 2007 to December 2026.

Coverage ratios

	For the Three Months Ended March 31, 2007	For the Year Ended December 31, 2006
Debt to total capitalization ⁽¹⁾	20.3%	20.6%
Interest coverage ratio ⁽²⁾	7.1X	9.5X

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

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

Cash used in operating activities

Cash used in operating activities was \$68.2 million in the first three months of 2007 compared to \$7.2 million in the same period of 2006. Funds generated from operations increased \$20.1 million due to growth in the business. However, reduced cash flow from operations is due to decreased working capital reflecting timing differences associated with payments of year-end operating accruals.

Ongoing cash requirements will be satisfied by cash flow from operations, available lines of credit and a commercial paper program. ENMAX continues to generate adequate amounts of cash to meet short-term requirements.

Investing activities

Capital spending was \$94.8 million in the first three months of 2007, primarily for the acquisition of an additional 10% interest in the Battle River PPA and continuing construction of the Taber Wind Farm. In 2007, ENMAX expects to invest in excess of \$100.0 million in system expansion relating to the transmission and distribution networks in Calgary and surrounding area.

Financing activities

During the three months ended March 31, 2007, the Corporation issued short term financing of \$91.0 million under its commercial paper program in addition to draws on its approved credit facilities in the form of bankers' acceptances totaling \$50.0 million. The proceeds were used to fund capital and short-term operating requirements. In addition, ENMAX repaid \$15.1 million of debt in regularly scheduled principal payments.

On February 20, 2007, ENMAX declared a dividend of \$50.0 million to The City of Calgary, its sole shareholder which is consistent with the 2006 amount. The amount is payable in equal quarterly amounts during 2007.

BUSINESS SEGMENT RESULTS

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

In 2007, ENMAX realigned its reportable segments to be consistent with its revised internal management structure. The significant changes were to move reporting of the Encompass business line from ENMAX Power to ENMAX Energy. Comparative amounts have been restated.

ENMAX Power

ENMAX Power's results are driven by the Corporation's regulated transmission, distribution and regulated rate tariffs as well as earnings from its non-regulated power services and fibre-optic business lines.

ENMAX Power recorded net earnings before interest and income taxes of \$8.7 million in the first three months of 2007 compared to \$17.3 million during the same period in 2006. This decrease was driven by the impact of lower than anticipated 2006 Distribution Tariff (DT) rates approved by the EUB partially offset by increased activity levels in the contractual services and improved earnings in the fibre-optic business unit.

For the three months ended March 31, 2007, electricity sales to Rate Regulated Option (RRO) customers generated margins of \$2.2 million consistent with \$2.1 million for the same three month period in 2006. Total volumes sold were 741 gigawatt hours (GWh) in the first quarter of 2007 compared to 783 GWh in the first three months of 2006. The lower volumes reflect the movement of Calgary RRO customers to competitive retail offers.

Transmission and distribution margins are comprised of tariff revenues charged for wires services, net of grid charges and local access fees. The transmission and distribution margins were \$35.1 million in the three months ended March 31, 2007 compared to \$38.8 million in the first three months of 2006. Volumes increased by five percent during the quarter, with 2,230 GWh of electricity delivered during the first three months of 2007 compared to 2,108 GWh delivered in the first three months of 2006. Volume increases are attributed to growth in Calgary and surrounding area. These were partially offset by the impacts of lower transmission and distribution tariff rates arising from EUB decisions received in May, 2006. The decisions reduced the first quarter 2007 transmission and distribution margins by \$0.9 million and \$2.3 million, respectively, compared to the same three month period in 2006. ENMAX Power will apply for 2007 transmission and distribution tariff rates in the first half of 2007 as well as the Calgary RRO non-energy tariffs.

The volume of electricity distributed by ENMAX Power and the associated transmission and distribution revenues are closely linked to Calgary's economic growth. Forecasts from the Conference Board of Canada's Metropolitan Outlook and the City of Calgary's Economic Outlook suggest that the population of Calgary and surrounding communities will grow by approximately 2.5% for 2007. ENMAX Power's delivered energy volumes and, therefore wires revenues, are expected to track this growth.

Contractual services, which include the power services and high speed data businesses, experienced an increased margin of \$1.9 million in the first three months of 2007 compared to the same period last year. The improvement is the result of margins on new LRT system expansion projects combined with growth in the fibre-optic customer base.

Operations, maintenance and administrative expenses were \$27.9 million in the first three months of 2007 compared to \$20.5 million during the same period in 2006. The higher costs are attributable to higher regulatory hearing and customer billing costs, and to increases in staffing levels and non-labor costs which increase with the expanding transmission and distribution systems in Calgary and surrounding area. In addition, recovery of billing and customer care costs were \$1.1 million lower due to the reduced RRO customer count in 2007.

Amortization for ENMAX Power totaled \$9.8 million in the first three months of 2007 compared to \$10.3 million during the first three months of 2006. This decrease is primarily the result of lower amortization of transmission and distribution assets based on EUB approved rates.

ENMAX Energy

ENMAX Energy is in the business of wholesale electricity marketing and retail electricity and natural gas marketing. ENMAX Energy has coal fired generation supply through Power Purchase Arrangements (PPAs), natural gas fired generation through a tolling agreement and interests in wind generating capacity. This generating capacity is required to support retail customer demand. Natural gas is purchased to meet the sales commitments made by retail marketing operations. Rigorous risk management processes and systems are in place to carefully monitor and manage price and commodity risks inherent in the business.

ENMAX Energy recorded earnings before interest and income taxes of \$31.8 million in the first three months of 2007. This compares to earnings of \$13.5 million in the first three months of 2006. The growth is attributable to increased sales volumes and improved commodity margins for both electricity and natural gas partially offset by higher operating, maintenance and administrative expenses.

Electricity and natural gas margins during the first three months of 2007 were \$59.5 million, compared to \$31.5 million in the first three months of 2006. The increase in electricity and natural gas margins is primarily due to a 46% and 56% growth in sales volumes, respectively, compared to the same quarter last year. In addition, the increase in electricity and natural gas margins was a result of signing commercial and industrial customers to longer term fixed price contracts combined with the continued success of the EasyMax program. ENMAX Energy's increased generation supply available through the Battle River PPA contributed to the increases in electricity margins. Natural gas was acquired to meet customer demand at lower prices compared to the same three month period last year.

ENMAX Energy sold 3,234 GWh of electricity to customers in the three months ended March 31, 2007 compared to 2,212 GWh in the first three months of 2006. Our natural gas customers purchased 9,192 terajoules (TJs) in the first three months of 2007 compared to 5,877 TJs in the same period of 2006. The increased volumes reflect the success of the EasyMax program as well as growing sales to commercial and industrial customers for both electricity and natural gas.

Operations, maintenance and administration costs increased to \$24.9 million in first three months of 2007 from \$21.4 million for the same three month period in 2006. The growth reflects higher maintenance costs associated with our generation facilities, and higher costs of marketing activities and customer billing costs both associated with growing the business.

Amortization expense increased over the same period last year by \$6.9 million to \$12.7 million due to the acquisition of interests in the Battle River PPA in June 2006 and January 2007.

ENMAX Corporate

ENMAX Corporate segment incurs all costs related to the provision of shared services to the ENMAX Power and ENMAX Energy business segments and provides financing to those business segments, generating interest income. During the three months ended March 31, 2007, net earnings for ENMAX Corporate were \$1.9 million consistent with \$2.0 million in the same period in 2006.

FINANCIAL INSTRUMENTS

On January 1, 2007, ENMAX adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1530: Comprehensive Income, CICA Handbook Section 3251: Equity, CICA Handbook Section 3855: Financial Instruments – Recognition and Measurement, CICA Handbook Section 3861: Financial Instruments – Disclosure and Presentation and CICA Handbook Section 3865: Hedges.

Handbook Section 1530 establishes comprehensive income, which consists of net earnings and other comprehensive income. Other comprehensive income is defined as the change in shareholder’s equity from transactions and other events from non-owner sources and includes unrealized gains and losses on available-for-sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments.

Handbook Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that all financial instruments, including derivatives, be included on the consolidated balance sheet and measured at fair value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments will depend on their initial classification.

As a result of prospectively adopting these new standards, the Corporation recorded a transitional adjustment of \$24.3 million for the change in accounting for derivatives designated as cash flow hedges as follows:

(millions of dollars)

Accounts receivable	\$ 13.7
Other long-term assets	23.0
Accounts payable and accrued liabilities	(28.4)
Other long-term liabilities	(32.6)
	\$ (24.3)

In addition, a related future income tax liability in the amount of \$7.8 million was recorded. These amounts are reported as a one-time cumulative effect of a change in accounting policy in opening accumulated other comprehensive income on January 1, 2007. See note 2 in the interim consolidated financial statements more detailed discussion on these new standards.

CONTROLS AND PROCEDURES

As of the end of the period covered by this quarterly report, the Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and effectiveness of the corporation's disclosure controls and procedures. They concluded that the disclosure controls and procedures were effective.

ENMAX's internal controls over financial reporting changed during the current quarter as a result of adopting new accounting standards for financial instruments and other comprehensive income. These changes affected our accounting system and processes and enhancements were facilitated through new and existing controls and processes.

RISK MANAGEMENT AND UNCERTAINTIES

ENMAX follows an integrated approach to risk management across all ENMAX companies. For further information on risks, refer to Management's Discussion and Analysis in the 2006 Annual Report, available on the ENMAX website at www.enmax.com.

OUTLOOK

ENMAX expects 2007 full year earnings to compare favorably to 2006 based on expectations for electricity prices, generation acquisition opportunities and the strength of the Alberta economy.

ENVIRONMENT

ENMAX continues to focus on renewable sources of energy, including hydro and wind generating facilities. In addition to its current ownership interest in the McBride Lake wind power generating facility, ENMAX expects to complete its 80MW wind power generating facility in the Municipal District of Taber in southern Alberta.

FORWARD-LOOKING INFORMATION

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

CONTACT INFORMATION

ENMAX Corporation and its predecessors have provided Albertans with safe and reliable electricity for over 100 years. ENMAX provides electricity, natural gas, renewable energy and value-added services to more than 500,000 residential, commercial and industrial customers in Alberta through its subsidiary companies. In addition to owning 50 per cent of the McBride Lake Wind Farm – one of Canada's largest wind power facilities – the Corporation has the first and largest green power marketing program of its kind in Canada. In 2006, ENMAX Energy Corporation received the Consumer Champion Award for its ground-breaking EasyMax program. For more information, visit our website at www.enmax.com.

ENMAX welcomes questions from stakeholders.

141 50 Avenue S.E.

Calgary, Alberta T2G 4S7

Please direct financial inquiries to:

Gary Holden
President and Chief Executive Officer
(403) 514-2820

Kim Hubick, C.A.
Executive Vice President, Finance and
Chief Financial Officer
(403) 514-2780

Please direct media inquiries to:

Peter Hunt
Vice President, Public Affairs
(403) 514-1457

Visit the ENMAX website at www.enmax.com

CONSOLIDATED BALANCE SHEETS

(unaudited)	March 31, 2007	December 31, 2006
(millions of dollars)		
ASSETS		
Cash and cash equivalents	\$ -	55.1
Accounts receivable (note 3)	424.4	409.5
Inventories	19.5	21.6
Income taxes receivable	40.6	40.6
Future income tax asset	12.2	12.4
Other current assets	48.0	18.6
	<u>544.7</u>	<u>557.8</u>
Property, plant and equipment (note 3)	950.9	927.9
Power purchase arrangements (note 4)	519.0	469.5
Intangible assets	21.0	21.1
Employee future benefits	8.1	6.8
Future income tax asset	154.8	150.8
Other long-term assets	51.9	26.5
	<u>519.0</u>	<u>469.5</u>
TOTAL ASSETS	\$ 2,250.4	\$ 2,160.4
LIABILITIES		
Short-term financing (note 5)	\$ 192.0	\$ 51.0
Accounts payable and accrued liabilities	236.8	312.3
Dividend payable	37.5	-
Income taxes payable	11.6	10.7
Customer guarantee deposits	13.8	14.5
Future income tax liability	1.8	2.7
Current portion of long-term debt	35.5	39.6
	<u>529.0</u>	<u>430.8</u>
Long-term debt	309.7	320.7
Future income tax liability	9.7	8.6
Other long-term liabilities (note 3)	44.2	14.6
Non-controlling interest (note 9)	0.2	0.2
SHAREHOLDER'S EQUITY		
Share capital	280.1	280.1
Retained earnings	1,088.0	1,105.4
Accumulated other comprehensive income	(10.5)	-
	<u>1,077.5</u>	<u>1,105.4</u>
	<u>1,357.6</u>	<u>1,385.5</u>
Commitments and contingencies (notes 4 and 8)		
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 2,250.4	\$ 2,160.4

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

Three months ended March 31 (unaudited)	2007	2006
(millions of dollars)		
REVENUE		
Electricity	\$ 332.3	\$ 207.1
Natural gas	87.6	54.5
Transmission and distribution	80.7	79.7
Contractual services	21.2	17.4
Other	4.1	3.8
TOTAL REVENUE	525.9	362.5
COST OF SERVICES PROVIDED		
Electricity	270.7	166.6
Natural gas	87.5	61.0
Local access fees and grid charges	45.6	40.9
Contractual services	13.1	11.5
Operations, maintenance and administration (note 6)	42.7	32.3
TOTAL COST OF SERVICES PROVIDED	459.6	312.3
EARNINGS BEFORE AMORTIZATION, INTEREST, INCOME TAXES AND NON-CONTROLLING INTEREST	66.3	50.2
Amortization	23.9	17.5
Interest	6.0	3.3
Income taxes	3.8	4.2
Non-controlling interest	-	(0.1)
NET EARNINGS	32.6	25.3
OTHER COMPREHENSIVE INCOME, NET OF TAX (note 2)		
Unrealized gains on available-for-sale financial assets arising during the period	0.5	-
Unrealized gains and losses on derivatives designated as cash flow hedges	6.1	-
Gains and losses on derivatives designated as cash flow hedges in prior periods transferred to net earnings in the current period (note 2)	(0.6)	-
Other comprehensive income, net of tax of \$2.6	6.0	-
COMPREHENSIVE INCOME	\$ 38.6	\$ 25.3

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

Three months ended March 31 (unaudited)	Share capital	Retained earnings	Accumulated other compre- hensive income	Total
(millions of dollars)				
BALANCE, JANUARY 1, 2006	\$ 280.1	\$ 1,025.3	\$ -	\$ 1,305.4
Net earnings for the period	-	25.3	-	25.3
Dividends	-	(50.0)	-	(50.0)
BALANCE, MARCH 31, 2006	280.1	1,000.6	-	1,280.7
Net earnings remainder of the year	-	104.8	-	104.8
BALANCE, DECEMBER 31, 2006	280.1	1,105.4	-	1,385.5
Change in accounting policy (note 2)	-	-	(16.5)	(16.5)
BALANCE, JANUARY 1, 2007, AS ADJUSTED	280.1	1,105.4	(16.5)	1,369.0
Net earnings for the period	-	32.6	-	32.6
Dividends	-	(50.0)	-	(50.0)
Unrealized gains on available-for-sale financial assets arising during the period	-	-	0.5	0.5
Unrealized gains and losses on derivatives designated as cash flow hedges	-	-	6.1	6.1
Gains and losses on derivatives designated as cash flow hedges in prior periods transferred to net earnings in the current period (note 2)	-	-	(0.6)	(0.6)
Other comprehensive income, net of tax of \$2.6	-	-	6.0	6.0
BALANCE, MARCH 31, 2007	\$ 280.1	\$ 1,088.0	\$ (10.5)	\$ 1,357.6

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31 (unaudited)	2007	2006
(millions of dollars)		
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings	\$ 32.6	\$ 25.3
Items not involving cash:		
Amortization	23.9	17.5
Future income taxes	1.6	3.1
Non-controlling interest	-	(0.1)
Change in unrealized market value of financial contracts	2.1	(2.4)
Other	3.3	-
	<u>63.5</u>	<u>43.4</u>
Change in non-cash working capital	<u>(131.7)</u>	<u>(50.6)</u>
	<u>(68.2)</u>	<u>(7.2)</u>
INVESTING ACTIVITIES		
Additions to power purchase arrangements	(59.1)	-
Purchase of property, plant and equipment	(40.7)	(22.3)
Refunds of customer guarantee deposits	(0.7)	-
Other long-term assets	(1.8)	(0.1)
Contributions in aid of construction	5.0	0.1
Employee future benefits	(1.3)	3.2
Shareholder contributions relating to property, plant and equipment	-	33.3
	<u>(98.6)</u>	<u>14.2</u>
FINANCING ACTIVITIES		
Proceeds of short-term financing	141.0	154.3
Long-term debt repaid	(15.1)	(8.9)
Dividend paid	(12.5)	(12.5)
Other long-term liabilities	(1.7)	0.4
	<u>111.7</u>	<u>133.3</u>
(Decrease) / increase in cash and cash equivalents	(55.1)	140.3
Cash and cash equivalents, beginning of period	55.1	27.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ -</u>	<u>\$ 167.4</u>
Interest paid	<u>\$ 4.2</u>	<u>\$ 3.6</u>
Income taxes paid	<u>\$ 1.4</u>	<u>\$ 5.8</u>

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Unaudited)

1. Significant accounting policies

The interim consolidated financial statements of ENMAX Corporation (“ENMAX” or the “Corporation”) have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies applied are consistent, except as explained in note 2, with those outlined in the Corporation’s annual financial statements for the year ended December 31, 2006. These interim consolidated financial statements do not include all disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements included in ENMAX’s 2006 Annual Report. Amounts are stated in millions of Canadian dollars.

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

2. Change in Accounting Policy

Effective January 1, 2007, the Corporation adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1530: Comprehensive Income, CICA Handbook Section 3251: Equity, CICA Handbook Section 3855: Financial Instruments – Recognition and Measurement, CICA Handbook Section 3861: Financial Instruments – Disclosure and Presentation and CICA Handbook Section 3865: Hedges. These new Handbook sections provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards describing when and how hedge accounting may be applied.

Handbook Section 1530 also establishes standards for reporting and presenting comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. A new financial statement has been presented in relation to the new standards.

According to these new standards, all financial instruments must be classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated balance sheet and are measured at fair value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments will depend on their initial classification. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the assets are removed from the balance sheet.

2. Change in Accounting Policy (cont'd)

The standards also require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. For the three months ended March 31, 2007, net earnings include a gain of \$0.6 million relating to derivatives designated as cash flow hedges in prior periods that settled during the period. This amount includes a gain of \$0.4 million relating to hedge ineffectiveness. These gains are included in the electricity component of costs of services provided.

ENMAX uses industry standard mark-to-market (MTM) techniques to determine the fair value of financial instruments. Fair values are determined directly or validated independently by reference to published market price quotations.

As a result of prospectively adopting these new standards, the Corporation recorded a transitional adjustment of \$24.3 million for the change in accounting for derivatives designated as cash flow hedges as follows:

(millions of dollars)

Accounts receivable	\$ 13.7
Other long-term assets	23.0
Accounts payable and accrued liabilities	(28.4)
Other long-term liabilities	(32.6)
	\$ (24.3)

In addition, a related future income tax liability in the amount of \$7.8 million was recorded. These amounts are reported as a one-time cumulative effect of a change in accounting policy in opening accumulated other comprehensive income on January 1, 2007.

The Corporation's financial instruments are comprised of cash and cash equivalents, accounts receivable, income taxes receivable, other assets, short-term financing, accounts payable, customer guarantee deposits, other liabilities and long-term debt.

With the exception of long-term debt, the carrying amounts of these financial instruments approximate fair values due to their short-term nature. At March 31, 2007, the fair value of the long-term debt is \$337.4 million (December 31, 2006 - \$433.7 million). Calculation of the estimated fair value of the debt is based on current lending rates of the primary lender to The City, the Alberta Municipal Financing Corporation, for debentures with comparable terms and maturities.

3. 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.

3. Financial statement effects of rate regulation (cont'd)

Regulatory assets

(millions of dollars)	March 31, 2007	December 31, 2006
Regulatory assets		
Distribution assets – intercompany profit on underground residential development ⁽¹⁾	\$ 23.1	\$ 22.7
Accounts receivable – Purchased power price variance ⁽²⁾	15.5	14.2
Total regulatory assets	\$ 38.6	\$ 36.9
Regulatory liability		
Other long-term liabilities – pension funding ⁽³⁾	\$ 2.7	\$ 2.2
Total regulatory liabilities	\$ 2.7	\$ 2.2

(1) Distribution assets for the regulated operations of ENMAX include intercompany profit relating to construction work performed by an ENMAX subsidiary. Such profit is deemed to be realized to the extent that the transfer price is recognized for rate-making purposes by the regulator and included in the capital cost. In the absence of rate regulation, generally accepted accounting principles would require that intercompany profits be eliminated upon consolidation. The impact on earnings for the three months ended March 31, 2007 would be a reduction of \$0.4 million (2006 – \$1.1 million), representing the profit on these services. The balances for property, plant and equipment and retained earnings at March 31, 2007 would further be reduced by \$23.1 million (December 31, 2006 – \$22.7 million).

(2) Purchased power costs are included in allowed rates on a forecast basis. For rate-setting purposes, differences between forecast and actual purchased power costs in the rate year are held until the following year, when their final disposition is decided. ENMAX recognizes purchased power cost variances as a regulatory asset or liability, based on the expectation that amounts held from one year to the next for rate-setting purposes will be approved for collection from, or refund to, future customers. The regulatory receivable represents the excess of actual over forecast purchased power costs. In the absence of rate regulation, generally accepted accounting principles would require that actual purchased power costs be recognized as an expense when incurred. In this case, net earnings for the quarter ended March 31, 2007 would have been \$2.5 million lower (2006 – \$0.1 million higher). The regulatory asset is included in accounts receivable.

(3) Pension costs are recorded using the accrual method as required by Canadian GAAP. The EUB approved the recovery of amounts relating to the unfunded liability for the defined benefit pension plan over 10 years. As a result, ENMAX has recorded a regulatory liability in the amount of \$2.7 million (December 31, 2006 - \$2.2 million) to reflect this regulatory treatment. In the absence of rate regulation earnings for the three months ended March 31, 2007 would have been \$0.5 million higher (2006 - nil) and other long-term liabilities would have been reduced and retained earnings would have been increased by \$2.7 million (December 31, 2006 – \$2.2 million), respectively.

3. Financial statement effects of rate regulation (cont'd)

Other items affected by rate regulation

The regulator permits an allowance for funds used during construction (AFUDC), based on ENMAX's weighted-average cost of capital, to be included in the rate base. AFUDC is also included in the cost of property, plant and equipment for financial reporting purposes, and is depreciated over future periods as part of the total cost of the related asset, based on the expectation that depreciation expense, including the AFUDC component, will be approved for inclusion in future customer rates. Since AFUDC includes not only an interest component, but also a cost-of-equity component, it exceeds the amount allowed to be capitalized in similar circumstances in the absence of rate regulation. For the three months ended March 31, 2007, AFUDC and capitalized interest totaling \$1.4 million (2006 – \$0.9 million) were included in property, plant and equipment.

4. Power Purchase Arrangements

On January 1, 2007, the Corporation purchased an additional 10% interest in the Battle River PPA for \$59.1 million. The agreement also provides that the Corporation will purchase the remaining 35% in annual increments of 10 – 15% over the next 2.5 years for total additional consideration of \$162.9 million.

5. Short-term financing

Short-term financing is comprised of commercial paper and bankers' acceptances which are guaranteed by ENMAX's credit facilities. At March 31, 2007 the Corporation had issued \$192.0 million (December 31, 2005 - \$51.0 million) at average rates of 4.29%.

6. Employee future benefits

The Corporation established a registered pension plan on January 1, 2001 to provide future pension benefits for its employees. The registered pension plan covers substantially all employees and includes both defined benefit and defined contribution provisions. The Corporation also sponsors a supplemental pension plan providing an additional pension to members whose benefits are limited by maximum pension rules under the Income Tax Act. In addition, the Corporation provides employees with other post 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 statements of earnings for the three months ended March 31, 2007 is \$3.2 million (2006 – \$3.2 million).

7. Segmented information

	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
Three months ended March 31 - ⁽¹⁾ (unaudited)	2007	2006	2007	2006	2007	2006	2007	2006
(millions of dollars)								
REVENUE								
Electricity	\$ 364.1	\$ 245.5	\$ 67.1	\$ 44.5	\$ (98.9)	\$ (82.9)	\$ 332.3	\$ 207.1
Natural gas	87.6	54.5	-	-	-	-	87.6	54.5
Transmission and distribution	-	-	80.7	79.7	-	-	80.7	79.7
Contractual services	7.0	7.6	21.3	17.7	(7.1)	(7.9)	21.2	17.4
Other	2.9	1.5	1.1	1.1	0.1	1.2	4.1	3.8
TOTAL REVENUE	461.6	309.1	170.2	143.0	(105.9)	(89.6)	525.9	362.5
COST OF SERVICES PROVIDED								
Electricity	304.7	207.5	64.9	42.4	(98.9)	(83.3)	270.7	166.6
Natural gas	87.5	61.0	-	-	-	-	87.5	61.0
Local access fees and grid charges	-	-	45.6	40.9	-	-	45.6	40.9
Contractual services	-	-	13.3	11.6	(0.2)	(0.1)	13.1	11.5
Operations, maintenance and administration (note 6)	24.9	21.4	27.9	20.5	(10.1)	(9.6)	42.7	32.3
TOTAL COST OF SERVICES PROVIDED	417.1	289.9	151.7	115.4	(109.2)	(93.0)	459.6	312.3
EARNINGS BEFORE INTEREST, INCOME TAXES, AMORTIZATION AND NON-CONTROLLING INTEREST	44.5	19.2	18.5	27.6	3.3	3.4	66.3	50.2
Amortization	12.7	5.8	9.8	10.3	1.4	1.4	23.9	17.5
Non-controlling interest	-	(0.1)	-	-	-	-	-	(0.1)
EARNINGS BEFORE INTEREST AND INCOME TAXES	31.8	13.5	8.7	17.3	1.9	2.0	42.4	32.8
Interest							6.0	3.3
Income taxes							3.8	4.2
NET EARNINGS							\$ 32.6	\$ 25.3
CAPITAL ADDITIONS ⁽²⁾	\$ 76.9	\$ 1.6	\$ 24.8	\$ 21.2	\$ (0.4)	\$ (0.5)	\$ 101.3	\$ 22.3

1. In 2007, ENMAX realigned its reportable segments to be consistent with changes in its internal management structure. This realignment transferred reporting of ENMAX Encompass from ENMAX Power to ENMAX Energy. Comparative amounts have been restated.

2. Capital additions for Enmax Energy include non-cash amounts of \$1.5 million (2006 - nil) relating to asset retirement obligations for the Taber wind farm.

Segmented Total Assets	March 31, 2007 (unaudited)	December 31, 2006
(millions of dollars)		
ENMAX Energy ⁽³⁾	\$ 1,354.8	\$ 1,190.3
ENMAX Power	863.2	870.4
Corporate and eliminations	32.4	99.7
	\$ 2,250.4	\$ 2,160.4

3. Includes assets for ENMAX Encompass, previously reported in ENMAX Power, in the amount of \$30.8 million (2006 - \$32.4 million). Comparative amounts have been restated to conform to this presentation.

8. Contingencies

Income tax

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

In August 2004, Alberta Finance notified the Corporation that it was reviewing the value of certain assets established for the purpose of this regulation. At January 1, 2001, the balance of the future income tax asset associated with the assets in question was \$195.0 million, based on an estimated fair market value of \$855.0 million.

In July and November 2006, ENMAX Energy Corporation ("EEC") received Notices of Reassessment from Alberta Finance relating to the 2002 and 2003 taxation years, in the amount of \$23.7 million, including \$5.0 million of interest, and \$58.0 million, including \$10.4 million of interest, respectively. These reassessments are in addition to the Notice of Reassessment received in June 2005 in respect of the 2001 taxation year, which amounted to \$16.9 million, including \$3.2 million of interest. The assessments relate primarily to the value of certain power purchase arrangement assets established for the purpose of the Payment in Lieu of Taxes Regulation and the allocation of costs and benefits of the energy supply portfolio between taxable and non-taxable operations for those years. EEC voluntarily remitted certain amounts to minimize interest and penalties until the issues are resolved, which are recorded as income taxes receivable as at March 31, 2007 and December 31, 2006.

The Corporation does not agree with the assessments and has commenced the necessary steps to defend its position through the formal appeals process. ENMAX expects this process to be successful and will vigorously pursue all options available should the appeals process result in an unfavorable outcome. The amount of possible adjustment, which could have a material impact on net earnings, cannot be reasonably estimated at this time and no provision has been made in the consolidated financial statements for any additional income tax expense that may be payable relating to these assessments.

9. Subsequent event

On April 2, 2007, the Corporation acquired the 35% non-controlling interest in Hydromax Energy Ltd. for \$1.2 million and retired \$0.4 million of liabilities for total cash consideration of \$1.6 million.

10. Comparative figures

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