

FIRST QUARTER 2004

<i>(unaudited – millions of dollars, except return on equity and operating statistics)</i>	Three months ended March 31	
	2004	2003
Total revenue	\$ 293.8	\$ 331.8
Operating expenses	244.5	281.8
Earnings before interest and income tax	49.3	50.0
Interest	2.8	3.5
Income tax	15.4	11.6
Net earnings	\$ 31.1	\$ 34.9
Return on equity (annualized) ¹	12%	14%
Payments to shareholder:		
Dividends	12.6	12.5
Local access fees	17.1	17.9
Operating statistics:		
Electricity sold to customers (gigawatt hours)	2,352	2,386
Energy delivered (gigawatt hours)	2,064	1,988

1. 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 should be read in conjunction with the accompanying unaudited consolidated financial statements of ENMAX Corporation (ENMAX or the corporation) as at and for the three months ended March 31, 2004 and 2003, as well as the 2003 Annual Report. Amounts are stated in Canadian dollars.

RESULTS OF OPERATIONS

Consolidated

In the first quarter of 2004, ENMAX net earnings were \$31.1 million compared to \$34.9 million in the first quarter of 2003. Proactive cost management strategies successfully lowered general and administrative expense to offset declining retail electricity margins. Gross margins were squeezed by declining wholesale electricity prices and intensifying retail competition. Higher income taxes in the first quarter of 2004 reflect the impact of a provincial tax rate reduction on the future income tax asset balance.

Revenue decreased from \$331.8 million in the first quarter of 2003 to \$293.8 million in the first quarter of 2004 due to average wholesale electricity prices going down 42% over the comparative period. Declining wholesale prices reduced rates paid by electricity customers on flow through rates.

Components of total revenue in the first quarter of 2004 included \$201.0 million from sales of electricity and natural gas; \$72.0 million from distributing electricity and leasing transmission facilities; and \$20.8 million from contractual services and other revenue. Sales of electricity include energy trading revenue of \$5.2 million during the first three months of 2004 compared to \$10.0 million in the first quarter of 2003. Lower energy trading revenue was due to the overall decrease in wholesale electricity prices.

Lower wholesale prices also led to cost of services going down from \$257.0 million in the first three months of 2003 to \$222.7 million in the same period in 2004. General and administrative expenses were \$8.5 million in the first quarter of 2004 compared to \$10.5 million in the first quarter of 2003 due to lower staffing levels and reduced consulting costs.

Reduced average debt balances resulted in interest expense of \$2.8 million in the first quarter of 2004 compared to \$3.5 million in the first quarter of 2003. Income tax expense increased from \$11.6 million in the first quarter of 2003 to \$15.4 million in 2004. The increase is largely due to the impact of a provincial tax rate reduction in 2004 which decreases ENMAX's future income tax asset balance by \$5.6 million through a charge to earnings.

ENMAX declared dividends of \$50.4 million in 2004 based on an approved dividend policy and 2003 net earnings of \$168.1 million. In the first quarter of 2004, ENMAX paid a dividend installment to The City of Calgary of \$12.6 million, slightly higher than the dividend paid in the first quarter of 2003.

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

(millions of dollars, unaudited)

	March 31, 2004	December 31, 2003
Cash and cash equivalents	\$ 218.5	\$ 100.9
Long-term debt ⁽¹⁾	227.5	160.6
Shareholder's equity		
Share capital	280.1	280.1
Retained earnings	865.5	847.0
Total shareholder's equity	1,145.6	1,127.1
Total capitalization	\$ 1,373.1	\$ 1,287.7

(1) Includes current portion of \$28.3 million (Dec. 31, 2003 - \$22.9 million). Maturity dates range from October 2004 to March 2019.

Coverage Ratios

	For the Three Months Ended March 31, 2004	For the Year Ended December 31, 2003
Debt to total capitalization (as at period end) ⁽¹⁾	16.6%	12.5%
Net debt to total capitalization (as at period end) ⁽¹⁾	0.8%	5.0%
Interest coverage ratio ⁽²⁾	17.6X	18.1X

(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 provided by operating activities increased from \$49.2 million in the first three months of 2003 to \$67.9 million in the first three months of 2004 because of a reduction in non-cash working capital in the first quarter of 2004. 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 spent \$16.2 million on capital projects in the first three months of 2004, primarily for expansion of the distribution system. Capital expenditures in 2004 are budgeted to be about \$203 million for ongoing business requirements and smaller growth projects. Approval of capital projects in excess of \$30 million are sought from the shareholder.

Financing Activities

During the first quarter of 2004, ENMAX coordinated with The City of Calgary to issue \$60.9 million in 15-year debentures and \$11.3 million in five-year debentures with the Alberta Capital Finance Authority. The proceeds will be used to finance capital expenditures in ENMAX Power, and is consistent with the corporation's regulatory position. ENMAX also made \$5.3 million in regularly scheduled debt principal payments in the first quarter of 2004.

NEW ACCOUNTING STANDARDS

Hedging Relationships

In December 2001, the Canadian Institute of Chartered Accountants issued Accounting Guideline 13, Hedging Relationships (AcG-13). AcG-13 establishes certain conditions when hedge accounting may be applied. The guideline is effective for fiscal years beginning on or after July 1, 2003.

Upon the adoption of AcG-13 by ENMAX on January 1, 2004, certain hedging relationships did not satisfy all of the conditions for hedge accounting. As a result, ENMAX adjusted the carrying value of the affected financial contract to fair market value of \$2.1 million at January 1, 2004 and recorded a deferred credit of the same amount in other long-term liabilities, with the current portion in accounts payable and accrued liabilities. The deferred credit is being amortized over the remaining term of the financial contract.

At March 31, 2004, the fair value of the financial contract was an unrealized loss of \$2.8 million. This is included on the balance sheet within other long-term liabilities. For the three months ended March 31, 2004, the change in fair value, combined with amortization of the related deferred credit, amounted to a charge to earnings of \$4.8 million and was included in electric and natural gas costs on the statement of earnings.

Asset Retirement Obligations

The Canadian Institute of Chartered Accountants issued accounting standard 3110, Asset Retirement Obligations in March 2003. The standard requires an entity to record the fair value of a legal obligation associated with the retirement of tangible long-lived assets in the period in which it is incurred. This standard is effective for fiscal years beginning on or after January 1, 2004. ENMAX has adopted this accounting standard commencing with the first quarter of 2004. Prior periods have not been restated because the impact is immaterial.

ENMAX has electricity transmission and distribution assets operating under various land leases and rights of way. A legal obligation exists on final retirement of the assets. As these transmission and distribution assets are operated under regulatory and contractual terms providing for perpetual operation, ENMAX is unable to reasonably estimate the fair value of the asset retirement obligation and no amount has been recorded in the financial statements.

For other assets owned by ENMAX, an asset retirement obligation has been recorded as at January 1, 2004 in the amount of \$0.5 million and included as part of other long-term liabilities on the balance sheet, with a corresponding increase in capital assets.

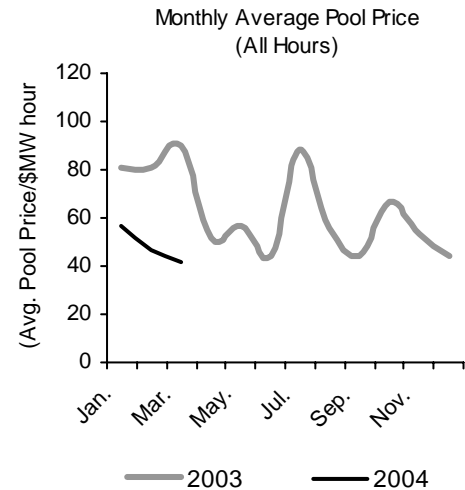
BUSINESS SEGMENT RESULTS

ENMAX Energy

ENMAX Energy recorded net earnings of \$18.2 million in the first quarter of 2004 compared to \$19.2 million in the first quarter of 2003. Lower net earnings reflect a provincial tax rate reduction announced in March which resulted in an adjustment to the future tax asset balance through a charge to earnings. This was partially offset by reduced general and administrative expenses.

ENMAX Energy had total revenue of \$264.9 million in the first quarter of 2004 compared to \$302.5 million in the first quarter of 2003. Lower revenue was due to electricity prices in Alberta's power pool decreasing, putting downward pressure on electricity prices paid by customers on flow through rates. ENMAX Energy recorded revenue of \$9.5 million from natural gas sales in the first quarter of 2004 compared to \$9.9 million in the same period in 2003.

The average Power Pool price was \$49 per megawatt-hour (MWh) in the first quarter of 2004 compared to \$84 per MWh in the first quarter of 2003 and \$55 per MWh in the fourth quarter of 2003. Warmer temperatures and steady operation of generating facilities resulted in an over supply of electricity in Alberta relative to consumer demand in the first quarter of 2004. Natural gas prices averaged \$6 per gigajoule (GJ) in the first quarter of 2004, the same as the prior quarter and lower than the \$8 per GJ average in the first quarter of 2003.



ENMAX Energy sold 2,352 gigawatt hours (GWh) of electricity to customers in the first quarter of 2004 compared to 2,386 GWh in the first quarter of 2003. Energy sales volumes declined slightly due to reduced demand among customers in the first quarter of 2004 compared to the same period in 2003.

During the first quarter of 2004, sales and marketing teams renewed contracts with existing large volume customers at higher than forecasted volumes and margins. In addition to renewing existing customer contracts, ENMAX Energy is intensifying efforts to acquire new customers in the competitive market. In the first quarter of 2004, a new contract offer was introduced for small commercial customers.

ENMAX Power

ENMAX Power recorded net earnings of \$12.1 million in the first quarter of 2004 compared to \$14.8 million in the first quarter of 2003. Lower net earnings were due to higher grid charges and increased regulatory costs associated with filing the Distribution Tariff (DT) application.

These factors were partially offset by higher revenue from serving growing customer demand in and around Calgary. ENMAX Power delivered 2,064 GWh of electricity in the first quarter of 2004 compared to 1,988 GWh in the first quarter of 2003. As a result, the business recorded total revenue of \$86.4 million in the first quarter of 2004 compared to \$83.8 million in the same period in 2003.

Grid charges were \$16.5 million in the first quarter of 2004 compared to \$15.0 million in the same period in 2003. The increase was mainly due to a higher deferral account charge from the Alberta Electric System Operator. General and administrative costs were \$5.9 million in the first quarter of 2004 compared to \$4.1 million in the first quarter of 2003. The increase reflects the impact on corporate cost allocations from the outsourcing of the billing and customer care function in 2003 and the fourth quarter 2003 cost restructuring.

Local access fees were \$17.1 million in the first quarter of 2004 compared to \$17.9 million in the same period in 2003. Fees are based on a percentage of the DT charged to retailers and a percentage of the Regulated Rate Tariff (RRT) rate multiplied by delivered electricity volumes. The reduction in local access fees over 2003 is due to a lower RRT rate in the first quarter of 2004 relative to the first quarter of 2003.

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 1.18 interruptions, which totaled 35 minutes of interruption time for the 12 months ended March 31, 2004. This compares to an

average of 1.52 interruptions, which totaled 48 minutes of interruption time during the previous 12-month period. A new distribution automation system resulted in ENMAX Power averting about 500 outages and 317,500 minutes of interruptions during the first quarter of 2004.

During the first quarter of 2004, ENMAX Power participated in a review by the Alberta Energy and Utilities Board of its 2004 RRT and 2004 DT. A decision on these applications is expected in September 2004. ENMAX also participated in a Generic Cost of Capital hearing for all electric and natural gas utilities in Alberta. The process will determine ENMAX Power's capital structure and allowed return on equity for regulatory purposes. A decision is expected in the summer of 2004. First quarter 2004 financial results are based on approved interim regulated rates. Any financial impact of the regulatory decisions will be recorded in the period the decision is released.

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. In April 2004, the Supreme Court of Canada issued a decision pertaining to another Canadian utility's permissible late fees charged on unpaid bills. This billing practice is common among utilities and other organizations on monthly or annual billing cycles. ENMAX is currently examining its historical late payment penalty policies to determine if there is an impact relative to this decision. Otherwise, financial and business risks reported in the 2003 Annual Report remain substantially unchanged during the first three months of 2004. For further information on risks, refer to Management's Discussion and Analysis in the 2003 Annual Report, available on the ENMAX website at enmax.com.

OUTLOOK

Based on the current market, ENMAX Energy expects wholesale electricity prices will range between \$55 and \$60 per MWh in 2004, while natural gas prices are expected to average in the \$5 to \$6 per GJ range in 2004. Lower wholesale energy prices and greater retail competition is forecasted to put downward pressure on gross margins in the retail business. Regulatory decisions in the regulated wires business could also impact financial results in 2004. The corporation continues to reduce its cost structure to help offset impacts of lower margins and regulatory decisions.

COMMUNITY AND ENVIRONMENT

In the first quarter of 2004, ENMAX invested more than \$300,000 into community programs. Contributions were allocated in the following categories: 55% community development, 30% sports and recreation and 15% youth and education. During the first three months of the year, the corporation implemented its Rinklighter Pond Hockey Program in Calgary, Edmonton, Lethbridge and Red Deer. ENMAX had no reportable, preventable releases to the environment during the first three months of 2004.

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 the subsidiary ENMAX Encompass Inc. which provides 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

CONSOLIDATED BALANCE SHEETS

(millions of dollars)	March 31, 2004 (unaudited)	December 31, 2003*
ASSETS		
Cash and cash equivalents	\$ 218.5	\$ 100.9
Accounts receivable	153.2	181.3
Inventories	13.9	12.0
Current portion of 2000 deficiency rider receivable	40.4	48.4
Other current assets	2.2	1.4
	<u>428.2</u>	<u>344.0</u>
Capital assets	732.6	729.7
Power purchase arrangements	167.2	169.6
2000 deficiency rider receivable	-	4.0
Future income tax asset	177.9	185.4
Other long-term assets	10.4	10.6
TOTAL ASSETS	<u>\$ 1,516.3</u>	<u>\$ 1,443.3</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 110.2	\$ 126.4
Customer guarantee deposits	12.2	14.4
Current portion of long-term debt	28.3	22.9
	<u>150.7</u>	<u>163.7</u>
Long-term debt	199.2	137.7
Other long-term liabilities	20.8	14.8
TOTAL LIABILITIES	<u>370.7</u>	<u>316.2</u>
SHAREHOLDER'S EQUITY		
Share capital	280.1	280.1
Retained earnings	865.5	847.0
TOTAL SHAREHOLDER'S EQUITY	<u>1,145.6</u>	<u>1,127.1</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$ 1,516.3</u>	<u>\$ 1,443.3</u>

See accompanying notes to consolidated financial statements.

* Extracted from the audited consolidated financial statements of ENMAX Corporation as at December 31, 2003

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

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

	2004	2003
REVENUE		
Sales of electricity and natural gas	\$ 201.0	\$ 241.0
Transmission and distribution revenue	72.0	70.5
Contractual services and other	20.8	20.3
TOTAL REVENUE	293.8	331.8
COST OF SERVICES PROVIDED		
Electric and natural gas costs	131.4	164.7
Grid charges	36.0	39.9
Local access fees	17.1	17.9
Operations and maintenance	18.3	16.5
Billing and collection	10.4	9.0
Cost of providing contractual services	9.5	9.0
TOTAL COST OF SERVICES PROVIDED	222.7	257.0
GROSS MARGIN	71.1	74.8
General and administrative	8.5	10.5
Amortization	13.3	14.3
OPERATING EARNINGS BEFORE INTEREST AND INCOME TAX CHARGES	49.3	50.0
Interest	2.8	3.5
NET EARNINGS BEFORE INCOME TAX	46.5	46.5
Income tax	15.4	11.6
NET EARNINGS	31.1	34.9
RETAINED EARNINGS, BEGINNING OF PERIOD	847.0	728.9
Dividends	(12.6)	(12.5)
RETAINED EARNINGS, END OF PERIOD	\$ 865.5	\$ 751.3

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2004	2003
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings	\$ 31.1	\$ 34.9
Amortization	15.7	16.8
Future income taxes	7.5	10.5
Change in unrealized market value of financial contracts (Note 3)	4.8	-
	<u>59.1</u>	<u>62.2</u>
Change in non-cash working capital items	8.8	(13.0)
	<u>67.9</u>	<u>49.2</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(20.8)	(56.5)
Contributions in aid of construction	4.6	5.0
2000 deficiency rider receivable collected	12.0	11.5
Customer guarantee deposits repaid	(2.2)	-
Other long-term assets	0.2	-
	<u>(6.2)</u>	<u>(40.0)</u>
FINANCING ACTIVITIES		
Commercial paper issued	-	9.5
Long-term debt issued / (repaid)	66.9	(4.8)
Other long-term liabilities	1.6	0.6
Dividends paid	(12.6)	(12.5)
	<u>55.9</u>	<u>(7.2)</u>
Increase in cash and short-term investments	117.6	2.0
Cash and short-term investments, beginning of period	100.9	3.3
Cash and short-term investments, end of period	<u>\$ 218.5</u>	<u>\$ 5.3</u>
Interest paid	<u>\$ 3.1</u>	<u>\$ 3.6</u>
Income taxes paid	<u>\$ 7.3</u>	<u>\$ 0.3</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. Except as disclosed in Note 3, the accounting policies applied are consistent with those outlined in the corporation's annual financial statements for the year ended December 31, 2003. 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 2003 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

Three months ended March 31 (unaudited) (millions of dollars)	ENMAX Energy		ENMAX Power		Intersegment Eliminations		Consolidated Totals	
	2004	2003	2004	2003	2004	2003	2004	2003
REVENUE								
Sales of electricity and natural gas	\$ 255.0	\$ 293.9	\$ -	\$ -	\$ (54.0)	\$ (52.9)	\$ 201.0	\$ 241.0
Transmission and distribution revenue	-	-	72.0	70.5	-	-	72.0	70.5
Contractual services and other	9.9	8.6	14.4	13.3	(3.5)	(1.6)	20.8	20.3
TOTAL REVENUE	264.9	302.5	86.4	83.8	(57.5)	(54.5)	293.8	331.8
COST OF SERVICES PROVIDED								
Electric and natural gas costs ¹	131.4	164.7	-	-	-	-	131.4	164.7
Grid charges	73.7	77.9	16.5	15.0	(54.2)	(53.0)	36.0	39.9
Local access fees	-	-	17.1	17.9	-	-	17.1	17.9
Operations and maintenance	6.7	6.9	11.2	9.6	0.4	-	18.3	16.5
Billing and collection	10.4	9.0	-	-	-	-	10.4	9.0
Cost of providing contractual services	0.1	-	9.6	8.8	(0.2)	0.2	9.5	9.0
TOTAL COST OF SERVICES PROVIDED	222.3	258.5	54.4	51.3	(54.0)	(52.8)	222.7	257.0
GROSS MARGIN	42.6	44.0	32.0	32.5	(3.5)	(1.7)	71.1	74.8
General and administrative	4.6	6.7	5.9	4.1	(2.0)	(0.3)	8.5	10.5
Amortization	4.3	6.0	9.8	9.4	(0.8)	(1.1)	13.3	14.3
OPERATING EARNINGS	33.7	31.3	16.3	19.0	(0.7)	(0.3)	49.3	50.0
Interest	1.0	0.7	4.2	4.2	(2.4)	(1.4)	2.8	3.5
Income tax	14.5	11.4	-	-	0.9	0.2	15.4	11.6
NET EARNINGS	\$ 18.2	\$ 19.2	\$ 12.1	\$ 14.8	\$ 0.8	\$ 0.9	\$ 31.1	\$ 34.9

1. Included in electric costs is \$2.4 million (2003 - \$2.5 million) pertaining to the amortization of PPAs.

Segmented Total Assets (millions of dollars)	March 31, 2004 (unaudited)	December 31, 2003
ENMAX Energy	\$ 677.1	\$ 711.6
ENMAX Power	627.8	649.1
Corporate and eliminations	211.4	82.6
	\$1,516.3	\$1,443.3

3. Accounting Changes

Hedging Relationships

In December 2001, the Canadian Institute of Chartered Accountants issued Accounting Guideline 13, Hedging Relationships (AcG-13). AcG-13 establishes certain conditions when hedge accounting may be applied. The guideline is effective for fiscal years beginning on or after July 1, 2003.

Upon the adoption of AcG-13 by ENMAX on January 1, 2004, certain hedging relationships did not satisfy all of the conditions for hedge accounting. As a result, ENMAX adjusted the carrying value of the affected financial contract to fair market value of \$2.1 million at January 1, 2004 and recorded a deferred credit of the same amount in other long-term liabilities, with the current portion in accounts payable and accrued liabilities. The deferred credit is being amortized over the remaining term of the financial contract.

At March 31, 2004, the fair value of the financial contract was an unrealized loss of \$2.8 million. This is included on the balance sheet within other long-term liabilities. For the three months ended March 31, 2004, the change in fair value, combined with amortization of the related deferred credit, amounted to a charge to earnings of \$4.8 million and was included in electric and natural gas costs on the statement of earnings.

Asset Retirement Obligations

The Canadian Institute of Chartered Accountants issued accounting standard 3110, Asset Retirement Obligations in March 2003. The standard requires an entity to record the fair value of a legal obligation associated with the retirement of tangible long-lived assets in the period in which it is incurred. This standard is effective for fiscal years beginning on or after January 1, 2004. ENMAX has adopted this accounting standard commencing with the first quarter of 2004. Prior periods have not been restated because the impact is immaterial.

ENMAX has electricity transmission and distribution assets operating under various land leases and rights of way. A legal obligation exists on final retirement of the assets. As these transmission and distribution assets are operated under regulatory and contractual terms providing for perpetual operation, ENMAX is unable to reasonably estimate the fair value of the asset retirement obligation and no amount has been recorded in the financial statements.

For other assets owned by ENMAX, an asset retirement obligation has been recorded as at January 1, 2004 in the amount of \$0.5 million and included as part of other long-term liabilities on the balance sheet, with a corresponding increase in capital assets.

4. Comparative Figures

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