

ENMAX CORPORATION

AUDIT & FINANCE COMMITTEE MANDATE

Pursuant to Section 4.1 of the Amended and Restated Bylaw of ENMAX Corporation (the "Corporation") and the Amended and Restated Bylaws of the Corporation's direct and indirect subsidiaries, a committee of the Board of Directors (the "Board") to be known as the "Audit and Finance Committee" (hereinafter referred to as the "Committee") is hereby established. The Committee has the oversight responsibility and specific duties described below.

1) Committee Composition

The Committee shall be comprised of a minimum of four directors, none of whom shall have any interest in, or business or other relationship with the Corporation that may, or may reasonably be perceived to, interfere with the exercise of their independence from management and the Corporation.

If not an appointed member of the Committee, the Chair of the Board may attend Committee meetings at his discretion but shall not be entitled to vote except as required by Section 4b;

The members of the Committee shall be financially literate or become financially literate within a reasonable period of time after being appointed. Further, at least one member of the Committee shall have accounting or related financial management expertise. For purposes hereof, "financially literate" shall mean the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and level of complexity that can reasonably be expected to be raised by the Corporation's financial statements.

The members of the Committee shall be appointed or reappointed at the Organizational Meeting of the Board which will be the next regularly scheduled Meeting following the Annual Meeting of the Shareholder of the Corporation. Each member of the Committee shall continue to be a member thereof until his/her successor is appointed, unless he/she shall resign or be removed by the Board or he/she shall cease to be a director of the Corporation. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than four directors as a result of the vacancy.

The Board shall appoint a Chair of the Committee on an annual basis, and the Chair must be appointed from one of the members of the Committee. If the Chair of the Committee cannot be present at any meeting of the Committee, the Chair shall, in

advance of the meeting, designate another member of the Committee, as Chair. Failing which, the Chair of the Committee shall be chosen by the Committee from among the members present. At all meetings of the Committee, every question shall be decided by a majority of the votes cast on the question. In the case of an equality of votes, the motion shall be lost and the person acting as Chair of the meeting shall not be entitled to a second or casting vote.

2) Committee Secretary

The Secretary of the Corporation, or with the approval of the Chair of the Committee, the Secretary's designate, shall attend at and be the secretary at all meetings of the Committee.

3) Committee Investigations

The Committee has the authority to investigate any activity of the Corporation. All employees are to cooperate as requested by the Committee. All information received by the Committee in connection with any investigation will be made available for examination by a director of the Corporation upon request to the Secretary of the Committee.

4) Committee Meetings

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

- a) a quorum for meetings shall be a majority of Committee members, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear each other;
- b) in circumstances where a quorum cannot be constituted as in Section 4a, the Chair of the Board may be considered in establishing quorum and shall be entitled to vote for the duration of the meeting;
- c) the Committee shall meet at least quarterly; and
- d) notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee, the internal and external auditors of the Corporation, at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive notice of a meeting; and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of

objecting to the transaction of any business on the grounds that the meeting has not been lawfully called. The external auditors attending a Committee meeting are entitled to attend meetings at the expense of the Corporation. The internal auditors shall attend meetings and serve as a resource to the Committee as required. A meeting of the Committee may be called by the Secretary of the Committee on the direction of the Chair or CEO of the Corporation, by a member of the Committee, the external auditors or internal auditors. Notwithstanding the provisions of this paragraph, the Committee shall at all times have the right to determine who shall and shall not be present at any part of the meeting of the Committee.

- e) The Chair of the Committee shall establish the Agenda for the meetings. The members of the Committee, the Board of Directors, Management, the Internal Auditor and the External Auditor may recommend agenda items. The Agenda for each meeting will be subject to approval by the Committee at the start of each meeting.
- f) The Committee will maintain minutes of its meetings which will be filed with the minutes of the Board of Directors' meetings. Minutes of Committee meetings will be made available to the Board of Directors upon approval of those minutes by the Committee members.

5) Specific Duties

a) Continuous Disclosure Documents

The Committee shall:

- i) review and upon satisfaction recommend to the Board for approval all annual, interim and other financial statements of the Corporation, all annual and interim reports and annual information forms, management discussion and analysis and other public financial documents, if deemed required;
- ii) review and recommend to the Board for approval all financial information included within any prospectus, offering memorandum or other material documents in connection with the offering of securities of the Corporation;
- iii) review and recommend to the Board for approval the interim and annual earnings release, particularly the financial information contained in the earnings release;
- iv) review and recommend to the Board for approval any other material financial information to be disseminated to the public or filed with any securities commission or similar regulatory authority on behalf of the Corporation; and

- v) Review the findings of examinations performed by any regulatory agencies, management responses thereto and any External Auditor and Internal Auditor observations made regarding those findings as may be appropriate.

b) Internal Controls and Financial Reporting Processes

- i) review and be satisfied with the policy and procedures in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements;
- ii) inquire of the CEO and CFO regarding the processes followed by them in preparing their certifications, any areas of concern or challenge, any issues of material importance and other related matters;
- iii) review complaints related to financial controls, made through the whistle blower hotline and resolutions thereof;
- iv) ensure that a whistle blower hotline is established, and procedures in place for:
 - (1) the receipt, retention and treatment of complaints received by the Corporation with regard to accounting, internal controls and financial reporting; and
 - (2) ensuring that submissions by employees, with respect to financial controls, of the Corporation are confidential and anonymous.
- v) review as required the adequacy and effectiveness of internal controls over the accounting and financial reporting systems within the Corporation including management's response to the internal control recommendations of the internal and external auditors;

c) External Auditor

- i) On an annual and quarterly basis, obtain from the External Auditor their report, including: a) the results of their planned activities related to their interim review of the Corporation's financial statements for the quarter; b) any significant risk areas or issues reviewed by the External Auditor during the quarter; c) any corrected or uncorrected misstatements and disclosure deficiencies in the financial statements; and d) reconfirm the External Auditor independence of the Corporation;
- ii) annually receive the External Auditors audit plan, which includes their audit scope and approach, including significant estimates and judgments made by management and areas of significant audit risk;

- iii) review recommendations of the officers of the Corporation as to the appointment or reappointment of external auditors as well as qualifications in the case of new auditors and make recommendations to the Board with respect to the nomination and remuneration of external auditors to be appointed at each Annual Meeting of the Shareholder;
- iv) if a change in external auditors is proposed, the Committee will review the reasons for the proposed change as well as obtain a response from the incumbent auditor;
- v) oversee the work of the external auditors engaged for the purpose of preparing or issuing an audit report or related work;
- vi) communicate the Committee's expectations regarding the external auditor's performance and evaluate the external auditors' past performance;
- vii) monitor the independence of the external auditor through written disclosures and meetings with the auditor and by reviewing the independent auditor's account of the total fees derived from the audit client for management advisory services, during the past year and a description of such services;
- viii) directly or by delegation to the Audit and Finance Committee Chair and Chief Financial Officer, acting together, pre-approve both audit related and non-audit related services provided by the external auditors and the fees related thereto and assess the impact of both audit related and non-audit related services on the independence of the external auditors;
- ix) review the basis and amount of the external auditors' audit-related fees in light of the number and nature of reports issued by the auditors, the quality of the internal controls, the size, complexity and financial condition of the Corporation and the extent of internal audit and other support provided by the Corporation to the external auditors;
- x) at the conclusion of every Committee meeting, meet in camera with the external auditors and report to the Board on such meeting;

d) Internal Auditor

- i) review the appointment, evaluation and termination of the internal auditor;
- ii) review annually the audit plan of the internal auditor, including the results of their planned activities for the fiscal year that has just passed, their financings and recommendations made to management related to the fiscal year that has just passed, and the Internal Audit Plan for the upcoming fiscal year;

- iii) on an annual basis, review and recommend for approval the Charter of the Internal Auditor, including the determination of independence of the Internal Auditor from management;
- iv) on a quarterly basis, receive from the Internal Auditor, reports and analysis including, their results of their planned activities for the quarter and their finding and recommendations made to management;
- v) annually review succession planning for the internal auditor for the Corporation;
- vi) communicate the Committee's expectations regarding the internal auditor's performance and evaluate the internal auditors' past performance, ensuring that the internal auditor is reviewing all of the Corporation's business units to ensure that appropriate internal controls are in place;
- vii) review an annual report from the internal auditor detailing the regular examination of the President and EVP/COO expenses and perquisites, including the use of the Corporation's assets;
- viii) review quarterly reports from the external auditor regarding critical elements of the quarterly financial statements, accounting policies and recommendations for strengthening internal controls;
- ix) at the conclusion of every Committee meeting, meet in camera with the internal auditors and report to the Board on such meeting;

e) *Finance*

- i) review with management and report to the Board, on an annual basis, on the financing plans of the Corporation, including the establishment of a long term financial plan for the Corporation;
- ii) annually review any policy that delegates financial authorities from the Board of Directors to the Executive including, but not limited to, the Delegation of Authority Policy, with a view to ensuring that Management has the appropriate authority to implement the Corporation's business objectives and strategic plan, and ensuring appropriate controls over such authorities
- iii) review any changes in accounting policies and the financial impact thereof and review any major areas of management judgment and estimates that have a significant effect upon the financial statements;

- iv) review quarterly with management, the external auditors and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation, and the manner in which these matters have been disclosed in the financial statements;
- v) review annually with management material covenants in credit and loan agreements and trust indentures;
- vi) review each proposed dividend to be declared considering the solvency requirements of applicable law and, in the Committee's discretion, make recommendations to the Board for consideration; and
- vii) review the financing strategy considering current and future business needs, capital markets and ENMAX's credit rating.

f) *Statutory Compliance*

- i) receive periodically, reports on the nature and extent of compliance with requirements regarding statutory deductions and remittances, including deductions and remittances under the Income Tax Act (Canada), the Excise Tax Act (Canada), the Canada Pension Plan Act, the Employment Insurance Act (Canada), the Alberta Corporate Tax Act and the Health Insurance Premiums Act (Alberta) and the nature and extent of non-compliance together with the reasons therefore, and the plan and timetable to correct deficiencies and report to the Board on the status of such matters;
- ii) review with management and report to the Board, on an annual basis, as to the occurrence of notifyable transactions under the Competition Act and compliance by the Corporation with notification requirements;
- iii) review with management and report to the Board, on an annual basis, as to compliance with applicable bankruptcy and insolvency laws under the Bankruptcy and Insolvency Act (Canada), if applicable;
- iv) review with management and report to the Board, on an annual basis, as to compliance with orders of the Alberta Energy Board under the Electric Utilities Act and with obligations under the Public Utilities Board Act (Alberta);
- v) review with management and report to the Board, on an annual basis, as to compliance with practices enumerated in the Fair Trading Act (Alberta);
- vi) when a reporting issuer, review on a semi-annual basis, the extent to which filings made under applicable securities legislation, including those under the

Securities Act (Alberta) are in compliance with all applicable standards in respect thereof, and report any material deficiencies to the Board;

g) Other

- i) annually review succession planning for the Chief Financial Officer and the internal auditor for the Corporation;
- ii) appoint and/or terminate the Chief Financial officer, as necessary;
- iii) approve the Charter of the ENMAX Corporation Certification Committee and any amendment(s) thereto;
- iv) quarterly review all material consulting engagements for the effective and efficient use of consultants and to confirm that external audit firms were not contracted for consulting services not related to pre-approved audit services;
- v) review any policy for the disclosure and confidentiality of information about ENMAX (the "Policy");
- vi) report to the Board after each Committee meeting, as required during the year and, upon request, at the end of each fiscal year, table a full report to the Board with respect to its activities during the preceding year with such recommendations as are deemed desirable in the circumstances;
- vii) take all reasonable steps to oversee conduct review by receiving quarterly and annual reports summarizing compliance with same;
- viii) receive a quarterly report from the Chief Information Officer and Chief Technology Officer;
- ix) receive reports in respect of the Corporation's due diligence process; and
- x) formally assess its effectiveness on a yearly basis.

6) Risk Management

The Committee shall receive regular risk reports from management with respect to the risks identified in Schedule "A". Based on these regular risk reports, on a quarterly basis, the Committee shall accept the accountability for such risks and consent that such risks identified in Schedule "A" are appropriate to be monitored by the Committee. The Committee shall then monitor ongoing compliance and performance of such risk reports.

To honor the spirit and intent of the enterprise risk management process, authority to make amendments to the risks identified in Schedule "A" shall be delegated to the Chair of the Enterprise Risk Management Committee ("ERMC"). In conjunction and upon recommendation of the Committee, the ERMC shall have the authority to make amendments to the risks identified on Schedule "A", without proposing such amendments to the Board for approval.

Once such a determination has been made, risks will be amended accordingly, if necessary, and approved by the Committee.

7) External Consultants

In instances where members of the Committee believe that in order to properly discharge their fiduciary obligations to the Corporation it is necessary to obtain the advice of external experts, the Chair shall, at the request of the Committee, engage the necessary experts. The Board shall be kept apprised of both the selection of the experts and the expert's findings through the Committee's regular reports to the Board.

8) In-Camera Meetings

The Committee shall meet in camera for a part of each meeting of the Committee. The Committee shall also meet in camera with the Internal Auditor, the External Auditor and the Chief Financial Officer for a part of each meeting of the Committee.