



QUARTERLY REPORT 2006

## FIRST QUARTER 2006

	Three months ended March 31	
	2006	2005
<i>(unaudited - millions of dollars, except return on equity and operating statistics)</i>		
Total revenue	\$ 379.4	\$ 293.6
Cost of sales	291.2	201.9
Net revenue <sup>(1)</sup>	88.2	91.7
Operating, maintenance and administrative expenses	55.5	51.8
Earnings before interest and income tax	32.7	39.9
Interest	3.3	3.5
Income tax	4.2	4.9
Non-controlling interest <sup>(2)</sup>	(0.1)	—
Net earnings	\$ 25.3	\$ 31.5
Return on equity (annualized) <sup>(3)</sup>	8%	10%
Payments to shareholder:		
Dividends	\$ 12.5	\$ 12.5
Local access fees	\$ 19.0	\$ 18.5
Operating statistics:		
Electricity sold to customers (gigawatt hours)	2,380	2,316
Electricity delivered (gigawatt hours)	2,108	2,083
Natural gas sold to customers (terajoules)	5,877	3,524

(1) Net revenue better reflects performance than does revenue, as changes in the market price of electricity and natural gas affect both revenue and costs of sales. 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.

(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 16, 2006 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, 2006 and 2005, as well as the Corporation's 2005 Annual Report. All dollar amounts are stated in Canadian currency.

## RESULTS OF OPERATION

### Consolidated

In the first three months of 2006, ENMAX's consolidated net earnings were \$25.3 million. This compares to net earnings of \$31.5 million in the first three months of 2005. The decrease is the result of several factors including reduced margins for large commercial and industrial electricity contracts, which were renewed in 2006, increased operating, maintenance and administrative costs reflecting inflationary increases and growth in the business, including the distribution and transmission systems. These increases were partially offset by lower income tax charges.

Net revenues for the first three months of 2006 totaled \$88.2 million compared to \$91.7 million for the same period in 2005, a decrease of 3.8%. The decrease reflects more competitive pricing resulting in reduced margins on electricity sales combined with the impact of higher costs of natural gas required to supply growing sales volumes.

Operating, maintenance and administrative expenses have increased to \$55.5 million in the first quarter of 2006 compared to \$51.8 million for the same three month period last year. The increase is attributable to operating and maintaining the growing transmission and distribution systems needed to support the growth in the Calgary and surrounding area.

Income tax expense was \$4.2 million during the first three months of 2006 compared to \$4.9 million in the same period of 2005. The decrease results mainly from lower earnings before tax from the Corporation's taxable operations.

In the first quarter of 2006, ENMAX paid a dividend to The City of Calgary of \$12.5 million as part of its annual dividend of \$50 million declared earlier in the year, which amounts are consistent with 2005.

## SELECTED QUARTERLY FINANCIAL DATA

	2006			2005			2004		
	First	Fourth	Third	Second	First	Fourth	Third	Second	
Total revenue	\$ 379.4	\$ 405.8	\$ 309.8	\$ 289.2	\$ 293.6	\$ 306.0	\$ 257.6	\$ 276.2	
Net earnings	\$ 25.3	\$ 28.5	\$ 31.0	\$ 25.7	\$ 31.5	\$ 26.3	\$ 64.2	\$ 29.3	
Funds generated from operations <sup>(1)</sup>	\$ 43.4	\$ 34.0	\$ 49.9	\$ 47.5	\$ 46.2	\$ 35.3	\$ 83.7	\$ 46.4	

<sup>(1)</sup> 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 standardized meaning prescribed by Canadian generally accepted accounting principles 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.

<b>Funds generated from operations</b> <i>(millions of dollars)</i>	<b>Three months ended March 31</b>	
	<b>2006</b>	<b>2005</b>
Funds generated from operations (Non-GAAP financial measure)	<b>\$ 43.4</b>	\$ 46.2
Changes in non-cash working capital	<b>(53.3)</b>	(66.3)
Cash used in operating activities (GAAP financial measure)	<b>\$ (9.9)</b>	\$ (20.1)

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>	<b>March 31, 2006</b>	December 31, 2005
Long-term debt <sup>(1)</sup>	<b>\$ 379.7</b>	\$ 234.3
Shareholder's equity		
Share capital	<b>280.1</b>	280.1
Contributed surplus	<b>36.0</b>	–
Retained earnings	<b>1,000.6</b>	1,025.3
Total shareholder's equity	<b>1,316.7</b>	1,305.4
Total capitalization	<b>\$ 1,696.4</b>	\$ 1,539.7

(1) Includes current portion of \$31.1 million (2005 – \$29.8 million). Maturity dates range from June 2006 to June 2024.

**Coverage ratios**

	<b>For the Three Months Ended March 31, 2006</b>	For the Year Ended December 31, 2005
Debt to total capitalization <sup>(1)</sup>	<b>22.4%</b>	15.2%
Net debt to total capitalization <sup>(2)</sup>	<b>2.2%</b>	2.4%
Interest coverage ratio <sup>(3)</sup>	<b>8.8X</b>	10.9X

(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) As at period end, net debt to total capitalization reduces long-term debt by cash and cash equivalents and marketable securities for purposes of this calculation. Cash and cash equivalents and marketable securities amount to \$342.2 million and \$201.9 million at March 31, 2006 and December 31, 2005, respectively.

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

**Cash used in operating activities**

Cash used in operating activities was \$9.9 million in the first three months of 2006 compared to \$20.1 million in the same period of 2005. The improvement is due to changes in non-cash working capital resulting from lower tax payments and lower operating and capital accruals, offset by the decrease in net earnings.

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 \$22.3 million in the first three months of 2006, primarily for expansion of the electrical distribution and transmission systems. In 2006, ENMAX expects to invest in excess of \$100.0 million in system expansion.

**Financing activities**

In the first quarter of 2006, \$154.3 million in financing was obtained from the City of Calgary through arrangements with the Alberta Capital Finance Authority. The funds are used for capital expenditures in ENMAX Power. During the three months ended March 31, 2006, ENMAX repaid \$8.9 million of debt in regularly scheduled principal payments.

ENMAX declared a dividend of \$50.0 million to The City of Calgary, its sole shareholder, earlier in the year which is consistent with the 2005 amount. In March 2006, the City contributed \$36.0 million to ENMAX to fund capital projects in the distribution and transmission businesses.

**BUSINESS SEGMENT RESULTS**

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

In 2006, ENMAX realigned its reportable segments to be consistent with its revised internal management structure. The significant changes were to move reporting of Regulated Rate Tariff (RRT) and Envision business lines from ENMAX Energy to ENMAX Power. Comparative amounts have not been restated.

### **ENMAX Power**

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

ENMAX Power recorded net earnings of \$11.1 million in the first three months of 2006 compared to \$10.1 million during the same period in 2005. The increase was driven by the reporting of the Regulated Rate Tariff (RRT) business in Power's earnings, which were partially offset by the impact of lower approved Distribution Tariff (DT) rates from the EUB, reduced activity levels in Power Services as a result of weather related delays in developer demand and lower earnings in the fibre-optic business unit due to a one time earnings uplift in the first quarter of 2005 arising out of the completion of a special project. ENMAX Power delivered 2,108 gigawatt hours (GWh) of electricity during the first three months of 2006. This compared to 2,083 GWh delivered in the first three months of 2005. The increased volumes are attributed to growth in Calgary and surrounding area. Of the total electricity sold, 866 GWh went to RRT customers in the three months ended March 31, 2006 compared to 1,018 GWh in the first three months of 2005. The lower volume reflects the movement of Calgary RRT customers to the competitive EasyMax product offering introduced in October 2005 by ENMAX Energy.

ENMAX Power's cost of services provided for the first three months of 2006 totaled \$131.1 million compared to \$61.5 million for the same period in 2005. The increase was driven by the change in operating segments now including the volumes of electricity purchased as well as grid charges attributable to the Calgary RRT customer base. In addition, operations, maintenance and administrative expenses increased due to inflationary pressures on salaries and non-labor costs grew due to expansion of the distribution and transmission systems.

ENMAX Power expects to receive regulatory approval for the RRT energy procurement in May 2006 based on a negotiated settlement with the Utility Consumers Advocate (UCA), Public Institutional Consumers Association (PICA) and the Consumer Coalition of Alberta (CCA). The EUB is required to release an interim decision by May 15, 2006 and a final decision on the non-energy component of the application by November 1, 2006. On March 27, 2006 the EUB advised that consumer representatives were satisfied with the application and information provided by ENMAX regarding its Transmission Tariff (TT) application and confirmed there was no requirement for an oral hearing to conclude the process. A final decision is anticipated in the third quarter of 2006.

### **ENMAX Energy**

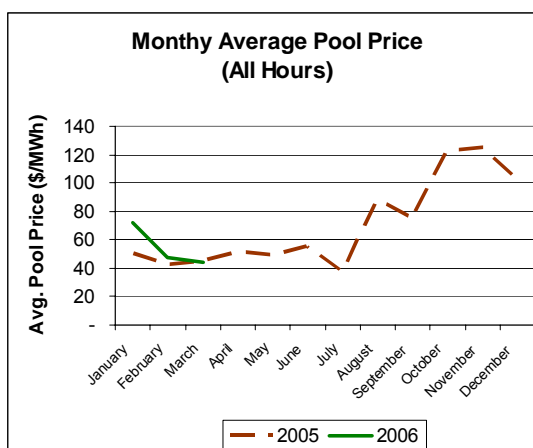
ENMAX Energy is in the business of wholesale electricity marketing and retail electricity and natural gas marketing. ENMAX Energy has coal fired generation supply through a Power Purchase Arrangement (PPA) and interests in wind generating capacity. This generating capacity is required to support retail customers. Natural gas is purchased to meet the sales commitments made by retail marketing operations.

ENMAX Energy recorded a net loss of \$5.7 million in the first three months of 2006. This compares to net earnings of \$2.9 million in the first three months of 2005. The decrease in net income is attributed to higher natural gas purchase volumes and prices and to five-year electricity sales contracts expiring and renewed at reduced margins in a more competitive market. These decreases have been partially offset by reduced operating costs and lower income tax charges.

Revenues during the first three months of 2006 totaled \$260.7 million, compared to \$258.2 million in the first three months of 2005. The growth in revenue reflects increased natural gas sales volumes at higher average prices, which generated revenues of \$54.4 million in the first three months of 2006 compared to \$27.7 million in the same period in 2005. The increase in volumes is attributed mainly to the success of the EasyMax program which offers customers savings of \$100 annually if they purchase electricity and natural gas from ENMAX. Variable priced and flow through rate electricity sales and grid charge revenues also increased as a result of higher Power Pool prices in the first quarter of 2006, all of which drive an offsetting increase in cost of services provided.

The average wholesale Power Pool price was \$56.76 per megawatt hour (MWh) in the first three months of 2006 compared to \$45.90 per MWh in the same period in 2005. Natural gas prices averaged \$8.99 per gigajoule (GJ) in the first quarter of 2006 compared to \$6.50 per GJ in the first quarter of 2005.

ENMAX Energy sold 1,514 GWh of electricity to customers in the three months ended March 31, 2006 compared to 1,298 GWh in the first three months of 2005. The higher volume reflects a high renewal rate for expiring five-year contracts as well as increases in sales activity driven by ENMAX's strategy. Partially offsetting these increases was warmer weather experienced in January and February of 2006 which drove volume requirements down.



Cost of services provided during the first three months of 2006 was \$241.4 million compared to \$227.8 million for the same period in 2005. Increased costs are mainly due to volume growth in the natural gas business and to increased cost of electricity supply driven by higher Power Pool prices and higher volumes. Partially offsetting these increases are the reporting segment changes.

ENMAX Energy's income tax expense in the first three months of 2006 was \$3.8 million compared to \$4.7 million for the same period for 2005. Current income taxes are lower by \$ 1.7 million as a result of the lower earnings, which reduction was partially offset by an increase in the charge for future income taxes relating to amortization of the Keephills tax cost.

### 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 these business segments, generating interest income. During the three months ended March 31, 2006, net earnings for ENMAX

Corporate were \$19.9 million, compared to \$20.2 million in the same period in 2005. The change is driven mainly by decreased investment income due to lower average cash balances offset in part by lower salary costs associated with a comparatively higher number of open positions during the quarter.

## **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 2005 Annual Report, available on the ENMAX website at [www.enmax.com](http://www.enmax.com).

## **OUTLOOK**

ENMAX expects 2006 full year earnings to compare favorably to 2005 based on expectations for electricity prices, generation acquisition opportunities and the strength of the Alberta economy. On May 8, 2006 ENMAX announced it had obtained a significant interest in the Battle River PPA from EPCOR, which is an important milestone in achieving ENMAX's 2006 earnings targets.

## **COMMUNITY AND ENVIRONMENT**

ENMAX continues to invest in community programs and activities, with an emphasis on community development, youth and education. During the first quarter of 2006, event sponsorship included ENMAX Rinklighter Pond Hockey in Calgary, Red Deer and Edmonton, and ongoing support of the Centres of Excellence through the Calgary Board of Education.

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 is moving forward with plans previously announced to build and operate an 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 457,500 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](http://www.enmax.com).

ENMAX welcomes questions from stakeholders.

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

**CONSOLIDATED BALANCE SHEETS**

(unaudited)	March 31, 2006	December 31, 2005
(millions of dollars)		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 167.4	\$ 27.1
Temporary investments, at lower of cost or market (note 1)	174.8	174.8
Accounts receivable (Note 2)	328.8	329.6
Inventories	15.5	13.0
Other current assets	4.1	2.7
	<u>690.6</u>	<u>547.2</u>
Property, plant and equipment (Note 2)	883.0	874.9
Power purchase arrangements	147.6	149.8
Intangible assets	22.8	22.6
Future income tax asset	177.9	180.5
Other long-term assets	11.2	11.1
	<u>1,933.1</u>	<u>1,786.1</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 145.1	\$ 190.9
Dividend payable	37.5	-
Income taxes payable	18.2	22.5
Customer deposits	13.7	13.7
Current portion of long-term debt	31.1	29.8
	<u>245.6</u>	<u>256.9</u>
Long-term debt (Note 3)	348.6	204.5
Future income tax liability	10.4	8.6
Other long-term liabilities	11.2	10.0
	<u>615.8</u>	<u>480.0</u>
<b>TOTAL LIABILITIES</b>		
<b>NON-CONTROLLING INTEREST</b>		
	<u>0.6</u>	<u>0.7</u>
<b>SHAREHOLDER'S EQUITY</b>		
Share capital	280.1	280.1
Contributed surplus (Note 4)	36.0	-
Retained earnings	1,000.6	1,025.3
	<u>1,316.7</u>	<u>1,305.4</u>
<b>TOTAL SHAREHOLDER'S EQUITY</b>		
<b>COMMITMENTS AND CONTINGENCIES (Note 7)</b>		
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
	<u>\$ 1,933.1</u>	<u>\$ 1,786.1</u>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS**

Three months ended March 31 (unaudited)	2006	2005
(millions of dollars)		
<b>REVENUE</b>		
Sales of electricity and natural gas	\$ 287.2	\$ 198.5
Transmission and distribution revenue	65.5	69.0
Contractual services and other	26.7	26.1
<b>TOTAL REVENUE</b>	<b>379.4</b>	<b>293.6</b>
<b>COST OF SERVICES PROVIDED</b>		
Electricity and natural gas costs	254.7	\$ 166.2
Local access fees	19.0	18.5
Operations, maintenance and administration (note 6)	55.5	51.8
<b>TOTAL COST OF SERVICES PROVIDED</b>	<b>329.2</b>	<b>236.5</b>
<b>EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAX CHARGES</b>	<b>50.2</b>	<b>57.1</b>
Amortization	17.5	17.2
Interest on long-term debt	3.3	3.5
<b>EARNINGS BEFORE INCOME TAX AND NON-CONTROLLING INTEREST</b>	<b>29.4</b>	<b>36.4</b>
Income tax	4.2	4.9
Non-controlling interest	(0.1)	-
<b>NET EARNINGS</b>	<b>25.3</b>	<b>31.5</b>
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>	<b>1,025.3</b>	<b>958.6</b>
Dividend declared	(50.0)	(50.0)
<b>RETAINED EARNINGS, END OF PERIOD</b>	<b>\$ 1,000.6</b>	<b>\$ 940.1</b>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Three months ended March 31 (unaudited)	2006	2005
(millions of dollars)		
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 25.3	\$ 31.5
Amortization	17.5	17.2
Future income taxes	3.1	1.9
Non-controlling interest	(0.1)	-
Change in unrealized market value of financial contracts	(2.4)	(4.4)
	<u>43.4</u>	<u>46.2</u>
Change in non-cash working capital items	(53.3)	(66.3)
	<u>(9.9)</u>	<u>(20.1)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(22.3)	(23.3)
Other long-term assets	(0.1)	0.2
Contributions in aid of construction	0.1	2.8
2000 deficiency rider receivable	-	5.3
Acquisitions, net of cash acquired	-	(7.2)
Customer deposits	-	(1.3)
	<u>(22.3)</u>	<u>(23.5)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of long-term debt (Note 3)	154.3	-
Contributed surplus (Note 4)	36.0	-
Other long-term liabilities	3.6	1.6
Long-term debt repaid	(8.9)	(8.2)
Dividend paid	(12.5)	(12.5)
	<u>172.5</u>	<u>(19.1)</u>
(Decrease) / increase in cash and cash equivalents	140.3	(62.7)
Cash and cash equivalents, beginning of period	27.1	353.3
<b>Cash and cash equivalents, end of period</b>	<u>\$ 167.4</u>	<u>\$ 290.6</u>
Interest paid	<u>\$ 3.6</u>	<u>\$ 4.0</u>
Income taxes paid	<u>\$ 5.8</u>	<u>\$ 40.5</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 with those outlined in the Corporation’s annual financial statements for the year ended December 31, 2005. 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 2005 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.

#### Temporary investments

Temporary investments are carried at the lower of cost and fair market value. At March 31, 2006, the fair market value was \$177.7 million (December 31, 2005 – \$179.0 million).

### 2. Financial statement effects of rate regulation

In May 2005, the Canadian Institute of Chartered Accountants issued Accounting Guideline 19, Disclosures by Entities Subject to Rate Regulation (AcG-19). AcG-19 expands disclosure requirements relating to circumstances in which the accounting for transactions or events is affected by rate regulation. The guideline is effective for fiscal years ending on or after December 31, 2005.

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.

#### Regulatory assets

<i>(millions of Canadian dollars)</i>	<b>March 31, 2006</b>	December 31, 2005
<b>Regulatory assets</b>		
Distribution assets – intercompany profit on underground residential development <sup>(1)</sup>	\$ 19.7	\$ 18.6
Accounts receivable – Purchased power price variance <sup>(2)</sup>	4.1	4.2
<b>Total regulatory assets</b>	<b>\$ 23.8</b>	<b>\$ 22.8</b>

(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, 2006 would be a reduction of \$1.1 million (2005 – \$1.3 million), representing the profit on these services. The balances for property, plant and equipment and retained earnings at March 31, 2006 would further be reduced by \$19.7 million (December 31, 2005 – \$18.6 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, operating results for the quarter ended March 31, 2006 would have been \$0.1 million higher (2005 – \$1.6 million lower). The regulatory asset is included in accounts receivable.

#### **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, 2006, AFUDC and capitalized interest totaling \$0.9 million (2005 – \$0.5 million) were included in property, plant and equipment.

### **3. Long-term debt**

In the first quarter of 2006, the Corporation issued \$154.3 million in five- and 15-year debentures to the City of Calgary through arrangements with the Alberta Capital Finance Authority. Interest on \$139.3 million of the debt, which matures in January 2016, is compounded semi-annually at 4.600%, with the remaining \$15.0 million, maturing in January 2011, bearing interest at 4.349%. The funds will be used for capital expenditures in ENMAX Power.

#### 4. Contributed surplus

In the first quarter of 2006, the City of Calgary committed to contribute \$36.0 million into the Corporation. The funds will be invested in growing the distribution and transmission systems throughout the Calgary area.

#### 5. Segmented information

	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
	2006	2005	2006	2005	2006	2005	2006	2005
Three months ended March 31 - <sup>(1)</sup> (unaudited)								
(millions of dollars)								
<b>REVENUE</b>								
Sales of electricity and natural gas	\$ 257.5	\$ 248.7	\$ 70.1	\$ -	\$ (40.4)	\$ (50.2)	\$ 287.2	\$ 198.5
Transmission and distribution revenue	-	-	65.5	69.0	-	-	65.5	69.0
Contractual services and other	3.2	9.5	24.7	17.2	(1.2)	(0.6)	26.7	26.1
<b>TOTAL REVENUE</b>	<b>260.7</b>	<b>258.2</b>	<b>160.3</b>	<b>86.2</b>	<b>(41.6)</b>	<b>(50.8)</b>	<b>379.4</b>	<b>293.6</b>
<b>COST OF SERVICES PROVIDED</b>								
Electricity and natural gas costs	225.9	202.1	69.6	14.6	(40.8)	(50.5)	254.7	166.2
Local access fees	-	-	19.0	18.5	-	-	19.0	18.5
Operations, maintenance and administrative	15.5	25.7	42.5	28.4	(2.5)	(2.3)	55.5	51.8
<b>TOTAL COST OF SERVICES PROVIDED</b>	<b>241.4</b>	<b>227.8</b>	<b>131.1</b>	<b>61.5</b>	<b>(43.3)</b>	<b>(52.8)</b>	<b>329.2</b>	<b>236.5</b>
<b>EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAX CHARGES</b>	<b>19.3</b>	<b>30.4</b>	<b>29.2</b>	<b>24.7</b>	<b>1.7</b>	<b>2.0</b>	<b>50.2</b>	<b>57.1</b>
Amortization <sup>(2)</sup>	6.0	7.7	12.8	10.1	(1.3)	(0.6)	17.5	17.2
Interest	15.3	15.1	5.3	4.6	(17.3)	(16.2)	3.3	3.5
Income tax	3.8	4.7	-	-	0.4	0.2	4.2	4.9
Non-controlling interest	(0.1)	-	-	-	-	-	(0.1)	-
<b>NET EARNINGS</b>	<b>\$ (5.7)</b>	<b>\$ 2.9</b>	<b>\$ 11.1</b>	<b>\$ 10.0</b>	<b>\$ 19.9</b>	<b>\$ 18.6</b>	<b>\$ 25.3</b>	<b>\$ 31.5</b>
<b>CAPITAL ADDITIONS</b>	<b>\$ 1.6</b>	<b>\$ 4.2</b>	<b>\$ 21.2</b>	<b>\$ 19.6</b>	<b>\$ (0.5)</b>	<b>\$ (0.5)</b>	<b>\$ 22.3</b>	<b>\$ 23.3</b>

1. In 2006, ENMAX realigned its reportable segments to be consistent with its revised internal management structure. In addition to moving reporting of Regulated Rate Tariff (RRT) and Envision business lines from ENMAX Energy to ENMAX Power, this realignment also transferred reporting of Corporate Development from ENMAX Corporate to ENMAX Energy. Comparative amounts have not been restated.

2. Includes the amortization of amounts related to the PPA, previously reported in Electricity and natural gas costs, in the amount of \$2.2 million (2005 - \$2.6 million). Comparative amounts have been restated to conform to this presentation.

Segmented Total Assets	March 31, 2006 (unaudited)	December 31, 2005
(millions of dollars)		
ENMAX Energy	\$ 719.0	\$ 839.6
ENMAX Power	818.3	708.9
Corporate and eliminations	395.8	237.6
	<b>\$ 1,933.1</b>	<b>\$ 1,786.1</b>

## 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, 2006 is \$3.2 million (2005 – \$2.4 million).

## 7. Commitments and contingencies

### Property, plant and equipment

At March 31, 2006, the Corporation's commitment to major capital projects is \$106.8 million (December 31, 2005 – \$106.8 million).

### 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). 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 million, based on an estimated fair market value of \$855 million.

In June 2005, the Corporation received a notice of assessment from Alberta Finance in respect of the 2001 taxation year. The assessment amounts to \$16.9 million, including \$3.2 million of interest. The assessment relates primarily to the value of certain assets established for the purpose of the PILOT regulation and the allocation of costs and benefits of the energy supply portfolio between taxable and non-taxable operations.

The Corporation does not agree with the assessment and, on September 24, 2005, 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 which may be payable relating to this assessment.

**8. Subsequent event**

Subsequent to the quarter, the Corporation entered into an agreement to acquire generation under a Power Purchase Arrangement (PPA) for total consideration of \$567 million, paid over four and one-half years.

**9. Comparative figures**

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