



strong

simple

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### THIRD QUARTER 2008

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<i>(unaudited - millions of dollars, except return on equity and operating statistics)</i>				
Total revenues	\$ 612.9	\$ 550.4	\$ 1,910.1	\$ 1,494.5
Operating margin <sup>(1)</sup>	167.5	114.1	436.4	334.3
Net earnings	62.4	38.7	149.6	103.4
Return on equity (annualized) <sup>(2)</sup>			13.1%	9.9%
Operating statistics:				
Electricity sold (gigawatt hours)	4,481	4,086	13,168	11,589
Natural gas sold (terajoules)	4,319	2,848	22,334	16,618
Distribution volumes (gigawatt hours)	2,240	2,330	6,780	6,658

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

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

	As at	
	September 30, 2008	December 31, 2007
Total Shareholder's equity	\$ 1,577.5	\$ 1,458.8
Total Assets	\$ 2,809.9	\$ 2,456.2

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis, prepared as at November 10, 2008 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 and nine months ended September 30, 2008 and 2007, as well as the Corporation's 2007 Annual Report. All amounts are stated in Canadian dollars.

## RESULTS OF OPERATIONS

### Consolidated

ENMAX's consolidated net earnings for the three months ended September 30, 2008, have increased to \$62.4 million compared to \$38.7 million for the same period last year. For the nine months ended September 30, 2008, net earnings totaled \$149.6 million compared to net earnings of \$103.4 million for the same comparative period of 2007. These increases are driven primarily by higher electricity sales volumes combined with improved margins in our electricity and contractual services businesses. These gains were partially offset by higher operations, maintenance and administration expenses, amortization, and income tax charges associated with growing the business.

A reconciliation of net earnings for the three and nine months ended September 30, 2008 as compared to 2007 is as follows:

<i>(millions of dollars)</i>	Three months ended September	Nine months ended September 30
Net earnings for the period ended, 2007	\$ 38.7	\$ 103.4
Increased / (decreased) margins attributable to:		
Electricity	42.8	85.9
Natural gas	(0.9)	(3.0)
Transmission and distribution	1.4	7.4
Contractual services and other	10.1	11.8
Increased expenses:		
Operations, maintenance and administration	(10.7)	(21.0)
Amortization	(6.0)	(12.2)
Interest	(8.7)	(10.0)
Income taxes	(4.3)	(12.7)
Net earnings for the period ended, 2008	\$ 62.4	\$ 149.6

Electricity margins increased \$42.8 million to \$107.6 million for the quarter ended September 30, 2008, compared to the \$64.8 million for same period in 2007. For the nine months ended September 30, 2008, electricity margins increased \$85.9 million to \$280.6 million compared to \$194.7 million for the same period in 2007, an increase of 44.1%. The increases are driven by greater electricity sales volumes resulting from successful acquisitions of fixed-price customers and renewals in the latter half of 2007 and continuing through 2008. In addition, electricity margins improved due to lower than expected, unplanned outages in 2008 from our Power Purchase Arrangements ("PPA's").

Natural gas margins decreased to \$1.3 million for the three months ended September 30, 2008 from \$2.2 million for the same period in 2007. For the nine months ended September 30, 2008, natural gas margins were \$0.3 million as compared to \$3.3 million for the nine months ended September 30, 2007. Natural gas margins for the nine months ended September 30, 2008, would have been similar if adjusted for a \$2.7 million natural gas volume accrual at the end of 2007. The decreased natural gas margins reflect higher supply costs offset in part, by improved sales volumes.

For the regulated businesses, transmission and distribution margins increased \$1.4 million to \$38.4 million for the quarter ended September 30, 2008, primarily due to lower flow-through costs from the system operator as compared to \$37.0 million for the same three month period in 2007. Transmission and distribution margins increased by \$7.4 million to \$113.7 million for the nine months ended September 30, 2008, primarily the result of higher volumes delivered and reduced flow-through costs from the system operator as compared to \$106.3 million for the same period in 2007. The impact of changes are due to volumes impacted by the growth in regulated service territory of the City of Calgary and surrounding area, which required an investment of approximately \$121.1 million in the regulated asset base in the full year 2007.

For the three and nine months ended September 30, 2008, transmission and distribution rates charged to customers remain unchanged from the same periods of 2007. These rates are those approved by the Alberta Energy and Utilities Board ("EUB") on ENMAX's 2006 cost of service rate application. In May 2007, the Corporation applied to the EUB, now the Alberta Utilities Commission ("AUC"), to have rates set under a formula based ratemaking ("FBR") approach. A response is expected in early 2009. On October 24, 2008, the AUC approved the Application for 2008 Interim Distribution Tariff and 2007 Transmission Access Charge Deferral Account Carrying Costs ("DACC") that was filed with the AUC on July 17, 2008. The Distribution Tariff is effective November 1, 2008 and will be applied prospectively. The financial impact of the decision on the DACC totaled \$1.3 million and was recorded in the current period's financial statements.

Margins for contractual services and other for the three and nine months ended September 30, 2008, increased by \$10.1 million and \$11.8 million, respectively, over the same periods last year. The third quarter margins include a one-time receipt of the \$7.0 million non-completion fee, relating to the Cordero Energy transaction, as well as increased renewable energy generation credits, higher activity in the power services segment, and continued growth in the fibre-optic customer base.

Operating, maintenance and administrative ("OM&A") costs for the three months ended September 30, 2008 increased \$10.7 million to \$53.3 million compared to \$42.6 million for same period in 2007. For the nine months ended September 30, 2008, OM&A expenses were \$147.5 million, a \$21.0 million increase compared to \$126.5 million expensed during the same nine month period in 2007. The increases were driven by business growth, costs associated with repatriating the billing and customer care function, and a mark to market foreign exchange loss on a US dollar contract relating to the purchase of equipment.

Amortization expense for the three and nine months ended September 30, 2008 totaled \$29.9 million and \$85.1 million, respectively, compared to \$23.9 million and \$72.9 million for the same periods in 2007. The increase was driven primarily by amortization charges for the Battle River Power Purchase Arrangement ("PPA") in which the Corporation acquired an additional 10% interest in each of January 2007 and 2008. In addition, amortization in 2008 includes charges related to the Taber Wind Farm which commenced commercial production in the fourth quarter of 2007 as well as higher charges in the Power segment due to an increased regulated asset base.

For the quarter ended September 30, 2008, interest expense increased to \$13.4 million compared to \$4.7 million for the same period in 2007. Interest expense increased to \$26.6 million for the first nine months of 2008 from \$16.6 million for the same period in 2007. The increases were the result of interest charges relating to the June 2008 issuance of \$300.0 million in private debentures, as well as interest relating to \$107.4 million of additional long-term debt obtained from the City of Calgary through arrangements with the Alberta Capital Finance Authority (“ACFA”) in the second quarter of 2007.

Income tax expense for the three and nine months ended September 30, 2008, increased \$4.3 million and \$12.7 million respectively mainly due to higher earnings in the Corporation’s taxable operations.

### Other Comprehensive Income

Other comprehensive income serves to indicate what the corporation’s earnings would otherwise be if adjusted to record gains and losses on securities and derivatives. The Corporation utilizes derivatives to hedge its electricity, natural gas, and foreign exchange exposures. For the three months ended September 30, 2008, other comprehensive losses totaled \$65.9 million compared to losses of \$14.6 million for the same period in 2007. The losses reflect the reversals of previous gains on natural gas derivatives and are the result of decreases in the commodity price of natural gas during the quarter. For the nine months ended September 30, 2008, other comprehensive income totaled \$19.1 million compared to a loss of \$20.0 million for the same period in 2007. The gains reflect unrealized gains on natural gas derivatives that were purchased earlier in the year during lower market prices.

### SELECTED QUARTERLY FINANCIAL DATA

	Third	2008 Second	First	Fourth	2007 Third	Second	First	2006 Fourth
<i>(millions of dollars)</i>								
Total revenue	612.9	646.5	650.7	615.2	550.4	418.2	525.9	562.9
Operating Margin <sup>(1)</sup>	167.5	139.7	129.1	127.0	114.1	111.2	109.0	104.2
Earnings before interest, income tax, depreciation and, (“EBITDA”) <sup>(1)</sup>	114.2	93.9	80.8	93.0	71.5	70.0	66.3	61.9
Net earnings	62.4	49.3	37.9	38.4	38.7	32.1	32.6	33.7
Shareholder’s equity	1,577.5	1,581.0	1,485.6	1,458.8	1,396.2	1,378.3	1,357.6	1,385.5
Funds generated from operations <sup>(1)</sup>	92.9	87.3	69.1	93.7	63.5	65.1	63.5	47.7
Cash provided by (used in) operating activities	156.8	129.2	(69.2)	94.4	120.0	121.3	(68.2)	110.2

*(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 <i>(millions of dollars)</i>	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Electricity and natural gas margins	\$ 108.9	\$ 67.0	\$ 280.9	\$ 198.0
Transmission and distribution margins	38.4	37.0	113.7	106.3
Contractual services margins and other	20.2	10.1	41.8	30.0
Operating margin (Non-GAAP financial measure)	167.5	114.1	436.4	334.3
Add: Cost of goods sold	445.4	436.3	1,473.7	1,160.2
Revenue (GAAP financial measure)	\$ 612.9	\$ 550.4	\$ 1910.1	\$ 1,494.5

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

EBITDA <i>(millions of dollars)</i>	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
EBITDA (Non-GAAP financial measure)	\$ 114.2	\$ 71.5	\$ 288.9	\$ 207.8
Deduct: amortization	29.9	23.9	85.1	72.9
Earnings before interest and taxes	84.3	47.6	203.8	134.9
Deduct: Interest	13.4	4.7	26.6	16.6
Income taxes	8.5	4.2	27.6	14.9
Net earnings (GAAP financial measure)	\$ 62.4	\$ 38.7	\$ 149.6	\$ 103.4

EBITDA is a useful measure of business performance as management believes it provides an indication of the operating results generated by the Corporation's primary business activities without consideration as to how those activities are financed, amortized, or how the results are taxed in various business jurisdictions.

Funds generated from operations <i>(millions of dollars)</i>	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Funds generated from operations (Non-GAAP financial measure)	\$ 92.9	\$ 63.5	\$ 249.3	\$ 192.1
Changes in non-cash working capital	63.9	56.5	(32.5)	(19.0)
Cash generated in operating activities (GAAP financial measure)	\$ 156.8	\$ 120.0	\$ 216.8	\$ 173.1

Funds generated from operations is used as an additional metric of cash flow without regard to changes in the Corporation's non-cash working capital.

## LIQUIDITY AND CAPITAL RESOURCES

### Capitalization

<i>(millions of dollars)</i>	September 30, 2008	December 31, 2007
Total Debt <sup>(1)</sup>	\$ 807.0	\$ 462.6
Shareholder's equity		
Share capital	280.1	280.1
Retained earnings	1,296.8	1,197.2
Accumulated other comprehensive income (loss)	0.6	(18.5)
Total shareholder's equity	1,577.5	1,458.8
Total capitalization (Total Debt plus Shareholder's equity)	\$ 2,384.5	\$ 1,921.4

(1) Includes short-term financing of nil (2007 - \$35.9 million) and current portion of long-term debt of \$59.1 million (2007- \$35.0 million). Maturity dates range from October 2008 to June 2033.

### Coverage ratios

	For the Nine Months Ended September 30, 2008	For the Year Ended December 31, 2007
Long Term Debt to total capitalization <sup>(1)</sup>	32.2%	22.6%
Total Debt to Total Capitalization <sup>(2)</sup>	33.8%	24.1%
Pre-tax Interest coverage ratio <sup>(3)</sup>	7.7X	9.3X

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

(2) Total Debt to Total Capitalization represents long term debt plus short term debt divided by Total debt plus Shareholder's equity

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

### **Cash provided by operating activities**

Cash provided by operating activities for the three and nine months ended September 30, 2008, were \$156.8 million and \$216.8 million, compared to \$120.0 million and \$173.1 million for the same periods last year, respectively. For the three and nine month periods ended September 30, 2008, the increase in cash flow from operations was driven by higher EBITDA combined with lower working capital levels as a result of a reduction of accounts receivable amounts compared to the same periods in 2007.

ENMAX continues to generate adequate cash flow from operations and has sufficient lines of credit and a commercial paper program available to meet its ongoing operating requirements.

### **Investing activities**

Capital spending was \$73.0 million in the third quarter of 2008, an increase of \$28.6 million over the same period last year. Capital spending for the nine months ended September 30, 2008 was \$355.9 million, an increase of \$152.9 million from the same nine months in 2007. Capital expenditures for the nine months ended September 30, 2008 included the purchase of Kettles Hill wind farm, an additional 10% interest in the Battle River PPA, continued investment in the transmission and distribution network in Calgary and surrounding area, construction of generation-related projects, and information technology expansion.

### **Financing activities**

On June 19, 2008, ENMAX issued \$300.0 million in 10-year debentures, with interest payable semi-annually at 6.15% for general corporate purposes, including repayment of short-term borrowings, financing the capital expenditure program and working capital requirements. On June 16, 2008, the Corporation obtained \$66.7 million of ACFA financing to fund continued investment relating to the regulated transmission and distribution network in Calgary and surrounding area. The June 27, 2008, acquisition of Kettles Hill wind farm included the assumption of \$44.2 million in non-recourse financing.

ENMAX repaid \$8.7 million and \$27.0 million of long-term debt in regularly scheduled principal payments during the three and nine months ended Sept 30, 2008 respectively (2007 - \$8.8 million and \$30.1 million).

ENMAX has credit facilities available of \$650.0 million, which are used for general corporate purposes and as a backstop for the commercial paper program. At September 30, 2008, \$277.0 million has been utilized in the form of letters of credit issued in the ordinary course of business. The Corporation did not have any investment exposure to US banks impacted by the recent credit crisis, or asset backed securities.

On March 11, 2008, ENMAX declared a dividend for 2008 of \$50.0 million to The City of Calgary, its sole shareholder, consistent with the 2007 level. The amount is payable in equal quarterly amounts during 2008.

## 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.

### ENMAX Power

ENMAX Power's ("EPC") results are driven by tariffs approved by the AUC, for regulated transmission, distribution, and regulated rate option businesses as well as from earnings from its non-regulated power services and fibre-optic business lines.

ENMAX Power recorded earnings before interest and income taxes of \$13.9 million in the third quarter ended September 30, 2008, of the year compared to \$16.6 million in same period of 2007. The lower earnings for the three month period ended September 30, 2008, reflect lower volumes delivered and lower Regulated Rate Option ("RRO") electricity margins due to decreased RRO customer volumes. Partially offsetting these were gains from lower flow through costs from the system operator and growth in the power services and fibre-optic businesses. For the first nine months of 2008, ENMAX Power recorded earnings before interest and income taxes of \$36.7 million, compared to \$34.5 million in the first three quarters of 2007. The higher earnings for the nine month period ended September 30, 2008, reflect increased volumes delivered and growth in the power services and fibre-optic businesses. Partially offsetting these gains were the higher costs associated with operating the regulated business and lower Regulated Rate Option ("RRO") electricity margins due to decreased RRO customer volumes.

Electricity sales to RRO customers generated margins of \$1.7 million for the three months ended September 30, 2008 compared to \$2.0 million in the same period of 2007. Total RRO electricity volumes sold were 538 gigawatt hours ("GWh") in the third quarter of 2008 compared to 602 GWh in the comparable period of 2007. For the nine months ended September 30, 2008, electricity sales to RRO customers generated margins of \$4.6 million, compared to \$6.1 million the same period of 2007. Decreased margins are primarily the result of lower RRO volumes sold compared to the same nine month period last year. For the nine month period ended September 30, 2008, RRO electricity volumes sold were 1,752 GWh compared to 1,946 GWh in the first three quarters of 2007. The lower volumes reflect the shifting by Calgary customers from RRO to competitive retail offers.

Transmission and distribution margins result from regulator approved tariff rates charged for wires services, net of electrical grid charges, and local access fees. The transmission and distribution margins were \$38.4 million and \$113.7 million in the three and nine month periods ended September 30, 2008, compared to \$37.0 million and \$106.3 million for the same periods of 2007. For the three months ended September 30, 2008, the higher margins were primarily driven by lower flow-through costs from the system operator compared to the same three month period last year. On a year-to-date basis, improved margins reflect higher volumes delivered over the same nine month period in 2007.

Electricity delivered during the three and nine months ended September 30, 2008 was 2,240 GWh and 6,780 GWh respectively, compared to 2,330 GWh and 6,658 GWh in the same comparable periods of 2007. The decreased volumes for the current quarter are the result of normal temperatures, compared to the same three month period last year, when temperatures were above average, which drove higher consumption. On a year-to-date basis, increased volumes reflect the continued commercial and residential growth in Calgary and surrounding area when compared to the same period last year.

For the three and nine months ended September 30, 2008, rates charged to customers remain unchanged from the same period in 2007. These rates are those approved by the Alberta Energy and Utilities Board ("EUB") on ENMAX's 2006 cost of service rate application. In May 2007, the Corporation applied to the EUB, now the Alberta Utilities Commission ("AUC"), to have rates set under a formula based ratemaking ("FBR") approach. The Corporation anticipates a decision on this application in early 2009. The financial impact will be recorded when the AUC's decisions are received.

Contractual services and other margins for the three months ended September 30, 2008 were comparable to those for the same periods last year. Growth in the fibre-optic customer base was offset by lower activity levels in power services development segment.

OM&A expenses for ENMAX Power were \$23.1 million in the third quarter of 2008 compared to \$20.9 million in the third quarter of the same period last year. For the nine months ended September 30, 2008, OM&A expenses were \$72.4 million compared to \$71.8 million in the first three quarters of 2007. The increased costs were driven by labour escalation, higher material, and vehicle costs associated with the expanding transmission and distribution systems in Calgary and surrounding area. These increases were partly offset by lower staffing costs reflecting vacant positions, lower costs associated with the regulated business, and lower bad debt expense.

Amortization for the three and nine months ended September 30, 2008, totaled \$11.4 million and \$33.3 million, respectively. This compares to \$9.9 million and \$30.1 million in the same periods of 2007. The increased charge was the result of an increase of \$121.1 million in the asset base for the year ended December 31, 2007.

ENMAX Power filed an application with the AUC to establish a formula based ratemaking ("FBR") approach for distribution and transmission businesses for the period beginning January 1, 2007 and ending December 31, 2016. ENMAX Power anticipates a decision on the FBR application in early 2009. A Phase II component of the application, which distributes ENMAX Power's total revenue requirement amongst customer classes, was filed on July 15, 2008. On October 24, 2008, the AUC approved the Application for 2008 Interim Distribution Tariff and 2007 Transmission Access Charge Deferral Account Carrying Costs that was filed with the AUC on July 17, 2008. The Distribution Tariff is effective November 1, 2008 and will be applied prospectively. The financial impact of the decision on the carrying costs totaled \$1.3 million and was recorded in the current period's financial statements.

In December 2007, ENMAX Power filed an application to expand its service area boundary in response to the January 2007 expansion by the City of Calgary to include parts of the Rocky View M.D. No. 44. A process to resolve the application is expected to be set out in the fourth quarter of 2008.

## **ENMAX Energy**

ENMAX Energy ("EEC") is in the retail and generation business for electricity and natural gas products and related services in Alberta. ENMAX Energy controls its physical electricity supply through Power Purchase Arrangements ("PPAs"), a tolling agreement with a non-owned generation facility and through company-owned wind generation capacity. Natural gas is purchased on the wholesale market with terms and conditions to meet the sales commitments made by retail marketing operations and for its tolling

arrangement. 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 \$65.8 million for the three months ended September 30, 2008, compared to \$31.2 million for the same period in 2007. Earnings before interest and income taxes of \$161.0 million for the nine months ended September 30, 2008, compared to \$96.9 million for the same nine months in 2007. The increase in both periods was driven primarily by growth in sales volumes for both electricity and natural gas as well as higher margins realized for electricity. Partially offsetting these gains were higher OM&A costs and amortization charges on PPA's and generation facilities.

Electricity margins for the three and nine months ended September 30, 2008 were \$105.9 million and \$276.2 million respectively compared to \$63.4 million and \$188.7 million for the same periods in 2007. The increase in electricity margins is primarily due to a 17.6% growth in sales volumes combined with higher realized prices due to existing customers having converted to fixed-price contracts, as well as cost savings from better than expected performance of our PPA assets. Increased sales volumes reflected strong marketing efforts in the Commercial, Institutional, and Industrial customer segments in late 2007 and into 2008 and the continued success of the residential EasyMax™ program which provides 5 year fixed rate pricing.

ENMAX Energy sold 3,943 GWh and 11,416 GWh of electricity to customers in the three and nine months ended September 30, 2008 compared to 3,484 GWh and 9,643 GWh, respectively, for the same periods of 2007.

Natural gas margins decreased to \$1.3 million and \$0.3 million, from \$2.2 million and \$3.3 million, for the three and nine months ended September 30, 2008, compared to the same periods last year. The decreased natural gas margins reflect higher supply costs, as prices increased, offset by improved sales volumes. Natural gas margins for the nine months ended September 30, 2008, would have been similar if adjusted for a \$2.7 million natural gas volume accrual at the end of 2007.

ENMAX's natural gas customers purchased 4,319 terajoules ("TJ") in the three months ended September 2008, compared to 2,848 TJ for the same period in 2007. For the nine months ended September 30, 2008, natural gas customers purchased 22,334 TJ, compared to 16,618 in the same period in 2007. The increased volumes reflect growing sales to commercial and industrial customers as well as the continued success of the EasyMax™ program. Many EasyMax™ electricity customers also contract for EasyMax™ gas.

ENMAX Energy's OM&A expenses were \$35.7 million in the third quarter of 2008 compared to \$29.0 million in the same period of 2007. For the nine months ended September 30, 2008, OM&A totaled \$97.3 million compared to \$78.5 million in the first three quarters of 2007. The increase for the three and nine month periods was attributable to costs associated with repatriating the billing and customer care function which was previously outsourced to a third party, a mark to market loss on a foreign exchange on a US dollar contract relating to the purchase of equipment for generation-related projects, and increased staffing costs related to growing the business.

For the three and nine months ended September 30, 2008, amortization for ENMAX Energy totaled \$16.9 million and \$47.1 million, respectively, compared to \$13.2 million and \$39.0 million for the same periods in 2007. The increase was due to amortization associated with an additional 10% interest in the Battle River PPA, purchased in January 2008 and the acquisition of the Kettles Hill Wind Farm in June 2008. The Taber Wind Farm started commercial operations in late 2007 which has also resulted in additional amortization in 2008.

### **ENMAX Corporate (after intersegment eliminations)**

ENMAX Corporate provides shared services and financing to ENMAX Power and ENMAX Energy. The third quarter includes the receipt of a \$7.0 million non-completion fee relating to the Cordero Energy transaction. During the three and nine months ended September 30, 2008, net earnings before interest and taxes for ENMAX Corporate were \$4.6 million and \$6.1 million, compared to a loss of \$0.2 million and earning \$3.5 million in the same periods in 2007.

## **ACQUISITIONS**

In the third quarter 2008, the Corporation entered into an arrangement to purchase certain facilities, the terms of which are subject to a confidentiality agreement. The proposed transaction is subject to regulatory approval and is anticipated to close in December 2008.

On June 27, 2008, ENMAX purchased a 100% interest in the Kettles Hill Windpower Facility, a 63 MW wind farm in Pincher Creek, Alberta, which commenced active operations in the summer of 2007, for \$168.0 million, represented by, represented by \$44.2 million of non-recourse financing and \$123.4 million of cash. This acquisition supports the Corporation's strategy of building capacity and growing "green" energy sources.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

### **Financial Instruments**

Effective January 1, 2008, the Corporation adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These were CICA Handbook Section 1535: Capital disclosures; CICA Handbook Section 3031: Inventories; CICA Handbook Section 3862: Financial Instruments – Disclosure; and CICA Handbook Section 3863: Financial Instruments – Presentation.

CICA Handbook Section 1535 "Capital Disclosures" requires disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. Note 4 to the accompanying consolidated financial statements provides qualitative disclosure regarding objectives, policies and processes for managing capital, as well as, quantitative data on the Corporation's capital as of January 1, 2008.

CICA Handbook Section 3031: "Inventories" is effective January 1, 2008 and aligns accounting for inventories under Canadian GAAP with International Financial Reporting Standards ("IFRS"). This new standard did not have a material effect on ENMAX's financial statements.

CICA Handbook Sections 3862: "Financial Instruments – Disclosure" and 3863: "Financial Instruments – Presentation", replaced Section 3861: "Financial Instruments – Disclosure and Presentation" and contain revised and enhanced disclosure requirements, while presentation requirements carry forward unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The additional disclosure necessary to comply with these standards is provided in note 4 to the accompanying consolidated financial statements. Certain information related to comparative years is not required by these standards and accordingly has not been presented.

## **RISK MANAGEMENT AND UNCERTAINTIES**

ENMAX follows an integrated approach to risk management on a corporate-wide basis. For further information on risks, refer to Management's Discussion and Analysis in the 2007 Annual Report, available on the ENMAX website at [www.enmax.com](http://www.enmax.com), and the accompanying consolidated financial statements.

## **FUTURE ACCOUNTING CHANGES**

### **Rate-Regulated Operations**

Effective January 1, 2009, the temporary exemption from CICA Handbook Section 1100, "Generally Accepted Accounting Principles", which permits the recognition and measurement of assets and liabilities arising from rate regulation, will be withdrawn. This change will be applied prospectively beginning January 1, 2009. The Corporation does not expect this change to have a material effect on its financial statements.

### **Intangible Assets**

The CICA Handbook implemented revisions to standards dealing with intangible assets effective for fiscal years beginning on or after October 1, 2008. The revisions are intended to align the definition of an intangible asset under Canadian GAAP with that under IFRS and U.S. GAAP. Section 1000 "Financial Statement Concepts" was revised to remove the references that permitted the recognition of assets that might not otherwise meet the definition of an asset and to add guidance from the International Accounting Standards Board ("IASB's") "Framework for the Preparation and Presentation of Financial Statements" that will help distinguish assets from expenses. Section 3064 "Goodwill and Intangible Assets", which replaced Section 3062 "Goodwill and Other Intangible Assets", gives guidance on the recognition of intangible assets as well as the recognition and measurement of internally developed intangible assets. Section 3450 "Research and Development Costs" will be withdrawn from the Handbook. The Corporation does not expect this change to have a material effect on its financial statements.

## **International Financial Reporting Standards (“IFRS”)**

On February 13, 2008, the Accounting Standards Board of Canada (“AcSB”) formally confirmed full convergence of Canadian accounting standards with IFRS, as issued by the International Accounting Standards Board (“IASB”), would be required by 2011 with appropriate comparative information for the prior year. The Corporation will be required to report using IFRS, effective for interim and annual financial statements, relating to fiscal years beginning January 1, 2011, including comparative periods for 2010. Under IFRS there is significantly more disclosure than currently required under Canadian GAAP, specifically for quarterly reporting. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed. The Corporation expects the transition to IFRS to impact accounting, financial reporting, internal control, and IT systems and processes as well as certain contractual arrangements.

The Corporation commenced its IFRS conversion project in 2007 and has established a formal project governance structure. Dedicated project staff have been committed to complete this convergence and an external expert advisor has been engaged.

The project consists of four phases: diagnostic; research and evaluation; conversion; and sustainment. The diagnostic phase, which involved a high analysis of the differences between Canadian GAAP and IFRS and determined the potential key impact areas to the Corporation, has been completed. These key impact areas are rate regulated accounting, accounting for property, plant and equipment, accounting for power purchase agreements, and employee benefits. As well, the initial adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS is a significant impact area.

The IFRS project is currently in the research and evaluation phase. This phase involves a detailed analysis of the differences between Canadian GAAP and IFRS and the financial impacts of those differences. As part of this phase, a communication plan has been developed and high level training of key finance staff has commenced. Working groups have been set for a number of impact areas. These groups are involved in determining financial system impact assessments, impacts to internal controls, and impacts to other business functions.

The AUC has also started work on a collaborative IFRS process to determine the impact of IFRS on regulator accounting requirements. The Corporation is participating in the collaborative process. Also, the IASB currently, and expectedly, has projects underway that are expected to result in new pronouncements before 2011 and, as a result, IFRS as at the transition date is expected to differ from its current form.

## **ENVIRONMENT**

Effective April 20, 2007, the Climate Change and Emissions Management Amendment Act was passed into law in Alberta. The Specified Gas Remitters regulation imposed new obligations on large electricity generators commencing July 1, 2007. The Corporation is assessing the impact that these regulations may have on its operations as a result of its interests in thermal generation facilities, through its PPA's, and tolling agreement, as well as the potential offsets available to mitigate these compliance costs, including those resulting from its ownership interests in the Taber, McBride Lake, and Kettles Hill wind farms. The change in law provisions in the PPA contracts have the potential to expose ENMAX to a significant portion of these compliance costs which could be material.

ENMAX continues to focus on developing renewable sources of energy, including hydro, and wind generating facilities, which could mitigate some of these exposures.

## **OUTLOOK**

ENMAX expects 2008 full year earnings to compare favorably to 2007 based on actual results to date and expectations for the fourth quarter of 2008. Management anticipates electricity and natural gas margins to follow year-to-date trends driven by favorable electricity sales volumes and prices. Management expects operations, maintenance and administration expenses, amortization, interest and income tax charges associated with growing the business to partially offset these gains.

## **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 design and effectiveness of the Corporation's disclosure controls and procedures. They have concluded that ENMAX Corporation's disclosure controls and procedures were effective.

## **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", "forecast", "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, pricing pressures, weather, regulatory decisions, and the impact of deregulation on the industry. Management does not intend and does not assume any obligation to update such forward looking statements.

## CONTACT INFORMATION

ENMAX Corporation, through its subsidiaries and predecessors, has provided Albertans with safe and reliable electricity for more than 100 years. ENMAX provides electricity, natural gas, and value-added services to more than half a million residential, commercial, and industrial customer accounts in Alberta. Through its subsidiaries, ENMAX Energy is one of Alberta's largest investors in renewable energy with partial ownership of the McBride Lake Wind Farm and complete ownership of the Taber and Kettles Hill wind farms. ENMAX Energy's Greenmax was one of the first green power marketing programs in Canada, and celebrates its 10<sup>th</sup> anniversary in 2008. Visit our website at [enmax.com](http://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) 514-3050

Dwayne Dubois, CA, CGA  
Acting Executive Vice President, Finance and  
Chief Financial Officer  
(403) 514-3413

Please direct media inquiries to:

Al Buchignani  
(403) 689-6150

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

*You can choose any retailer listed at [www.ucahelps.gov.ab.ca](http://www.ucahelps.gov.ab.ca) or at 310-4822. Electricity delivery to your home or business is not affected by your choice of retailer.*

**CONSOLIDATED BALANCE SHEETS**

<i>(unaudited)</i>	<b>September 30, 2008</b>	<b>December 31, 2007</b>
<i>(millions of dollars)</i>		
<b>ASSETS</b>		
Cash and cash equivalents (note 4)	\$ 157.3	\$ 52.4
Accounts receivable (notes 4 and 7)	434.1	495.0
Inventories	22.1	19.1
Income taxes receivable	23.7	40.6
Future income tax asset	10.6	16.7
Other current assets (note 4)	67.2	68.6
	<b>715.0</b>	<b>692.4</b>
Property, plant and equipment (note 7)	1,351.4	1,073.7
Power purchase arrangements (note 8)	512.9	490.7
Intangible assets	32.0	19.9
Goodwill	16.0	-
Employee future benefits (note 13)	10.6	9.9
Future income tax asset	129.9	128.1
Other long-term assets (note 4)	42.1	41.5
	<b>\$ 2,809.9</b>	<b>\$ 2,456.2</b>
<b>LIABILITIES</b>		
Short-term financing (note 9)	\$ -	\$ 35.9
Accounts payable and accrued liabilities (note 4)	289.9	439.4
Dividend payable	12.5	-
Income taxes payable	40.0	24.5
Customer guarantee deposits	12.8	14.4
Future income tax liability	1.1	1.1
Current portion of long-term debt (notes 4 and 10)	59.1	35.0
	<b>415.4</b>	<b>550.3</b>
Long-term debt (notes 4 and 10)	747.9	391.7
Future income tax liability	23.1	11.8
Other long-term liabilities (note 7)	46.0	43.6
<b>SHAREHOLDER'S EQUITY</b>		
Share capital	280.1	280.1
Retained earnings	1,296.8	1,197.2
Accumulated other comprehensive income (loss) (note 11)	0.6	(18.5)
	<b>1,297.4</b>	<b>1,178.7</b>
	<b>1,577.5</b>	<b>1,458.8</b>
Commitments and contingencies (notes 8 and 15)		
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$ 2,809.9</b>	<b>\$ 2,456.2</b>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME**

<i>(unaudited)</i>	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<i>(millions of dollars)</i>				
<b>REVENUE</b>				
Electricity	<b>\$ 451.4</b>	\$ 410.9	<b>\$1,337.9</b>	\$1,016.7
Natural gas	<b>38.3</b>	27.4	<b>227.9</b>	161.8
Transmission and distribution	<b>83.8</b>	84.4	<b>248.3</b>	240.3
Contractual services	<b>27.6</b>	26.9	<b>79.5</b>	71.1
Other	<b>11.8</b>	0.8	<b>16.5</b>	4.6
<b>TOTAL REVENUE</b>	<b>612.9</b>	550.4	<b>1,910.1</b>	1,494.5
<b>COST OF GOODS SOLD</b>				
Electricity (note 12)	<b>343.8</b>	346.1	<b>1,057.3</b>	822.0
Natural gas	<b>37.0</b>	25.2	<b>227.6</b>	158.5
Local access fees and grid charges	<b>45.4</b>	47.4	<b>134.6</b>	134.0
Contractual services	<b>19.2</b>	17.6	<b>54.2</b>	45.7
Operations, maintenance and administration (note 13)	<b>53.3</b>	42.6	<b>147.5</b>	126.5
<b>TOTAL COST OF GOODS SOLD</b>	<b>498.7</b>	478.9	<b>1,621.2</b>	1,286.7
<b>EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAXES</b>				
	<b>114.2</b>	71.5	<b>288.9</b>	207.8
Amortization	<b>29.9</b>	23.9	<b>85.1</b>	72.9
Interest	<b>13.4</b>	4.7	<b>26.6</b>	16.6
Income taxes	<b>8.5</b>	4.2	<b>27.6</b>	14.9
<b>NET EARNINGS</b>	<b>62.4</b>	38.7	<b>149.6</b>	103.4
<b>OTHER COMPREHENSIVE INCOME (LOSSES), NET OF TAX</b>				
Unrealized gains(losses) on available-for-sale financial assets arising during the period	<b>(4.2)</b>	0.1	<b>(3.2)</b>	1.1
Unrealized gains (losses) on derivatives designated as cash flow hedges	<b>(71.6)</b>	(22.7)	<b>2.7</b>	(29.7)
Realized losses on derivatives designated as cash flow hedges in prior periods transferred to net earnings in the current period	<b>9.9</b>	8.0	<b>19.6</b>	8.6
Other comprehensive income (loss), net of future income taxes of \$4.9 (2007 - \$5.9)	<b>(65.9)</b>	(14.6)	<b>19.1</b>	(20.0)
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ (3.5)</b>	\$ 24.1	<b>\$ 168.7</b>	\$ 83.4

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

<i>(unaudited)</i>	Share capital	Retained earnings	Accumulated other compre- hensive income (loss)	Total
<i>(millions of dollars)</i>				
<b>BALANCE, JANUARY 1, 2007</b>	\$ 280.1	\$ 1,105.4	\$ (22.7)	\$ 1,362.8
Net earnings for the period		64.7	-	64.7
Dividends	-	(50.0)	-	(50.0)
Other comprehensive income for the period, net of future income tax benefit of \$2.5	-	-	(5.4)	(5.4)
<b>BALANCE, JUNE 30, 2007</b>	<b>280.1</b>	<b>1,120.1</b>	<b>(28.1)</b>	<b>1,372.1</b>
Net earnings for the period	-	38.7	-	38.7
Other comprehensive income (loss), net of future income tax benefit of \$8.4	-	-	(14.6)	(14.6)
<b>BALANCE, SEPTEMBER 30, 2007</b>	<b>280.1</b>	<b>1,158.8</b>	<b>(42.7)</b>	<b>1,396.2</b>
Net earnings for the remainder of the year	-	38.4	24.2	62.6
<b>BALANCE, DECEMBER 31, 2007</b>	<b>280.1</b>	<b>1,197.2</b>	<b>(18.5)</b>	<b>1,458.8</b>
Net earnings for the period	-	87.2	-	87.2
Dividends	-	(50.0)	-	(50.0)
Other comprehensive income, net of future income taxes of \$2.0	-	-	85.0	85.0
<b>BALANCE, JUNE 30, 2008</b>	<b>\$ 280.1</b>	<b>\$ 1,234.4</b>	<b>\$ 66.5</b>	<b>\$ 1,581.0</b>
Net earnings for the period	-	62.4	-	62.4
Other comprehensive income (loss), net of future income taxes of \$4.4	-	-	(65.9)	(65.9)
<b>BALANCE, SEPTEMBER 30, 2008</b>	<b>\$ 280.1</b>	<b>\$ 1,296.8</b>	<b>\$ 0.6</b>	<b>\$ 1,577.5</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(unaudited)</i>	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
<i>(millions of dollars)</i>				
<b>CASH PROVIDED BY (USED IN):</b>				
<b>OPERATING ACTIVITIES</b>				
Net earnings	\$ 62.4	\$ 38.7	\$ 149.6	\$ 103.4
Items not involving cash:				
Amortization	29.9	23.9	85.1	72.9
Future income taxes	(7.5)	(5.3)	(4.6)	3.4
Change in unrealized market value of financial contracts	0.6	1.5	2.9	0.7
Other	7.5	4.7	16.3	11.7
	<u>92.9</u>	<u>63.5</u>	<u>249.3</u>	<u>192.1</u>
Change in non-cash working capital	63.9	56.5	(32.5)	(19.0)
	<u>156.8</u>	<u>120.0</u>	<u>216.8</u>	<u>173.1</u>
<b>INVESTING ACTIVITIES</b>				
Additions to power purchase arrangements (note 8)	-	-	(53.6)	(59.1)
Purchase of property, plant and equipment	(79.3)	(50.3)	(195.9)	(158.7)
Other long-term assets	5.6	0.9	(3.9)	(2.0)
Receipt / (refund) of customer guarantee deposits	1.3	(0.1)	(1.6)	(0.4)
Employee future benefits	(3.1)	(0.8)	(8.2)	(2.0)
Acquisitions, net of cash acquired (note 3)	-	-	(121.7)	(1.6)
Contributions in aid of construction	6.3	5.9	15.3	16.4
	<u>(69.2)</u>	<u>(44.4)</u>	<u>(369.6)</u>	<u>(207.4)</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of short-term financing	(15.0)	(277.5)	(1,331.7)	(414.0)
Proceeds of short-term financing	-	260.0	1,295.8	401.0
Proceeds of long-term debt	-	-	363.2	107.4
Repayment of long-term debt	(8.7)	(8.8)	(27.0)	(30.1)
Dividend paid	(12.5)	(12.5)	(37.5)	(37.5)
Other long-term liabilities	(1.6)	-	(5.1)	(0.8)
	<u>(37.8)</u>	<u>(38.8)</u>	<u>257.7</u>	<u>26.0</u>
Increase / (decrease) in cash and cash equivalents	49.8	36.8	104.9	(8.3)
Cash and cash equivalents, beginning of period	107.5	10.0	52.4	55.1
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 157.3</u>	<u>\$ 46.8</u>	<u>\$ 157.3</u>	<u>\$ 46.8</u>
Interest paid	<u>\$ 5.5</u>	<u>\$ 5.7</u>	<u>\$ 17.6</u>	<u>\$ 16.9</u>
Income taxes paid	<u>\$ 3.9</u>	<u>\$ 1.2</u>	<u>\$ 22.5</u>	<u>\$ 3.2</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 and certain transactions have been recorded using accounting principles for rate-regulated enterprises as discussed below in Note 7. The accounting policies applied are consistent, except as explained below and in note 2, with those outlined in the Corporation’s annual financial statements for the year ended December 31, 2007. 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 2007 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**

#### **Capital Disclosures and Financial Instruments – Disclosure and Presentation**

Effective January 1, 2008, the Corporation adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1535: Capital disclosures; CICA Handbook Section 3031 – Inventories; CICA Handbook Section 3862: Financial Instruments – Disclosure; and CICA Handbook Section 3863: Financial Instruments – Presentation.

CICA Handbook Section 1535 “Capital Disclosures” specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. Note 5 to these interim consolidated financial statements provides qualitative disclosure regarding objectives, policies and processes for managing capital as well as quantitative capital data as at September 30, 2008.

CICA Handbook Section 3031 “Inventories” is effective January 1, 2008 and aligns accounting for inventories under Canadian generally accepted accounting principles (“GAAP”) with International Financial Reporting Standards (“IFRS”). This new standard did not have a material effect on ENMAX’s financial statements.

CICA Handbook Sections 3862 “Financial Instruments – Disclosure” and 3863 “Financial Instruments – Presentation”, replaced Section 3861 “Financial Instruments – Disclosure and Presentation” and contain revised and enhanced disclosure requirements, while presentation requirements carry forward unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The additional disclosure necessary to comply with these standards is provided in Note 4 to these interim consolidated financial

statements. Certain information related to comparative years is not prescribed by these standards and accordingly has not been presented.

### 3. Acquisitions

In the third quarter, 2008, the Corporation entered into an arrangement, to purchase certain facilities, the terms of which are subject to a confidentiality agreement. The proposed transaction is subject to regulatory approval and is anticipated to close in December 2008.

On June 27, 2008, ENMAX purchased a 100% interest in the Kettles Hill Windpower Facility, a 63 MW wind farm in Pincher Creek, Alberta, which commenced active operations in the summer of 2007, for \$168.0 million, represented by \$44.2 million of non-recourse financing and \$123.4 million of cash.

On April 2, 2007, the Corporation acquired the remaining 35% non-controlling interest in Hydromax Energy Ltd. ("Hydromax") a business venture it created with Eaton Power Corporation in April 2005 to develop run-of-river hydro projects in British Columbia.

ENMAX accounted for these acquisitions using the purchase method and the results of operations have been included in the consolidated financial statements since the effective dates of the acquisitions. The allocations of the purchase prices are as follows:

<i>(millions of dollars)</i>	Kettles Hill (preliminary)	Adjustment	Kettles Hill (final)	Hydromax (final)
<b>Net assets acquired:</b>				
Current assets	\$ 5.4	-	5.4	\$ -
Capital assets	149.2	2.2	151.4	-
Intangible assets	26.6	(12.2)	14.4	1.6
Goodwill	-	16.0	16.0	-
Current liabilities	(1.8)	-	(1.8)	-
Non-recourse Financing	(44.2)	-	(44.2)	-
Promissory Notes	(65.2)	8.2	(57.0)	-
Other current liabilities	(1.3)	-	(1.3)	-
Future income tax liabilities	(11.7)	(6.0)	(17.7)	-
	<b>\$ 57.0</b>	<b>8.2</b>	<b>\$ 65.2</b>	<b>\$ 1.6</b>
<b>Purchase Price:</b>				
Cash consideration, net of cash acquired of \$1.7 million	\$ 121.7	-	\$ 121.7	\$ 1.6
Assumption of related party promissory notes	(65.2)	8.2	(57.0)	-
Transaction costs	0.5	-	0.5	-
	<b>\$ 57.0</b>	<b>8.2</b>	<b>\$ 65.2</b>	<b>\$ 1.6</b>

The purchase price allocation has not been finalized as of the date of issuance of the Corporation's June 30, 2008 financial statements due to the closing of the acquisition only a few days prior to the end of the reporting period.

#### 4. Financial Instruments and Hedges

The Corporation uses derivative and other financial instruments to manage its exposure to changes in energy commodity prices and foreign currency exchange rates. The methods the Corporation uses to account for its derivatives and other financial instruments are described below.

##### Financial Instruments

All financial instruments must initially be included on the balance sheet at fair value. Subsequent measurement of the financial instruments is based on their classification. Financial assets are classified into the following categories: held-for-trading, available-for-sale, held-to-maturity, and loans and receivables. Financial liabilities are classified as held-for-trading or other financial liabilities.

Held-for-trading financial assets and liabilities consist of swaps, options, forwards and futures, and are entered into with the intention of generating a profit. A financial asset or liability that does not meet this criterion may also be designated as held for trading. Other than cash and cash equivalents, the Corporation had not designated any financial assets or liabilities as held-for-trading at September 30, 2008.

The available-for-sale classification includes non-derivative financial assets that are designated as available-for-sale or are not included in the other three classifications. ENMAX's available-for-sale financial instruments primarily include investments in equity instruments. These instruments are initially accounted for at fair value and changes to fair value are recorded through other comprehensive income. Income from the settlement of available-for-sale financial assets will be included in operations, maintenance and administration expense. Available-for-sale financial assets are classified as other long-term assets.

Held-to-maturity financial assets are accounted for at amortized cost using the effective interest method. The Corporation did not have any held-to-maturity financial assets at September 30, 2008.

Trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market are classified as "accounts receivable" and are measured net of any impairment. Accounts receivables include primarily trade accounts receivable. Interest and other income earned from these financial assets are recorded in other revenue. The following is a summary of our accounts receivable which are past due but not impaired:

<i>(millions of dollars)</i>	As at <b>September 30, 2008</b>	December 31, 2007
Trade receivables	<b>\$ 28.0</b>	<b>\$ 27.8</b>

Other financial liabilities consist of liabilities not classified as held for trading, including long-term debt. Interest expense on these items is included in interest expense. Items in this financial instrument category are recognized at amortized cost using the effective interest method.

Transaction costs that are directly attributable to the issuance of a financial liability are netted against the fair value initially recognized. These costs are subsequently expensed to earnings using the effective interest rate method.

All derivatives are recorded on the balance sheet at fair value, with the exception of those that were entered into and continue to be held for the purpose of receipt or delivery in accordance with the Corporation's expected purchase, sale or usage requirements (normal purchase and normal sale exemption). Changes in the fair value of derivatives that are not designated in a hedging relationship are recorded in net earnings. Derivatives used in hedging relationships are discussed further under the heading Hedges in this note.

## Hedges

CICA Handbook Section 3865 specifies the criteria that must be satisfied in order to apply hedge accounting and the accounting for each of the permitted hedging strategies, including: fair value hedges and cash flow hedges. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge or is terminated or sold, or upon the sale or early termination of the hedged item.

Documentation must be prepared at the inception of the hedging arrangement in order to qualify for hedge accounting treatment. In addition, the Corporation must perform an assessment of effectiveness at inception of the contract and at each reporting date.

In a fair value hedging relationship, the carrying value of the hedged item is adjusted for as changes occur in fair value attributable to the hedged risk. The changes in fair value are recognized in net earnings. Changes in the fair value of the hedged item, to the extent that the hedging relationship is effective, are offset by changes in the fair value of the hedging item, which is also recorded in net earnings. Changes in the fair value of foreign exchange and interest rate hedges are recorded in interest income. When hedge accounting is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to net earnings over the remaining term of the original hedging relationship.

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income, while any ineffective portion is recognized in net earnings in the same financial category as the hedged items. When hedge accounting is discontinued, the amounts recognized previously in accumulated other comprehensive income are reclassified to net earnings during the periods when the variability in cash flows of the hedged item affects net earnings. Gains and losses on derivatives are reclassified immediately to net earnings when the hedged item is sold or terminated early, or when a hedged anticipated transaction is no longer probable to occur.

The fair value of electricity, natural gas, and heat rate derivatives has been calculated using estimated forward prices for the relevant period. As at September 30, 2008, the fair value of these hedge contracts, net of the PPA sales, resulted in a positive mark-to-market adjustment of approximately \$24.0 million (December 31, 2007 – negative \$21.5 million). This amount does not take into account that these contracts will settle at prices in effect at the time of expiration.

## **Risk Management**

ENMAX has exposure to various forms of financial risk and energy market risk. Financial risk includes market, credit, liquidity, and currency risk. Energy market risk includes commodity price risk and volumetric risk. ENMAX's approach to risk management addresses risk exposures across all of ENMAX's business activities and risk types. Management has developed and is implementing following Board approval earlier in the year, an enterprise risk management ("ERM") program to identify, analyze, evaluate, treat, and communicate the Corporation's risk exposures in a manner consistent with ENMAX's business objectives and risk appetite.

Risk exposures are managed within limits established by the Board of Directors and senior management, implemented by management and monitored by personnel in the Risk Management department and related functions. The Board of Directors and senior management have assigned accountability for overseeing ENMAX's risk exposures to Committees of the Board of Directors and for managing such exposures to business units and departments. At a management level, each accountability area is responsible for assessing its assigned risk exposures and implementing risk treatment plans. ENMAX's Risk Management department coordinates an enterprise risk assessment and related reporting processes.

ENMAX's Risk Management Committee, consists of senior management team members. The Board of Directors' Enterprise Risk Management Committee ("ERMC") which is comprised of each Chairperson from ENMAX's various Board Committees as well as the Chairman of the Board of Directors. The ERMC oversees the Corporation's risk management program and monitors ENMAX's aggregate risk exposure.

## **Financial Risk**

ENMAX builds and acquires infrastructure assets to meet its demand obligations, purchases and sells commodities in North American markets, both for resale and to hedge generation output, enters into a limited number of transactions denominated in foreign currencies (mainly US dollars), and borrows funds over short- and long-term time horizons. These activities expose ENMAX to market risk from changes in commodity prices, foreign exchange rates and interest rates, which affect the Corporation's earnings and the value of the financial instruments it holds.

ENMAX uses various contractual agreements and financial instruments to manage its market risk exposures resulting from these activities including, but not necessarily limited to, the following:

- Power purchase arrangements ("PPAs") and tolling agreements – contractual agreements to convey rights for the PPA purchaser to all, or a portion of, the electricity from a generation facility, for suitable compensation, as defined under the respective terms and conditions of each agreement. ENMAX

has entered into PPAs for units at the Keephills and Battle River coal-fired generation facilities and a tolling agreement for the Calgary Energy Centre natural gas-fired generation facility, all of which are located in Alberta.

- Swaps – contractual agreements between two parties to exchange streams of payments over time according to specified terms. ENMAX enters into commodity, cross-currency, and interest rate swaps to mitigate the impact of changes in commodity prices, foreign exchange rates, and interest rates.
- Forwards and futures – contractual agreements to purchase or sell a specific commodity or financial instrument at a specified price and date in the future. ENMAX enters into forwards and futures to mitigate the impact of volatility in commodity prices and foreign exchange rates.
- Options – contractual agreements to convey the right, but not the obligation, for the purchaser to buy or sell a specific amount of a commodity or financial instrument at a fixed price, either at a fixed date or at any time within a specified period. On rare occasions, ENMAX enters into option agreements to mitigate the impact of changes in commodity prices, foreign exchange rates, and interest rates.
- Heat rate contracts – contractual agreements for the purchase or sale of electricity that are priced based on a natural gas index. ENMAX holds a limited number of legacy heat rate contracts prior to September 2005, but does not actively enter into such agreements at this time.

### Credit Risk

ENMAX is exposed to credit risk – primarily through its wholesale and retail energy business. Credit risk is the loss that may result from counterparties' nonperformance. ENMAX evaluates the credit risk of wholesale and retail competitive supply activities separately as discussed below.

The best approximation of the Corporation's maximum exposure, excluding tax effects, to credit risk, which is a worst case scenario and does not reflect results expected by management, is as follows:

<i>(millions of dollars)</i>	As at	
	<b>September 30, 2008</b>	December 31, 2007
Cash and cash equivalents <sup>(1)</sup>	<b>157.3</b>	52.4
Accounts receivable <sup>(2)</sup>	<b>434.1</b>	495.0
Other current assets <sup>(3)</sup>	<b>67.2</b>	68.6
Other long-term assets <sup>(3)</sup>	<b>42.1</b>	41.5

<sup>(1)</sup> Cash and cash equivalents

Credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed with governments, well-capitalized financial institutions, and other creditworthy counterparties. Continuous reviews are performed to evaluate changes in the credit quality of counterparties.

<sup>(2)</sup> Accounts receivable – Retail Credit Risk

Exposure to retail credit risk occurs through competitive electricity and natural gas supply activities which serve retail, commercial, and industrial customers on the basis that customers could default on

their contractual obligations. This risk represents the loss that may be incurred due to the nonpayment of a customer's accounts receivable balance, as well as the loss from the resale of energy previously allocated to serve the customer.

Retail credit risk is managed through established credit policies, monitoring customer exposures, and the use of credit support and mitigation measures such as letters of credit or prepayment arrangements.

ENMAX's retail credit portfolio is well diversified with no significant Corporation or industry concentrations. Retail credit quality is dependent on the economy and the ability of customers to manage through unfavourable economic cycles and other market changes. If the business environment were to be negatively affected by changes in economic or other market conditions, the Corporation's retail credit risk may be adversely impacted.

Accounts receivable are not subject to any significant concentration of credit risk; collection risk is mitigated by the large number of customers and industry diversification. Management continues to actively monitor its credit risk exposure in light of recent market conditions.

<sup>(3)</sup> Other current and long-term assets – Wholesale Credit Risk

ENMAX measures wholesale credit risk as the replacement cost for open energy commodity and derivative transactions (both mark-to-market and accrual) adjusted for amounts owed to or due from counterparties for settled transactions and all other amounts owing but not yet due. The replacement cost of open positions represents unrealized gains, net of any unrealized losses, where the Corporation has a legally enforceable right of setoff. ENMAX monitors and manages the credit risk of wholesale operations through credit policies and procedures which include an established credit approval process, daily monitoring of counterparty credit limits, and the use of credit mitigation measures such as margin, collateral, letters of credit, or prepayment arrangements.

Due to the possibility of extreme volatility in the prices of energy commodities and derivatives, the market value of contractual positions with individual counterparties could exceed established credit limits or collateral provided by those counterparties. If such a counterparty were then to fail to perform its obligations under its contract (for example, fail to provide adequate assurances or credit support), ENMAX could incur a loss that could have a material impact on its financial results.

Additionally, if a counterparty were to default and the Corporation were to liquidate all contracts with that entity, the credit loss would include the loss in value of mark-to-market contracts, the amount owed for settled transactions and unbilled deliveries, and additional payments, if any, that would have to be made to settle unrealized losses on accrual contracts.

The Corporation does not have any significant concentrations of counterparty credit risk and the majority of the counterparty credit exposure is with counterparties who are rated investment grade by recognized rating agencies.

## Liquidity Risk

Liquidity risk is the risk that ENMAX will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it always has sufficient cash and credit facilities to meet its obligations when due.

Management typically forecasts cash flows for a period of 12 months and beyond to identify financing requirements. These requirements are then addressed through a combination of committed credit facilities and access to capital markets, as discussed in the Capital Management section in note 5.

The following tables detail the remaining contractual maturities for ENMAX's non-derivative financial liabilities, including both the principal and interest cash flows at September 30, 2008:

<i>(millions of dollars)</i>	<b>September 30, 2008</b>	As at December 31, 2007
2008	<b>64.4</b>	56.9
2009	<b>79.6</b>	55.2
2010	<b>76.0</b>	51.6
2010	<b>72.9</b>	48.5
2012	<b>69.5</b>	45.1
Thereafter	<b>862.2</b>	344.6

In addition, guarantees are provided to third parties, on behalf of certain subsidiaries for obligations under contracts that facilitate physical and financial transactions using various derivatives. The guarantees provided as at September 30, 2008 was a maximum of \$567.9 million. The fair value of the trading and hedging positions under contracts where we have a net liability at September 30, 2008, under the guarantees, was \$44.2 million. The liabilities for these amounts are included in our balance sheets under 'Accounts Payable and Accrued Liabilities.'

We have also provided guarantees on behalf of certain subsidiaries for obligations to perform and make payments under various other contracts. The amount guaranteed under these contracts at September 30, 2008 was a maximum of \$384.9 million.

## Foreign Exchange and Interest Rate Risk

Foreign exchange and interest rate risk is created by fluctuations in the fair values or cash flows of financial instruments due to changes in foreign exchange rates and/or changes in the market interest rates.

The performance of the Canadian dollar relative to the U.S. dollar could positively or negatively affect ENMAX's earnings. This foreign exchange impact is offset by exposures in certain of ENMAX's businesses and by the Corporation's hedging activities.

ENMAX is not exposed to interest rate risk as a result of financing through the issuance of fixed-rate long-term debt. The fair value of ENMAX's long-term debt changes as interest rates change, assuming all other variables remain constant, as follows:

One per cent change in interest rates as at September 30, 2008:

<i>(millions of dollars)</i>	Increase	Decrease
Effect on fair value of fixed interest rate debt	<b>\$ 52.2</b>	<b>\$ 52.2</b>

The Corporation currently has no variable interest rate debt.

### Energy Market Risk

#### Commodity Price Risk

ENMAX has inherent positions in electricity and natural gas commodities arising from its owned and controlled supply assets and its demand obligations. The Corporation also purchases and sells electricity and natural gas commodities in wholesale markets to mitigate the risk exposures arising from such positions. While ENMAX's vertically integrated business model is designed to achieve a balanced portfolio, its electricity and natural gas positions may experience periodic imbalances resulting in exposures to price volatility from spot or short-term contract markets. The Corporation uses various hedging strategies executed within a controlled environment to mitigate these commodity price risks. However, hedging does not guard against all risks and is not always effective, particularly because it is based upon predictions about future market conditions and may require a minimum level of liquidity.

While ENMAX does not engage in speculative trading, the Corporation uses derivative instruments, such as swaps and forwards, to manage its exposure to commodity price risk. ENMAX could recognize financial losses as a result of volatility in the market values of these contracts. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these derivative instruments may involve management's judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. The inability or failure to effectively hedge the portfolio and prevent financial losses from derivative instruments could adversely affect the business, results of operations, financial condition, or prospects of the Corporation.

#### Volumetric and Operational Risk

ENMAX owns, controls, and operates, a number of electricity generation facilities and also has rights to own and control output from other electricity generation facilities through PPA's and a tolling arrangement. The operation of such facilities involves many risks, including start-up failure risks, component failure risk for generation facilities or pipelines used to transport fuel, use of new technology, dependence on a specific fuel source, impact of unusual or adverse weather conditions on facility

operations, impact of non-weather-related natural disasters, and performance below expected or contracted levels of output or efficiency for other reasons.

Start-up failure or component breakdown at a generation facility or problems with the transportation of fuel may prevent the facility from performing as expected under applicable agreements which, in certain situations, could result in termination of the agreements or incurring a liability for liquidated damages. Unanticipated generation facility outages and de-rates can cause periodic imbalances in ENMAX's electricity and natural gas positions. Weather conditions can materially affect the level of demand for electricity and natural gas, the prices for these commodities, and the generation of electricity at certain facilities. In addition, ENMAX's demand obligations may fluctuate based on commodity prices, season, day and time of use, and specific customer requirements.

These operational risks may affect ENMAX's ability to execute its strategy in an effective and efficient manner, degrade the quality of the Corporation's customer service, and result in lost revenues and/or increased costs. While ENMAX actively manages these risks using incentive, control, safety, and insurance programs as well as a number of other measures, such programs and measures may not prevent or cover all of the adverse effects of these events. The outcomes of operational risks could adversely affect the business, results of operations, financial condition, or prospects of the Corporation.

### **Risk Analysis and Control**

ENMAX manages its exposure to energy risk on a portfolio basis, which includes asset positions arising from its interests in generation facilities, liability positions arising from its commitments to its customers and transacting positions arising from its hedging activities. ENMAX uses its best estimates to determine the fair value of its positions, generally based on a mark-to-market methodology. These estimates consider various factors including closing exchange and over-the-counter ("OTC") price quotations and other factors. However, forward market prices could vary from those used in recording mark-to-market values, and such variations could be material. While most of ENMAX's positions represent commodities or instruments for which prices are available from external sources, on rare occasions prices may not be available for certain positions. Under such circumstances, ENMAX may use other pricing sources and modeling techniques to estimate prices, quantities, and fair value for these positions.

ENMAX uses a VaR methodology to estimate the potential impact to the value of its energy portfolio from its exposure to commodity price risk, volumetric risk, and associated foreign exchange risks. VaR is a probability-based approach used to estimate the potential change in the value of a transaction, position, or portfolio over a given holding period for a specified confidence level. The VaR methodology used by ENMAX calculates the potential change in value of the Corporation's energy portfolio over the next 3 to 5 business days at the 97.5 percent confidence level resulting from fluctuations in price and volumetric risk factors.

While there is currently no uniform industry methodology for calculating VaR, certain principles and practices have gained industry acceptance. ENMAX's VaR methodology uses a Monte Carlo simulation technique and estimates variances and correlations using historical commodity price changes over the most recent 70 business days. While ENMAX's VaR methodology is designed to encompass the Corporation's entire energy portfolio, VaR levels are also calculated for individual positions and for the

prompt 12 months and the following 13-60 month time horizons. ENMAX's VaR methodology does not address risks in the Corporation's regulated business because of this business unit's lack of exposure to commodity price risk and volumetric risk. The table below provides summary statistics of ENMAX's pre-tax portfolio VaR levels for commodity price risk and volumetric risk for the prompt 12 months time horizon.

<b>Value at Risk Levels</b> <i>(millions of dollars)</i>	As at	
	<b>September 30, 2008</b>	December 31, 2007
Average	\$ 6.9	\$ 13.8
High	\$ 8.9	\$ 16.3
Low	\$ 5.4	\$ 11.9

Management endeavours to maintain value at risk ("VaR") levels of approximately 1% of gross revenues (see additional VaR discussion under Risk Analysis and Control).

ENMAX implemented enhancements to its VaR methodology in January 2008 to better align with leading practices, which complicates the comparison of reported VaR levels from prior periods to those from the third quarter of 2008. The most significant of these enhancements was a reduction in the holding period from 10 calendar days to 3 business days to reflect market liquidity in the prompt 12 months time horizon.

While the VaR methodology is useful as an energy risk measure, it has limitations. VaR is calculated using historical volatilities and correlations for prices and assumes that price fluctuations in the future will follow a statistical distribution. Although losses in value are not expected to exceed the reported VaR level on 97.5 percent of occasions, losses on the other 2.5 percent of occasions could be substantially greater than the reported VaR level. Due to the limitations of VaR, the reported VaR level may not reflect the full extent of ENMAX's exposures to commodity price risk and volumetric risk. As a result, actual changes in the fair value of ENMAX's portfolio could differ from the reported VaR level, and such changes could have a material impact on the Corporation's financial results. ENMAX's Risk Management department calculates, monitors, and reports on other energy risk measures such as position levels and performs back tests of its VaR results and stress tests to address limitations in the VaR methodology.

Under ENMAX's Energy Risk Management Policy, the Corporation's VaR methodology and portfolio VaR limit as well as other components of the limit structure are reviewed annually and approved by the Board of Directors. ENMAX's Risk Management department calculates, monitors and reports on the Corporation's VaR level to senior management each business day. ENMAX's Risk Management Committee and the Audit and Finance Committee of the Corporation's Board of Directors receive monthly and quarterly reports on VaR levels and other energy risk measures.

### Fair Values

The fair value of cash and cash equivalents, accounts receivable, income taxes receivable, short-term financing, accounts payable, dividend payable, and customer guarantee deposits approximate the carrying amounts of these instruments due to the short time period to maturity.

The fair value of electricity, natural gas, and heat rate derivatives has been calculated using estimated forward prices for the relevant period.

Fair values of financial instruments are determined by reference to quoted bid or asking price, as appropriate, in active markets at period-end dates. In the absence of an active market, the Corporation determines fair value by using valuation techniques that refer to observable market data or estimated market prices. These include comparisons with similar instruments that have observable market prices, option pricing models, and other industry standard mark-to-market valuation techniques. Fair values determined using valuation models require the use of assumptions about the amount and timing of estimated future cash flows and discount rates. In making these assumptions, ENMAX looks primarily to readily observable external market input factors such as interest rate yield curves, currency rates, and price and rate volatilities as applicable.

<i>(millions of dollars)</i>	As at			
	September 30, 2008		December 31, 2007	
	Cost	Fair Value	Cost	Fair Value
Available-for-sale financial assets:	\$ 7.4	\$ 7.0	\$ 3.5	\$ 5.7

The fair value of the Corporation's long-term debt was estimated based on quoted market prices for the same or similar debt instruments and, when such information was not available, by discounting future payments of interest and principal at estimated interest rates that were made available to ENMAX.

The carrying amounts and fair values of the long-term debt are as follows:

<i>(millions of dollars)</i>	As at			
	September 30, 2008		December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt <sup>(1)</sup> , consisting of:				
Debentures, with remaining terms of:				
Less than 5 years	33.2	35.4	42.2	44.7
5 – 10 years	79.8	86.8	82.2	87.8
10 – 15 years	169.5	170.3	180.0	182.8
15 – 20 years	17.9	18.1	15.6	10.0
20 – 25 years	148.6	149.6	86.9	96.5
Private debentures	296.5	299.7	-	-
Non-recourse term financing (Furry Creek and Kettles)	55.5	56.2	13.7	16.7
Promissory note	6.0	5.5	6.1	5.8
	\$ 807.0	\$ 821.6	\$ 426.7	\$ 444.3

(1) Includes current portion of \$59.1 million (2007– \$35.0 million). Maturity dates range from October 2008 to June 2033.

## 5. Capital management

The Corporation's objectives when managing capital are: (i) to maintain a flexible capital structure which optimizes corporate liquidity as well as the cost of capital at acceptable risk; (ii) to manage capital in a manner which balances the interests of stakeholders; and (iii) to meet regulatory requirements for certain operations subject to rate regulation.

The Corporation's management considers its capital structure to consist of net debt, interest, and shareholder's equity. Net debt is comprised of short-term debt, long-term debt less cash and cash equivalents. The capital structure is as follows:

	As at	
<i>(millions of dollars)</i>	<b>September 30, 2008</b>	December 31, 2007
Long-term debt <sup>(1)</sup>	<b>\$ 807.0</b>	\$ 426.7
Less: cash and cash equivalents	<b>157.3</b>	52.4
<b>Net debt</b>	<b>649.7</b>	374.3
Shareholder's equity	<b>1,577.5</b>	1,458.8
<b>Total capital</b>	<b>\$ 2,227.2</b>	\$ 1,833.1

(1) Includes current portion of \$59.1 million (2007– \$35.0 million). Maturity dates range from October 2008 to June 2033.

The Corporation manages its consolidated capital structure through prudent levels of borrowing, cash-flow forecasting, and working capital management, and makes adjustments to these measures in light of changes in economic conditions and the risk characteristics of the underlying assets for both its regulated and non-regulated operations. Certain components of ENMAX Power's operations are regulated by the AUC, which permits a return on a deemed capital structure. The Corporation manages ENMAX Power's capital structure such that it is consistent with the deemed capital structure in order to achieve the returns allowed by the regulator.

In addition, the Corporation monitors its capital using ratios of (i) debt to total capitalization and (ii) earnings before interest, taxes, depreciation, and amortization ("EBITDA") to interest expense.

Debt to total capitalization is calculated as long-term debt, including current portion, divided by total capital and is also a calculation utilized within our compliance with debt covenants.

The calculation of EBITDA is a non-GAAP measure whose nearest GAAP measure is net earnings with the reconciliation between the two measures set out in the following schedule:

EBITDA <i>(millions of dollars)</i>	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
EBITDA (Non-GAAP financial measure)	\$ 114.2	\$ 71.5	\$ 288.9	\$ 207.8
Deduct: amortization	29.9	23.9	85.1	72.9
Earnings before interest and taxes	84.3	47.6	203.8	134.9
Deduct: Interest	13.4	4.7	26.6	16.6
Income taxes	8.5	4.2	27.6	14.9
Net earnings (GAAP financial measure)	\$ 62.4	\$ 38.7	\$ 149.6	\$ 103.4

The calculation of EBITDA to interest expense is substantially the same measure as the interest coverage ratio covenant set out in the Corporation's credit facilities.

The Corporation's capital management policies, which remain unchanged from prior periods, provide access to capital at a reasonable cost while maintaining investment grade credit ratings.

ENMAX was in compliance with its debt covenants during the period covered by this Report.

## 6. Future Accounting Changes

### Rate-Regulated Operations

Effective January 1, 2009, the temporary exemption from CICA Handbook Section 1100, "Generally Accepted Account Principles", which permits the recognition and measurement of assets and liabilities arising from rate regulation, will be withdrawn. This change will be applied prospectively beginning January 1, 2009. The Corporation does not expect this change to have a material effect on its financial statements.

### Intangible Assets

The CICA Handbook implemented revisions to standards dealing with Intangible Assets effective for fiscal years beginning on or after October 1, 2008. The revisions are intended to align the definition of an Intangible Asset in Canadian GAAP with that in IFRS and U.S. GAAP. Section 1000 "Financial Statement Concepts" was revised to remove material that permitted the recognition of assets that might not otherwise meet the definition of an asset and to add guidance from the IASB's "Framework for the Preparation and Presentation of Financial Statements" that will help distinguish assets from expenses. Section 3064 "Goodwill and Intangible Assets", which replaced Section 3062 "Goodwill and Other Intangible Assets", gives guidance on the recognition of intangible assets as well as the recognition and measurement of internally developed intangible assets. Section 3450 "Research and Development

Costs” will be withdrawn from the Handbook. The Corporation does not expect this change to have a material effect on its financial statements.

### International Financial Reporting Standards

On February 13, 2008, The CICA’s Accounting Standards Board of Canada (“AcSB”) formally confirmed full convergence of Canadian accounting standards with IFRS, as issued by the International Accounting Standards Board (“IASB”), would be required by 2011 with appropriate comparative information for the prior year. The Corporation will be required to report using IFRS effective for interim and annual financial statements relating to fiscal years beginning no later than on or after January 1, 2011. Under IFRS there is significantly more disclosure than currently required, specifically for quarterly reporting. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The Corporation is currently assessing the financial statement impact of the transition to IFRS.

### 7. 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. ENMAX has recorded the following regulatory assets and liabilities:

<i>(millions of dollars)</i>	As at	
	<b>September 30, 2008</b>	December 31, 2007
<b>Regulatory assets</b>		
Accounts receivable: Purchased power price variance <sup>(1)</sup>	\$ 31.9	\$ 26.3
Distribution assets: inter-company profit on underground residential development <sup>(2)</sup>	30.1	27.3
<b>Total regulatory assets</b>	<b>\$ 62.0</b>	<b>\$ 53.6</b>
<b>Regulatory liability</b>		
Other long-term liabilities: pension funding <sup>(3)</sup>	\$ 6.9	\$ 4.9
<b>Total regulatory liabilities</b>	<b>\$ 6.9</b>	<b>\$ 4.9</b>

<sup>(1)</sup> 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 three and nine months ended September 30, 2008 would have been \$6.1 million lower (2007 – \$9.5 million lower) and \$5.6 million lower (2007 - \$14.1 million lower), respectively. The regulatory asset is included in accounts receivable.

<sup>(2)</sup> 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 and nine months ended September 30, 2008 would be a reduction of \$0.9 million (2007 – \$1.6 million) and \$2.8 million (2007 - \$3.2 million), respectively, representing the profit on these services. The balances for property, plant and equipment and retained earnings at September 30, 2008 would further be reduced by \$30.1 million (December 31, 2007 – \$27.3 million) for accumulated intercompany profit from prior years.

<sup>(3)</sup> Pension costs are recorded using the accrual method as required by Canadian GAAP. The AUC 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 \$6.9 million (December 31, 2007 - \$4.9 million) to reflect this regulatory treatment. In the absence of rate regulation, net earnings for the three and nine months ended September 30, 2008 would have been \$1.3 million higher (2007 - \$0.6 million higher) and \$2.0 million higher (2007 - \$2.0 million higher), respectively, and other long-term liabilities would have been reduced and retained earnings would have been increased by \$6.6 million (December 31, 2007 – \$4.9 million), respectively.

#### **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 and nine months ended September 30, 2008, AFUDC and capitalized interest totaling \$0.9 million (2007 – \$1.6 million) and \$2.3 million (2007 - \$4.4 million), respectively, were included in property, plant, and equipment.

#### **8. Power Purchase Arrangements**

On January 1, 2008, the Corporation purchased an additional 10% interest in the Battle River PPA for \$53.6 million. The agreement also provides that the Corporation will purchase the remaining 25% in increments of 10% and 15% over the next two years for total additional consideration of \$111.8 million.

## 9. Short-term financing

ENMAX has unsecured credit facilities amounting to \$650.0 million (December 31, 2007 - \$650.0 million) to fund general operating requirements and to provide liquidity support for commercial paper and commodity marketing programs. As at September 2008, \$246.9 million (December 31, 2007 - \$230.8 million) of operating facilities and \$30.0 million (December 31, 2007 - \$30.0 million) of syndicated facilities were used in support of outstanding letters of credit.

Short-term financing is comprised of commercial paper and borrowings under our credit facilities. At September 30, 2008 the Corporation had no short-term financing (December 31, 2007 - \$35.9 million).

## 10. Long-term debt

<i>(millions of dollars)</i>	<b>September 30, 2008</b>	As at December 31, 2007	Weighted average interest rates
Debtures, with remaining terms of:			
Less than 5 years	33.2	\$ 42.2	5.86%
5-10 years	79.8	82.2	4.95%
10-15 years	169.5	180.0	4.56%
15-20 years	17.9	15.6	4.85%
20-25 years	148.6	86.9	4.89%
Private debtures	296.5	-	6.15%
Non-recourse term financing (Furry Creek and Kettles)	55.5	13.7	6.37%
Promissory note	6.0	6.1	5.00%
	807.0	426.7	
Less: current portion	59.1	35.0	
	<b>\$ 747.9</b>	<b>\$ 391.7</b>	
Weighted average interest rates	5.52%	5.11%	

### Private Debtures

On June 19, 2008 the Corporation issued \$300.0 million in private debtures, bearing interest at 6.15%, payable semi-annually. The debtures mature on June 19, 2018. Issue costs of \$2.8 million will be amortized using the effective interest method.

**11. Accumulated other comprehensive income**

<i>(millions of dollars)</i>	<b>Nine months ended September 30, 2008</b>	Year ended December 31, 2007
Unrealized gains (losses) on available-for-sale financial assets	<b>\$ (1.3)</b>	\$ 1.9
Unrealized gains (losses) on derivatives designated as cash flow hedges	<b>1.9</b>	(20.4)
Accumulated other comprehensive income (losses), including a future income tax loss of \$1.9 million (2007 – benefit of \$3.0 million)	<b>\$ 0.6</b>	\$ (18.5)

**12. Accounting for Emission Credits and Allowances**

For the three and nine months ended September 30, 2008, the consolidated financial statements include a charge to earnings in the amount of \$4.4 million (2007 – nil) and \$13.1 million (2007 – nil), respectively, included in costs of electricity services provided, relating to estimated compliance costs under the provincial regulations, associated with ENMAX's ownership interests in coal-fired generation facilities through its PPA's, and the tolling agreement under the Calgary Energy Centre.

**13. 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 and nine months ended September 30, 2008 are \$4.0 million (2007 – \$3.7 million) and \$11.8 million (2007 – \$10.2 million), respectively.

## 14. Segmented information

Three months ended September– (unaudited)	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
	2008	2007	2008	2007	2008	2007	2008	2007
<i>(millions of dollars)</i>								
<b>REVENUE</b>								
Electricity	\$ 492.6	\$451.3	\$ 60.8	\$ 63.3	\$ (102.0)	\$ (103.7)	\$ 451.4	\$ 410.9
Natural gas	38.3	27.4	-	-	-	-	38.3	27.4
Transmission and distribution	-	-	83.8	84.4	-	-	83.8	84.4
Contractual services	6.6	6.3	26.4	24.6	(5.4)	(4.0)	27.6	26.9
Other	4.9	1.5	0.9	1.5	6.0	(2.2)	11.8	0.8
<b>TOTAL REVENUE</b>	<b>542.4</b>	<b>486.5</b>	<b>171.9</b>	<b>173.8</b>	<b>(101.4)</b>	<b>(109.9)</b>	<b>612.9</b>	<b>550.4</b>
<b>COST OF GOODS SOLD</b>								
Electricity	386.7	387.9	59.1	61.3	(102.0)	(103.1)	343.8	346.1
Natural gas	37.0	25.2	-	-	-	-	37.0	25.2
Local access fees and grid charges	-	-	45.4	47.4	-	-	45.4	47.4
Contractual services	0.3	-	19.0	17.7	(0.1)	(0.1)	19.2	17.6
Operations, maintenance and administration (note 13)	35.7	29.0	23.1	20.9	(5.5)	(7.3)	53.3	42.6
<b>TOTAL COST GOODS SOLD</b>	<b>459.7</b>	<b>442.1</b>	<b>146.6</b>	<b>147.3</b>	<b>(107.6)</b>	<b>(110.5)</b>	<b>498.7</b>	<b>478.9</b>
<b>EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAXES</b>								
	82.7	44.4	25.3	26.5	6.2	0.6	114.2	71.5
Amortization	16.9	13.2	11.4	9.9	1.6	0.8	29.9	23.9
<b>EARNINGS (LOSSES) BEFORE INTEREST AND INCOME TAXES</b>	<b>\$ 65.8</b>	<b>\$ 31.2</b>	<b>\$ 13.9</b>	<b>\$ 16.6</b>	<b>\$ 4.6</b>	<b>\$ (0.2)</b>	<b>\$ 84.3</b>	<b>\$ 47.6</b>
Interest							13.4	4.7
Income Taxes							8.5	4.2
<b>NET EARNINGS</b>							<b>\$ 62.4</b>	<b>\$ 38.7</b>
<b>CAPITAL ADDITIONS</b>								
	\$ 41.6	\$ 17.4	\$ 38.8	\$ 29.9	\$ (1.1)	\$ 3.0	\$ 79.3	\$ 50.3

ENMAX Third Quarter 2008 Report

Nine months ended September 30 – (unaudited)	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
	2008	2007	2008	2007	2008	2007	2008	2007
<i>(millions of dollars)</i>								
<b>REVENUE</b>								
Electricity	\$ 1,454.6	\$1,120.5	\$ 177.8	\$ 180.7	\$ (294.5)	\$ (284.5)	\$ 1,337.9	\$ 1,016.7
Natural gas	227.9	161.8	-	-	-	-	227.9	161.8
Transmission and distribution	-	-	248.3	240.3	-	-	248.3	240.3
Contractual services	18.6	17.7	75.6	67.2	(14.7)	(13.8)	79.5	71.1
Other	10.7	4.7	2.7	2.8	3.1	(2.9)	16.5	4.6
<b>TOTAL REVENUE</b>	<b>1,711.8</b>	<b>1,304.7</b>	<b>504.4</b>	<b>491.0</b>	<b>(306.1)</b>	<b>(301.2)</b>	<b>1,910.1</b>	<b>1,494.5</b>
<b>COST OF GOODS SOLD</b>								
Electricity	1,178.4	931.8	173.2	174.6	(294.3)	(284.4)	1,057.3	822.0
Natural gas	227.6	158.5	-	-	-	-	227.6	158.5
Local access fees and grid charges	-	-	134.6	134.0	-	-	134.6	134.0
Contractual services	0.4	-	54.2	46.0	(0.4)	(0.3)	54.2	45.7
Operations, maintenance and administration (note 13)	97.3	78.5	72.4	71.8	(22.2)	(23.8)	147.5	126.5
<b>TOTAL COST OF GOODS SOLD</b>	<b>1,503.7</b>	<b>1,168.8</b>	<b>434.4</b>	<b>426.4</b>	<b>(316.9)</b>	<b>(308.5)</b>	<b>1,621.2</b>	<b>1,286.7</b>
<b>EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAXES</b>	<b>208.1</b>	<b>135.9</b>	<b>70.0</b>	<b>64.6</b>	<b>10.8</b>	<b>7.3</b>	<b>288.9</b>	<b>207.8</b>
Amortization	47.1	39.0	33.3	30.1	4.7	3.8	85.1	72.9
<b>EARNINGS BEFORE INTEREST AND INCOME TAXES</b>	<b>\$ 161.0</b>	<b>\$ 96.9</b>	<b>\$ 36.7</b>	<b>\$ 34.5</b>	<b>\$ 6.1</b>	<b>\$ 3.5</b>	<b>\$ 203.8</b>	<b>\$ 134.9</b>
Interest							26.6	16.6
Income Taxes							27.6	14.9
<b>NET EARNINGS</b>							<b>\$ 149.6</b>	<b>\$ 103.4</b>
<b>CAPITAL ADDITIONS</b>	<b>\$ 153.3</b>	<b>\$ 135.7</b>	<b>\$ 93.8</b>	<b>\$ 79.0</b>	<b>\$ 2.4</b>	<b>\$ 4.6</b>	<b>\$ 249.5</b>	<b>\$ 219.3</b>

Segmented Total Assets

	As at	
	September 30, 2008	December 31, 2007
<i>(millions of dollars)</i>		
ENMAX Energy	1,659.4	1,456.6
ENMAX Power	985.2	937.1
Corporate and eliminations	165.3	62.5
	<b>\$ 2,809.9</b>	<b>\$ 2,456.2</b>

## 15. Contingencies

### Power Purchase Arrangements

During the second quarter, the Keephills generating facility (the "Facility") was required to operate at lower than normal level as a result of transmission system upgrade work, which ENMAX Energy considered to be force majeure event. The PPA owner does not believe the event to be force majeure, in which case ENMAX Energy would be required to make capacity payments to the PPA owner and compensate the PPA owner for the availability of the Facility through availability incentive payments. The Corporation does not agree with the assessment and has commenced the necessary steps to defend its position through negotiations with the PPA owner. The Corporation believes the outcome is not determinable at the date of these consolidated financial statements and therefore no provision has been recorded relating to this event.

During the first quarter, the Battle River facility experienced an unplanned outage which reduced generation volumes to below target availability. The PPA owner has assessed this outage as force majeure in which case ENMAX Energy would not be required to make capacity payments to the PPA owner; however, ENMAX Energy would also not be compensated for the loss of generation by the PPA owner through availability incentive revenue. The Corporation does not agree with the assessment, and on July 11, 2008, the Balancing Pool determined the outage did not meet the requirements of a force majeure. The PPA owner has formally disputed this determination. ENMAX Energy has commenced the necessary steps to defend its position through the formal appeals process and expects to be successful. In the event the negotiations are unsuccessful, ENMAX Energy would be required to make additional capacity payments and refund the availability incentive revenues previously received, the total of which approximates \$6.4 million. The Corporation believes the outcome is not determinable at the date of these consolidated financial statements and therefore no provision has been recorded relating to this event.

### 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 Alberta 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 June 2005, ENMAX Energy Corporation ("EEC") received a Notice of Reassessment from Alberta Finance in respect of the 2001 taxation year, which amounted to \$16.9 million, including \$3.2 million of interest. In July and November 2006, EEC received additional Notices of Reassessment 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. Subsequently, in July 2007, EEC received an amended Notice of Reassessment for the 2003 taxation year for an additional \$1.8 million relating to items not previously assessed. On July 4, 2008 EEC received Notices of Reassessments for the 2004

taxation year in the amount of \$21.7 million, including \$4.3 million of interest, and 2005 taxation year in the amount of \$7.7 million, including interest of \$1.1 million. The reassessments relate primarily to the value of certain power purchase arrangement assets established for the purposes of the Payment in Lieu of Tax Regulations and the allocation of costs and benefits of the energy supply portfolio between taxable and non-taxable operations for those years.

The Corporation does not agree with the assessments and has commenced the necessary steps to defend its position through the formal appeals process. However, EEC voluntarily remitted certain amounts to minimize interest and penalties until the issues are resolved, which are recorded as income taxes receivable as at September 30, 2008 and December 31, 2007. The Corporation expects this process to be successful and will vigorously pursue all options available should the appeals process result in an unfavourable 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.

On July 7, 2008, EEC received a letter from the Appeals Board of Alberta Finance amending its previous Reassessment on the allocation of costs and benefits of the energy supply portfolio between taxable and non-taxable operations for the 2001 taxation year. The impact of the letter would be to reduce the Corporation's taxable income from the amount originally reassessed by approximately \$62.0 million, with a corresponding reduction in income taxes payable of \$12.9 million. On August 8 and September 30, 2008, EEC received refunds reflecting the above reassessment plus interest in the amount of \$5.2 million.

## **Environmental**

New provincial regulations aimed at reducing the levels of greenhouse gas emissions which took effect July 2007. The changes in law provisions in our PPA contracts have the potential to expose ENMAX to a significant portion of these compliance costs. The direct costs to comply with the terms of the legislation will total approximately \$18.9 million for 2008. Payments are due to the PPA owners by March 31 of the year following the compliance. The Corporation has taken steps to substantially mitigate these risks including price increases to new customers, as well as acquiring qualified credits from both its wind generation assets and purchases on the wholesale market. As the regulations and applicable compliance details have not yet been finalized, the total amount of this exposure, which could have a material impact on net earnings, cannot be reasonably estimated at this time. The Corporation continues to assess and monitor the implications these changes in legislation may have on its business.

## **16. Subsequent event**

On October 24, 2008, the AUC issued a decision which increased EPC's distribution tariff rates, effective November 1, 2008. The increase is refundable in the event distribution rates approved under EPC's current FBR application are lower than the interim rates.

In addition, the AUC approved a recovery of \$1.3 million relating to carrying charges on 2007 deferral accounts, the amount of which has been recorded in these financial statements.

**17. Comparative figures**

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