



# generation innovation transformation

ENMAX Corporation 2009 Quarterly Report



## THIRD QUARTER 2009 HIGHLIGHTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
<i>(unaudited - millions of dollars, except return on equity and operating statistics)</i>	2009	2008	2009	2008
Total revenues	<b>495.6</b>	612.9	<b>1,706.1</b>	1,910.1
Operating margin <sup>(1)</sup>	<b>128.5</b>	167.6	<b>503.4</b>	436.4
Net earnings <sup>(2)</sup>	<b>40.3</b>	62.4	<b>151.4</b>	149.6
Return on equity (annualized) <sup>(3)</sup>			<b>11.8%</b>	13.1%
Operating statistics:				
Electricity sold (gigawatt hours)	<b>4,541</b>	4,481	<b>13,689</b>	13,168
Natural gas sold (terajoules)	<b>2,357</b>	4,319	<b>22,974</b>	22,334
Distribution volumes (gigawatt hours)	<b>2,036</b>	2,240	<b>6,631</b>	6,780

(1) Operating margin is a non-GAAP financial measure. See discussion that follows in Management Discussion & Analysis (MD&A).

(2) Net earnings for the nine months ended September 30, 2009 include a \$21.8 million increase relating to 2007 and 2008 which arises as a result of a regulatory decision.

(3) Return on equity (annualized) is equal to annualized net earnings (after excluding one-time adjustments relating to the regulatory decision, gains from foreign exchange exposures and financial instruments, and income tax provision) divided by average shareholder's equity for the period.

	As at	
<i>(millions of dollars)</i>	September 30, 2009	December 31, 2008
Total shareholder's equity	<b>1,680.7</b>	1,596.5
Total assets	<b>3,632.0</b>	3,481.6

## **FORWARD-LOOKING INFORMATION**

This document contains statements about future events and financial and operating results of ENMAX Corporation (ENMAX or the Corporation) that are forward-looking. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from financial and operating targets, expectations, estimates or intentions expressed in the forward-looking statements.

When used in this MD&A, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect”, and similar expressions, as they relate to the Corporation or an affiliate of the Corporation, are intended to identify forward-looking statements. Such statements reflect the Corporation’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation’s actual results, performance or achievements to vary from those described in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A. Intended, planned, anticipated, believed, estimated or expected, and other forward-looking statements included in this MD&A herein should not be unduly relied upon. These statements speak only as of the date of this MD&A. The Corporation does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law.

Factors that could cause actual results to differ materially include, but are not limited to: competitive factors and pricing pressures; regulatory developments and the impact of deregulation in the industry; human resources (including possible labour disruptions); business integrations and internal reorganizations; process risks; financing and debt requirements; tax matters; health, safety and environmental developments; litigation and legal matters; business continuity events (including man-made and natural threats); economic growth and fluctuations; technological obsolescence; change in customers’ wants and needs; and other risk factors discussed herein and listed from time to time in ENMAX’s reports and other public disclosure documents.

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

This MD&A, prepared as at November 10, 2009, is a review of the results of operations of ENMAX for the three and nine months ended September 30, 2009, compared with the same period in 2008, and of the Corporation’s financial condition and future prospects. It should be read in conjunction with the accompanying unaudited interim consolidated financial statements of the Corporation as at and for the three and nine months ended September 30, 2009 and 2008, as well as the Corporation’s 2008 Annual Report. This discussion contains forward-looking information that is qualified by reference to, and should be read together with, the discussion regarding forward-looking statements above.

ENMAX’s consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The consolidated financial statements and MD&A were reviewed by ENMAX’s Audit and Finance Committee and approved by ENMAX’s Board of Directors. All amounts are in Canadian dollars unless otherwise specified.

The Corporation reports on certain non-GAAP financial measures such as operating margin and funds from operations that are used by management to evaluate performance of business units and segments. Because non-GAAP financial measures do not have a standardized meaning, we have defined and reconciled them with their nearest GAAP measure. For the reader's reference, the definition, calculation and reconciliation of consolidated non-GAAP financial measures is provided in Section 3: Non-GAAP Financial Measures.

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## 1 RESULTS OF OPERATIONS

Selected Consolidated Quarterly Financial Information <i>(millions of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Total revenue	<b>495.6</b>	612.9	<b>1,706.1</b>	1,910.1
Operating margin <sup>(1)</sup>	<b>128.5</b>	167.6	<b>503.4</b>	436.4
Earnings before interest, income tax, depreciation and amortization (EBITDA) <sup>(1)</sup>	<b>87.2</b>	114.2	<b>351.3</b>	288.9
Net earnings	<b>40.3</b>	62.4	<b>151.4</b>	149.6
Funds generated from operations <sup>(1)</sup>	<b>68.4</b>	92.9	<b>229.6</b>	249.3
Cash provided by operating activities <sup>(2)</sup>	<b>60.4</b>	157.7	<b>232.5</b>	212.6

*(1) Non-GAAP financial measure. See discussion that follows in Section 3: Non-GAAP Financial Measures.*

*(2) 2008 comparative figures have been reclassified to conform to the current presentation.*

ENMAX's consolidated net earnings for the three months ended September 30, 2009, have decreased to \$40.3 million compared to \$62.4 million for the three months ended September 30, 2008. This decrease is primarily due to lower electricity margins in a depressed electricity price environment and lower margins from contractual services and other margin. These declines were offset by lower operations, maintenance and administration costs (OM&A) and lower income tax expenses. For the nine months ended September 30, 2009, net earnings are \$151.4 million, up from \$149.6 million, for the same period last year. This increase was driven primarily by gains on foreign exchange exposure and financial instruments and transmission and distribution margins, offset by lower margin from contractual services and other margin and higher amortization and income tax expense. These changes include non-recurring items including a major regulatory decision, acquisitions, gains on financial instrument exposures and tax provisions. The following discussion focuses on these non-recurring items and the results of normalized continuing operations. Further details on specific operations can be found in the Business Segment Results section which starts on page 8 of this MD&A.

A reconciliation of net earnings for the three and nine months ended September 30, 2009, as compared to 2008 is as follows:

<i>(millions of dollars)</i>	Total	Impact of Regulatory Decision	Acquisitions	Foreign Exchange Exposure	Continuing Operations
Net earnings for the three month period ended September 30, 2008	62.4	-	-	-	62.4
Increased / (decreased) margins attributable to:					
Electricity	(19.8)	-	11.2	-	(31.0)
Natural gas	(5.0)	-	-	-	(5.0)
Transmission and distribution	3.8	-	-	-	3.8
Contractual services and other margin	(13.1)	-	-	-	(13.1)
Losses from foreign exchange exposures and financial instruments	(5.0)	-	(4.1)	(0.9)	-
Decreased / (increased) expenses and other items:					
Operations, maintenance and administration	12.1	-	(2.3)	(0.6)	15.0
Amortization	(4.3)	-	(4.0)	-	(0.3)
Interest	(1.7)	-	(7.0)	-	5.3
Income taxes	10.9	-	0.6	-	10.3
Net earnings for the three month period ended September 30, 2009	40.3	-	(5.6)	(1.5)	47.4

<i>(millions of dollars)</i>	Total	Impact of Regulatory Decision	Acquisitions	Foreign Exchange Exposure and Q2, 2009 Tax Adjustment	Continuing Operations
Net earnings for the nine month period ended September 30, 2008	149.6	-	-	-	149.6
Increased / (decreased) margins attributable to:					
Electricity	4.2	-	37.7	-	(33.5)
Natural gas	6.1	-	-	-	6.1
Transmission and distribution	34.2	23.9	-	-	10.3
Contractual services and other margin	(17.0)	-	0.9	-	(17.9)
Gains from foreign exchange exposures and financial instruments	39.5	-	18.4	21.1	-
Decreased / (increased) expenses and other items:					
Operations, maintenance and administration	(4.6)	(2.1)	(8.7)	(4.2)	10.4
Amortization	(18.5)	-	(15.8)	-	(2.7)
Interest	(16.3)	-	(26.7)	-	10.4
Income taxes	(25.8)	-	(4.0)	(31.5)	9.7
Net earnings for the nine month period ended September 30, 2009	151.4	21.8	1.8	(14.6)	142.4

## **Impact of Regulatory Decision**

As stated in the first and second quarter, in May 2007, ENMAX Power Corporation applied to the Alberta Utilities Commission (AUC) to have rates set under a formula-based ratemaking (FBR) approach. On March 25, 2009, the regulator approved the application, with adjustments, retroactive to January 1, 2007. The regulatory decision reflects a revenue increase to retroactively recover costs incurred in 2007 and 2008 in the regulated transmission and distribution businesses. The amounts accrued in the financial statements are subject to final compliance filings with the AUC. ENMAX Power has received an Interim Compliance Decision from the AUC and expects a final decision by the end of the fiscal year. As such, significant differences in the amounts estimated are not expected.

For the nine months ended September 30, 2009, the decision resulted in \$23.9 million of additional transmission and distribution revenues associated with rate increases for 2007 and 2008, and the recognition of previously deferred pension amounts. Hearing costs associated with these additional revenues totaled \$2.1 million. No additional amounts were recorded for the three months ended September 30, 2009.

## **Acquisitions**

For the three and nine month periods ended September 30, 2009, electricity margins increased by \$11.2 million and \$37.7 million, respectively, as a result of generation volumes associated with the acquisitions of the Calgary Energy Centre (CEC) and Kettles Hill Wind Power (Kettles). The Kettles acquisition occurred at the end of June 2008 and therefore the results of operations for Kettles for the third quarter of 2009 have not been incorporated as a non-recurring item for the purpose of this analysis. These increased margins were partially offset by higher operations, maintenance and administration (OM&A) costs associated with operating the CEC and Kettles assets, as well as charges for amortization and interest. Foreign exchange exposures and financial instruments include a loss of \$4.1 million for the three months ended September 30, 2009, and a gain of \$18.4 million for the nine months ended September 30, 2009, associated with an interest rate swap on the non-recourse financing acquired with CEC.

## **Foreign Exchange Exposure and Q2, 2009 Tax Adjustment**

During the three months ended September 30, 2009, the Corporation recorded net realized and unrealized foreign exchange losses of \$0.9 million relating to a US dollar denominated purchase agreement for certain generation equipment. For the nine months ended September 30, 2009, the net realized and unrealized foreign exchange experience was a gain of \$21.1 million. Losses of \$0.6 million for the three months ended September 30, 2009, and \$4.2 million for the nine months ended September 30, 2009, were experienced on a US dollar denominated futures margin trading account. Foreign exchange fluctuations associated with these US dollar exposures have been substantially mitigated by associated hedging activities.

As stated in the second quarter, a \$31.5 million adjustment to previously estimated tax provisions was recorded in the second quarter. The Corporation regularly reviews the potential for adverse outcomes in respect of tax matters and believes it has adequate provisions for these tax matters. Tax provisions are adjusted, positively or negatively, for changes in estimates and assessments by tax authorities in the period in which they are more likely than not to have an impact on the financial results. No additional amounts were recorded for previously estimated tax provisions for the three months ended September 30, 2009.

### Continuing Operations

Electricity margins decreased \$31.0 million for the quarter ended September 30, 2009, from \$106.2 million in same three month period of 2008. Electricity margins decreased \$33.5 million for the nine months ended September 30, 2009, from \$281.4 million for same period in 2008. The decreased margins were driven by the impact of significantly depressed wholesale commodity prices on generation volumes not hedged with fixed-price contracts or commodity derivatives. Settle prices on electricity in the three months ended September 30, 2009, averaged \$49.75 per megawatt hour (MWh) compared to \$80.36 per MWh in the comparable period in 2008.

Natural gas margins decreased \$5.0 million for the three months ended September 30, 2009, from \$2.7 million for the same period in 2008. The decrease in natural gas margins reflect reduced sales volumes as well as lower fixed-price sales volumes as a percentage of total sales mix. For the nine months ended September 30, 2009, natural gas margins increased to \$5.6 million from a loss of \$0.5 million for the same period in 2008. While lower fixed-price sales volumes as a percentage of total sales mix were seen through the year, ENMAX Energy's fixed-price retail contracting strategy significantly mitigated the impact of this.

For the three months ended September 30, 2009, transmission and distribution margins increased to \$42.2 million compared to \$38.4 million for the same three month period in 2008. Transmission and distribution margins increased to \$124.0 million for the nine months ended September 30, 2009, from \$113.7 million in the same period in 2008. The higher margins were driven by the impact of the regulator approval of the FBR application on 2009 tariff rates, which was retroactive to January 2007.

For the three months and nine months ended September 30, 2009, margins from contractual services and other sources totaled \$7.2 million and \$23.9 million, respectively, compared to \$20.3 million and \$41.8 million for the same periods in 2008. The decreased margins are primarily due to lower developer and Calgary Transit activity, and customer driven project delays. Also, the 2008 third quarter margins include a one-time receipt of the \$7.0 million non-completion fee, relating to the Cordero Energy transaction.

OM&A costs for the three months ended September 30, 2009, decreased to \$38.4 million from \$53.4 million for same period in 2008. For the nine months ended September 30, 2009, OM&A expenses decreased to \$137.1 million, from \$147.5 million in the same nine month period last year. This decrease was driven by higher billing and administrative recoveries, reduced billing and customer care costs and cost reduction initiatives. These reductions were partially offset by additional staffing costs relating to growth across the generation operations and non-capital costs associated with the new billing and customer care system, launched in February 2009, which replaced legacy systems that were at the end of their useful lives.

Amortization expense for the three and nine months ended September 30, 2009, totaled \$30.2 million and \$87.8 million, respectively, compared to \$29.9 million and \$85.1 million, respectively, for the same periods in 2008. The increase in amortization was a result of the incremental Battle River power purchase arrangement ownership as well as additional transmission and distribution assets.

For the quarter ended September 30, 2009, interest expense on continuing operations decreased to \$8.1 million compared to \$13.4 million for the same period in 2008. Interest expense on continuing operations decreased to \$5.8 million for the first nine months of 2009 compared to \$16.2 million for the same period in 2008. The decreases were primarily due to a decrease in short-term financing and an increase in capitalized interest. While general borrowings have increased, the cost of these borrowings are associated with capital projects and therefore capitalized to those projects.

Income tax expense for the three and nine months ended September 30, 2009, was a benefit of \$1.8 million and cost of \$17.9 million, respectively, compared to a cost of \$8.5 million and \$27.6 million in the same periods in 2008. The decrease in income tax expense is mainly due to the reversal of a prior year's tax reserve, as well as reduced earnings levels in the taxable entities.

### Other Comprehensive Income

Other comprehensive income illustrates the Corporation's earnings under the assumption of full income recognition of gains and losses on securities and derivatives otherwise treated as hedges of future period revenues and expenses. The Corporation utilizes derivatives to hedge its electricity, natural gas, interest rates and foreign exchange exposures. For the three months ended September 30, 2009, other comprehensive income totaled \$10.5 million compared to a loss of \$65.9 million for the same period in 2008. For the nine months ended September 30, 2009, other comprehensive loss totaled \$20.4 million compared to income of \$19.1 million for the same period in 2008. The gain in the quarter reflects an upturn in the commodity price of natural gas in the later part of the quarter. The year-to-date losses reflect primarily the decrease in natural gas prices from the prior year.

### Business Segment Results

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

Results of operations by segment Three and nine months ended September 30 (millions of dollars)	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
ENMAX Power	20.1	12.8	65.5	35.2
ENMAX Energy	31.8	67.0	183.1	162.8
Corporate & intersegment eliminations	1.1	4.5	(0.9)	5.8
Earnings before interest and income tax	53.0	84.3	247.7	203.8

## ENMAX Power

ENMAX Power's results are driven by tariffs approved by the AUC, for regulated transmission, distribution, and rate regulated operations (RRO) businesses, as well as earnings from its non-regulated power services business. The regulated segment accounted for 92% of total revenue in both the three and nine months ended September 30, 2009, compared to 86% in both comparable periods in 2008.

ENMAX Power recorded earnings before interest and income taxes of \$20.1 million in the three months ended September 30, 2009, compared to \$12.8 million in the same period last year. For the first nine months of 2009, ENMAX Power recorded earnings before interest and income taxes of \$65.5 million, compared to \$35.2 million in the same period last year. This increase was due primarily to the AUC approval of a regulatory application, which allowed ENMAX Power to recover certain costs retroactively to January 1, 2007. Partially offsetting these increases were the impacts of lower activity levels in the contractual services business.

Transmission and distribution margins are comprised of amounts charged for wires services, net of electrical grid charges, and local access fees. The transmission and distribution margins were \$42.2 million for the three month period ended September 30, 2009, compared to \$38.4 million for the same three month period in 2008. For the nine months ended September 30, 2009, transmission and distribution margins totaled \$147.9 million, compared to \$113.7 million for the same period in 2008. These increases were due primarily to the AUC approval of a regulatory decision, retroactive to January 1, 2007, including the recognition of previously deferred amounts relating to pension costs. In the third quarter, physical electricity consumption is down 2% from the comparable period in 2008 with electricity volumes delivered dropping during the three and nine months ended September 30, 2009 to 2,036 gigawatt hours (GWh) and 6,631 GWh, respectively.

Electricity margins from RRO customers resulted in earnings of \$2.9 million for the three months ended September 30, 2009, compared to earnings of \$1.7 million in the same period in 2008. While RRO volumes have decreased from the previous year, there have been swings in quarterly results as the new billing system implemented in February 2009 and the processes surrounding this billing system work to accurately allocate customer revenues between the regulated and non-regulated segments. For the nine months ended September 30, 2009, electricity sales to RRO customers generated margins of \$4.5 million, compared to \$4.6 million in the same period in 2008. This slightly decreased margin was primarily the result of lower RRO volumes sold compared to the same nine month period last year. RRO electricity volumes sold totaled 553 GWh in the third quarter of 2009 compared to 538 GWh in the same period of 2008. For the nine months ended September 30, 2009, total RRO electricity volumes sold were 1,662 GWh compared to 1,752 GWh in the same period in 2008. The lower volumes reflect the shifting by Calgary customers from RRO to competitive retail offers.

For the three and nine months ended September 30, 2009, margins for contractual services and other were \$2.4 million and \$8.4 million, respectively, compared to \$5.2 million and \$16.3 million for the same periods last year. The decreased margins are driven by lower activity levels and delays in developer and Calgary Transit projects. The general economic slow down experienced in Calgary has resulted in less commercial and residential building activity. ENMAX Power has mitigated the impact of the slow down in contractual services by reducing variable operating costs, offering modified work schedules to employees and redeploying staff to other more active areas of the business.

OM&A expenses for the three and nine months ended September 30, 2009, were \$15.7 million and \$62.3 million, respectively, compared to \$22.1 million and \$69.3 million for the same periods in 2008. This decrease was driven primarily by reduced corporate shared services costs due to cost control measures in the shared services departments as well as the increasing activities and operations in the ENMAX Energy segment resulting in a lower allocation of these costs to the ENMAX Power segment. Billing and administrative recoveries also increased from prior years as new systems implemented in February 2009 provided sufficient information to allow for real time accrual of these recoveries. In addition, during the first nine months of 2009 ENMAX Power successfully implemented cost savings measures to achieve operational efficiencies. These cost savings help to offset the increased hearing costs related to the FBR regulatory decision.

Amortization for the three and nine months ended September 30, 2009, totaled \$11.7 million and \$33.0 million, respectively, compared with \$10.4 million and \$30.1 million for the same periods in 2008. The increased charges were the result of a year to date increase of \$96.8 million in the asset base from September 30, 2008, reflecting capital maintenance replacement and expansion of the Calgary and area transmission and distribution system.

### **ENMAX Energy**

ENMAX Energy is in the generation and retail business for electricity and natural gas products and related services in Alberta. ENMAX Energy controls its physical electricity supply through Power Purchase Arrangements (PPAs) and through company-owned 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 the operational requirements of its gas-fired generating facilities. Risk management processes and systems are in place to carefully monitor and manage price and commodity risks inherent in the business.

ENMAX Energy recorded earnings before interest and income taxes of \$31.8 million for the three months ended September 30, 2009, compared to \$67.0 million for the same period in 2008. The decrease in the three month period was primarily due to lower wholesale commodity prices on generation, lower gas margins and lower contractual services margins combined with higher amortization costs. Earnings before interest and income taxes were \$183.1.0 million for the nine months ended September 30, 2009, compared to \$162.8 million for the first nine months of 2008. The increase in the nine months ending September 30, 2009, was due primarily to gains from foreign exchange exposures and financial instruments offset by higher amortization costs.

The following discussion focuses on results of normalized continuing operations after consideration of the non-recurring items outlined in the following tables. Details of these non-recurring items have been discussed in the consolidated results section of this MD&A.

<i>(millions of dollars)</i>	Total	Acquisitions	Foreign Exchange Exposure	Continuing Operations
Earnings before interest and income taxes for the three month period ended September 30, 2008	67.0	-	-	67.0
Increased / (decreased) margins attributable to:				
Electricity	(20.9)	11.2	-	(32.1)
Natural gas	(5.0)		-	(5.0)
Contractual services and other margin	(3.9)		-	(3.9)
Losses from foreign exchange exposures and financial instruments	(5.0)	(4.1)	(0.9)	-
Decreased / (increased) expenses and other items:				
Operations, maintenance and administration	4.6	(2.3)	(0.6)	7.5
Amortization	(5.0)	(4.0)		(1.0)
Earnings before interest and income taxes for the three month period ended September 30, 2009	31.8	0.8	(1.5)	32.5

<i>(millions of dollars)</i>	Total	Acquisitions	Foreign Exchange Exposure and Q2, 2009 Tax Adjustment	Continuing Operations
Earnings before interest and income taxes for the nine month period ended September 30, 2008	162.8	-	-	162.8
Increased / (decreased) margins attributable to:				
Electricity	4.3	37.7	-	(33.4)
Natural gas	6.1	-	-	6.1
Contractual services and other margin	0.3	0.9	-	(0.6)
Gains from foreign exchange exposures and financial instruments	39.5	18.4	21.1	-
Decreased / (increased) expenses and other items:				
Operations, maintenance and administration	(11.0)	(8.7)	(4.2)	1.9
Amortization	(18.9)	(15.8)		(3.1)
Earnings before interest and income taxes for the nine month period ended September 30, 2009	183.1	32.5	16.9	133.7

Electricity margins from continuing operations for the three and nine months ended September 30, 2009, were \$72.4 million and \$243.6 million, respectively, compared to \$104.5 million and \$277.0 million, respectively, for the same periods in 2008. The decrease in electricity margins in the three and nine months ended September 30, 2009, were primarily due to the following:

- The unfavourable impact of decreased commodity prices on unsold volumes. ENMAX Energy generates or has access to generation volumes that exceed its retail fixed sales volumes. Some excess generation volumes are sold at market prices which were lower than in previous years.
- Increased costs related to ENMAX Energy's existing PPAs.
- Incremental 10% interest in the Battle River PPA offset by the revenues generated from the sale of additional volumes received from this PPA.

These margin decreases were partially offset by the following:

- Effective elimination of the CEC tolling agreement. The tolling agreement with CEC, effectively eliminated on acquisition, resulted in the costs of the CEC generating volumes no longer being recorded as a cost of service in 2009.
- Higher realized sales prices on fixed-price retail contracts. Continued marketing efforts combined with a strong brand presence have resulted in new sales volumes for fixed- and variable-price customers as well as renewals of existing contracts.

ENMAX Energy delivered, under contract, 3,988 GWh and 12,027 GWh of electricity to customers in the three and nine months ended September 30, 2009, compared to 3,943 GWh and 11,416 GWh for the same periods in 2008. The 2008 third quarter results also included a one time recovery of an Alberta Electric System Operator (AESO) deferral which was not repeated in 2009. Variances can arise between the actual costs the AESO incurs in providing system access service and the actual revenue recovered in rates charged to customers. These variances are recovered from or refunded to customers through deferral account adjustment riders and deferral account reconciliations.

Natural gas margins were a loss of \$2.3 million, and a gain of \$5.6 million, respectively, for the three and nine months ended September 30, 2009, compared with gains of \$2.7 million and a loss of \$0.5 million, respectively, in the same periods last year. The changes in natural gas margins for the quarter reflect lower sales volumes and changes to the sales product mix. A warmer than normal September in 2009 has reduced third quarter volumes which was partially offset by the continued increases in residential and small commercial customers under the EasyMax<sup>®</sup> program as many EasyMax<sup>®</sup> electricity customers also contract for EasyMax<sup>®</sup> gas. While lower fixed-price sales volumes as a percentage of total sales mix were seen through the year, the ENMAX Energy's fixed-price retail contracting strategy significantly mitigated the impact of this. As fixed-price sales volumes change to variable-price volumes, some of the volumes purchased under fixed-price purchasing contracts are sold at lower market prices. Natural gas margins for the nine months ended September 30, 2009, increased primarily due to a higher average spread between realized sales prices and commodity costs. ENMAX Energy's natural gas customers purchased 2,357 terajoules (TJ) and 22,974 TJ in the three and nine months ended September 30, 2009, compared to 4,319 TJ and 22,334 TJ for the same periods in 2008.

Contractual services and other margins from continuing operations were \$11.3 million and \$38.5 million, respectively, for the three and nine months ended September 30, 2009, compared to \$15.2 million and \$39.1 million, respectively, in the same periods last year. These decreases were due to lower interest earnings partially offset by the reporting of generating facility operating costs in OM&A in 2009. In 2008, these costs were recorded as a cost of contractual services. This change in reporting was completed to better align the operating costs related to an increasing number of facilities. Along with the above, the decreases were also offset by higher fibre optic sales volumes from ENMAX Envision Inc., the Corporation's fibre optics, high-speed data and internet service operations.

ENMAX Energy's OM&A expenses from continuing operations were \$30.0 million in the third quarter of 2009 compared to \$37.5 million in the same period of 2008 and \$100.6 million for the nine months ended September 30, 2009, compared to \$102.5 million in the first nine months of 2008. These decreases were attributable to the reduced costs for billing and customer care operation as well as non-capital costs incurred during the implementation of the new billing system. These reductions were primarily due to the completion of obligations related to the previous external service provider and system as well as savings from the implementation of a new billing system. Partially offsetting these savings were costs associated with generating operating facilities and staffing costs relating to the growth in the business. Also, the segment realized a higher allocation of corporate shared services costs, driven by the increasing activities and operations in the ENMAX Energy segment.

For the three and nine months ended September 30, 2009, amortization from continuing operations totaled \$18.9 million and \$53.4 million, respectively, compared to \$17.9 million and \$50.3 million, respectively, for the same periods in 2008. The increase was driven primarily by amortization charges relating to the additional 10% interest in the Battle River PPA.

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

ENMAX Corporate provides shared services and financing to ENMAX Power and ENMAX Energy. During the three and nine months ended September 30, 2009, net earnings before interest and taxes for ENMAX Corporate were \$1.1 million and (\$0.9) million, respectively, compared to \$4.5 million and \$5.8 million, respectively, in the same periods in 2008. The decrease in earnings in the three and nine months ended September 30, 2009, reflect lower interest revenue on external investments and a non-recurring break fee received in 2008 as a result of failure of the Cordero Energy acquisition. These reductions were offset by lower corporate OM&A costs due to implementation of cost control measures.

## 2 SELECTED QUARTERLY FINANCIAL DATA

	Third	2009 Second	First	Fourth	2008		First	2007 Fourth
<i>(millions of dollars, except operating statistics)</i>								
Total revenue <sup>(2)</sup>	<b>495.6</b>	516.9	693.6	759.8	612.9	646.5	650.7	615.2
Operating margin <sup>(1) (2)</sup>	<b>128.5</b>	201.1	173.8	142.2	167.6	139.7	129.1	127.0
Earnings before interest, income tax, depreciation, amortization <sup>(1) (2)</sup>	<b>87.2</b>	146.6	117.5	77.7	114.2	93.9	80.8	93.0
Net earnings	<b>40.3</b>	51.1	60.0	31.5	62.4	49.3	37.9	38.4
Funds generated from operations <sup>(1) (2)</sup>	<b>68.4</b>	57.7	103.5	55.0	92.9	87.3	69.1	93.7
ENMAX Energy electricity volumes sold (GWh)	<b>3,988</b>	3,916	4,123	3,948	3,943	3,635	3,838	3,706
ENMAX Power electricity volumes sold (GWh)	<b>553</b>	538	571	669	538	570	644	791
Total Electricity volumes sold (GWh)	<b>4,541</b>	4,454	4,694	4,617	4,481	4,205	4,482	4,497
ENMAX Power electricity volumes distributed (GWh)	<b>2,036</b>	2,242	2,353	2,422	2,240	2,226	2,314	2,739
Natural gas volumes sold (TJ)	<b>2,357</b>	6,531	14,086	10,019	4,319	5,418	12,597	10,126

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

(2) 2009 first and second quarter comparative figures have been reclassified to conform to the current presentation.

## 3 NON-GAAP FINANCIAL MEASURES

The Corporation provides non-GAAP financial measures in the MD&A. These measures do not have any standard meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other companies. The purpose of these financial measures and their reconciliation to Canadian GAAP financial measures are shown below. These non-GAAP measures are consistent with the measures used in previous years and quarters.

Operating margin	Three months ended		Nine months ended	
	September 30,		September 30,	
<i>(millions of dollars)</i>	2009	2008	2009	2008
Electricity and natural gas margins	<b>84.1</b>	108.9	<b>291.2</b>	280.9
Transmission and distribution margins	<b>42.2</b>	38.4	<b>147.9</b>	113.7
Contractual services margins and other	<b>2.2</b>	20.3	<b>64.3</b>	41.8
Operating margin (non-GAAP financial measure)	<b>128.5</b>	167.6	<b>503.4</b>	436.4
Add: Cost of sales, excluding OM&A	<b>367.1</b>	445.3	<b>1,202.7</b>	1,473.7
Revenue (GAAP financial measure)	<b>495.6</b>	612.9	<b>1,706.1</b>	1,910.1

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,	
	2009	2008	2009	2008
EBITDA (non-GAAP financial measure)	<b>87.2</b>	114.2	<b>351.3</b>	288.9
Deduct: Amortization	<b>34.2</b>	29.9	<b>103.6</b>	85.1
Interest	<b>15.1</b>	13.4	<b>42.9</b>	26.6
Income taxes	<b>(2.4)</b>	8.5	<b>53.4</b>	27.6
Net earnings (GAAP financial measure)	<b>40.3</b>	62.4	<b>151.4</b>	149.6

EBITDA (Earnings before interest, income tax, depreciation, and amortization) 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,	
	2009	2008	2009	2008
Funds generated from operations (non-GAAP financial measure)	<b>68.4</b>	92.9	<b>229.6</b>	249.3
Changes in non-cash working capital	<b>(6.6)</b>	67.9	<b>9.2</b>	(28.5)
Employee future benefits	<b>(1.4)</b>	(3.1)	<b>(6.3)</b>	(8.2)
Cash provided by operating activities (GAAP financial measure)	<b>60.4</b>	157.7	<b>232.5</b>	212.6

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.

## 4 FINANCIAL CONDITION

Significant changes in the Corporation's financial condition are as follows:

	<b>September 30, 2009</b>	December 31, 2008	\$ Change	% Change	Explanation for change
<i>(millions of dollars, except % change)</i>					
<b>ASSETS</b>					
Cash and cash equivalents	<b>115.8</b>	35.6	80.2	225%	See Section 5: Liquidity and capital resources
Accounts receivable	<b>434.5</b>	544.4	(109.9)	(20%)	Impact of lower commodity prices on revenues billed
Inventory	<b>6.0</b>	0.9	5.1	567%	Increased inventory of renewable energy certificates
Income taxes receivable	<b>14.7</b>	20.4	(5.7)	(28%)	Collection of outstanding amounts for 2002 notice of assessment
Property, plant and equipment	<b>2,082.6</b>	1,897.5	185.1	10%	Capital expenditures, net of amortization
Power purchase arrangements	<b>516.2</b>	502.4	13.8	3%	Additional 10% interest in Battle River PPA, net of amortization
Future income tax asset <sup>(1)</sup>	<b>133.9</b>	146.7	(12.8)	(9%)	Drawdown of non-capital loss carry-forwards and reversals of prior year tax reserves
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
Short-term financing	-	125.2	(125.2)	(100%)	See Section 5: Liquidity and capital resources
Accounts payable and accrued liabilities	<b>358.5</b>	420.7	(62.2)	(15%)	Impact of lower commodity prices on costs incurred
Dividend payable	<b>13.8</b>	-	13.8	100%	Remaining quarterly installments on \$55 million dividend declared earlier in the year
Income taxes payable	<b>32.1</b>	47.3	(15.2)	(32%)	Lower taxable earnings levels
Long-term debt <sup>(1)</sup>	<b>1,359.1</b>	1,024.6	334.5	33%	Issuance of \$250.0 million in private debentures and \$116.9 million in shareholder debentures
Future income tax liability <sup>(1)</sup>	<b>98.5</b>	137.5	(39.0)	(28%)	Drawdown of non-capital loss carry-forwards
Other long-term liabilities	<b>74.5</b>	118.9	(44.4)	(37%)	Change in the fair value of long-term derivatives and unrealized hedging liabilities

<sup>(1)</sup> Includes current and long-term amounts

## 5 LIQUIDITY AND CAPITAL RESOURCES

### Capitalization

<i>(millions of dollars)</i>	<b>September 30, 2009</b>	December 31, 2008
Total debt <sup>(1)</sup>	<b>1,359.1</b>	1,149.8
Shareholder's equity		
Share capital	<b>280.1</b>	280.1
Retained earnings	<b>1,432.9</b>	1,328.3
Accumulated other comprehensive loss	<b>(32.3)</b>	(11.9)
Total shareholder's equity	<b>1,680.7</b>	1,596.5
Total capitalization (total debt plus shareholder's equity)	<b>3,039.8</b>	2,746.3

(1) Includes short-term financing of nil (2008 - \$125.2 million) and current portion of long-term debt of \$58.6 million (2008 - \$44.2 million). Maturity dates range from October 2009 to September 2034.

The details of the long-term debt are as follows:

<i>(millions of dollars)</i>	<b>September 30, 2009</b>	December 31, 2008
As at		
Long-term debt <sup>(1)</sup> , consisting of:		
Alberta Capital Finance Authority debentures, with remaining terms of:		
Less than 5 years	<b>54.5</b>	29.8
5 – 10 years	<b>94.2</b>	74.6
11 – 15 years	<b>114.7</b>	169.5
16 – 20 years	<b>27.3</b>	17.6
21 – 25 years	<b>239.3</b>	147.0
Private debentures		
Series 1, remaining term of 9 years, bullet maturity on June 19, 2008	<b>296.8</b>	296.6
Series 2, remaining term of 5 years, bullet maturity on April 8, 2014	<b>248.5</b>	–
Non-recourse term financing (Furry Creek, Kettles and CEC), remaining term of 17 years	<b>266.3</b>	271.7
Non-recourse term financing (Proportionate Share of EnPower Joint Venture), remaining term of 19 years	<b>11.7</b>	11.9
Promissory note, remaining term of 17 years	<b>5.8</b>	5.9
	<b>1,359.1</b>	1,024.6

**Coverage ratios**

	<b>September 30, 2009</b>	December 31, 2008
Long-term debt to total capitalization <sup>(1)</sup>	<b>44.7%</b>	39.1%
Pre-tax interest coverage ratio <sup>(2)</sup>	<b>5.8X</b>	6.8X

(1) As at period end, long-term debt (including current portion) to total capitalization is equal to long-term debt divided by long-term debt plus shareholder's equity. If cash was netted against the debt, the ratio as at September 30, 2009, would be 40.6% (December 31, 2008 – 38.3%)

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

**Capital strategy**

The Corporation's capital strategy is to maintain the coverage ratios described above, within target ranges that will attract investment grade ratings. The target for long-term debt to total capitalization is 45% or lower. The target range for pre-tax interest coverage ratio is 5.5 or higher. Target ratios may be missed for periods where funding has been put in place for projects that have not yet commenced commercial operations. The Corporation actively monitors these ratios. ENMAX believes that these processes and targets assist in maintaining credit ratings of BBB+ or higher. This strategy provides reasonable access to capital debt markets.

The principal financial covenants in ENMAX's credit facilities and debentures are interest coverage and debt to capitalization. As at September 30, 2009, ENMAX was in breach of its financial covenants relating to the Furry Creek business line. The outstanding long-term debt balance at the balance sheet date for Furry Creek is \$12.8 million, and therefore, ENMAX has sufficient cash on hand at the balance sheet date to extinguish all non-recourse debt related to the breached covenant. The covenants on the Corporation's remaining \$1,346.3 million in debt have not been breached. ENMAX is currently in discussions with the lender to Furry Creek regarding obtaining a waiver for the breach in the current period.

**Cash provided by operating activities**

Cash provided by operating activities for the three months ended September 30, 2009, was \$60.4 million, compared to \$157.7 million for the same period last year. The decrease in cash flow from operations for the quarter was driven by lower EBITDA (described in Section 1 above). For the nine months ended September 30, 2009, cash provided by operating activities was \$232.5 million compared to \$212.6 million in the comparable period in 2008. The increase in cash flow from operations for the nine months ended September 30, 2009, was driven by lower working capital levels as a result of a reduction of accounts receivable amounts compared to December 31, 2008 combined with higher EBITDA (described in Section 1 above).

At September 30, 2009, cash and cash equivalents amounted to \$115.8 million (compared to \$35.6 million on December 31, 2008).

### **Investing activities**

Capital spending was \$89.4 million in the third quarter of 2009, an increase of \$6.1 million over the same period last year. Capital spending for the nine months ended September 30, 2009, was \$306.8 million, an increase of \$106.9 million from the same nine month period in 2008. Capital projects for the nine months ended September 30, 2009, included \$75.6 million investment in the transmission and distribution network in the Calgary and surrounding area, \$163.4 million in construction costs related to Calgary area generation projects, and \$11.2 million in information technology expansion. The remaining expenditures were primarily for regulated assets not specifically related to the transmission and distribution network and BC-based generation projects. Investing activities for the nine months ended September 30, 2009, also included the acquisition of an additional 10% interest in the Battle River PPA for a cost of \$48.1 million.

### **Financing activities**

Financing activities for the nine months ended September 30, 2009 included an issuance of \$250.0 million in 5-year debentures, with interest payable semi-annually at 5.85%. These funds were issued for general corporate purposes, including repayment of short-term borrowings, financing the capital expenditures program and general working capital requirements. During the first nine months of 2009, the Corporation also obtained \$116.9 million of financing from The City of Calgary (The City) through arrangements with the Alberta Capital Finance Authority to fund continued investment relating to the regulated transmission and distribution network in Calgary and surrounding area.

ENMAX repaid \$9.7 million and \$30.8 million, respectively, of long-term debt in regularly scheduled principal payments during the three and nine months ended September 30, 2009, compared to \$8.7 million and \$27.0 million, respectively, for the same periods in 2008. These repayments were sourced through operating activities.

ENMAX has credit facilities available of \$750.0 million (\$730.0 million at December 31, 2008), which are used for general corporate purposes and as a backstop for the commercial paper program. At September 30, 2009, there was \$243.0 million in outstanding letters of credit (\$340.6 million at December 31, 2008). There were no bankers' acceptances, commercial paper and account overdrafts outstanding at September 30, 2009 (\$125.2 million in 2008).

On March 17, 2009, ENMAX declared a dividend for 2009 of \$55.0 million to The City, its sole shareholder. The dividend is \$5.0 million more than what was declared in 2008 and is payable in equal quarterly installments during 2009.

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.

## **6 TRANSACTIONS WITH RELATED PARTIES**

ENMAX's related-party transactions comprise both revenues from and expenditures to The City. In the three and nine months ended September 30, 2009, transactions with The City amounted to \$0.8 million and \$64.2 million in revenue, respectively, compared with \$2.8 million and \$67.3 million, respectively, in the same periods in 2008. The significant components include contract sales of electricity, provision of non-regulated power distribution services, and billing and customer care services relating to The City's utilities departments. In the three and nine months ended September 30, 2009, total expenditures for goods and services received from The City were \$28.2 million and \$89.9 million, respectively, compared with \$34.8 million and \$100.8 million, respectively, in the same periods in 2008. Most of these expenditures were for local access fees for the use of The City's rights-of-way.

## **7 RECENT ACCOUNTING PRONOUNCEMENTS**

### **Credit Risk and Fair Value of Financial Assets and Liabilities**

In January 2009, the Canadian Institute of Chartered Accountants (CICA) issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This standard is for the Corporation's fiscal year January 1, 2009, with retrospective application without restatement. As a result of the application of this new standard, the fair value of derivatives included in other long-term liabilities was reduced by \$11.0 million and future income tax liability was increased by \$2.8 million. As this was an opening balance adjustment, retained earnings were increased by \$8.2 million, including the tax impact of \$2.8 million. There was no impact to the current reporting periods.

### **Rate-Regulated Operations**

Effective January 1, 2009, the temporary exemption from CICA Handbook Section 1100, "Generally Accepted Accounting Principles (GAAP)", which permits the recognition and measurement of assets and liabilities arising from rate-regulation, was withdrawn. This change has been applied prospectively beginning January 1, 2009. This new standard did not have a material effect on the Corporation's consolidated financial statements as other GAAP standards deal with the specific accounting requirements of regulatory accounting.

## Intangible Assets

Effective January 1, 2009, the Corporation adopted the CICA Handbook Sections relating to the revisions to standards dealing with intangible assets. The revisions are intended to align the definition of an intangible asset under Canadian GAAP with that under International Financial Reporting Standards (IFRS) and US 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’s (IASB) “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. Emerging Issues Committee (EIC) abstract 27 “Revenues and Expenditures During the Pre Operating Period” will no longer apply with the adoption of Section 3064. Under this new guidance, certain assets classified as property, plant and equipment have been reclassified as intangible assets. The net book value amount reclassified at January 1, 2009 was \$107.4 million. The adoption of this new section did not have an effect on the total amount of long-term assets capitalized, and had no impact on previously reported earnings. No assets had been capitalized using the guidance in EIC-27.

## 8 FUTURE ACCOUNTING CHANGES

### Improving Disclosures about Financial Instruments

The Accounting Standards Board of Canada (AcSB) agreed to adopt the final version of the amendments to IFRS 7, “Financial Instruments: Disclosures”, issued in March 2009. The amendments were made to Section 3862, “Financial Instruments — Disclosures” (and also the version of IFRS 7 to be incorporated into the Handbook later this year as part of the AcSB’s IFRS transition strategy). The amendments to IFRS 7 are to enhance disclosures about fair value measurements, including the relative reliability of the inputs used in those measurements, and about the liquidity risk of financial instruments. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009. The AcSB decided that an entity need not provide comparative information for the disclosures required by the amendments in the first year of application. The Corporation is currently assessing the impact of these new disclosure requirements.

### International Financial Reporting Standards (IFRS)

On February 13, 2008, the AcSB formally confirmed full convergence of Canadian accounting standards with IFRS, as issued by the 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. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies. 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. A project team has been committed to complete this convergence and external advisory services have 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. This phase identified the key impact areas as rate regulated activities, accounting for property, plant and equipment, accounting for power purchase arrangements, and accounting for employee benefits. The Income Taxes section of IFRS has since been added to this list after assessing the potential impacts arising from an exposure draft issued earlier this year. As well, the initial adoption of IFRS under the provisions of IFRS 1, "First-Time Adoption of IFRS" is a significant impact area.

The research and evaluation phase of the project is approaching completion. This phase will provide a detailed analysis of the differences between Canadian GAAP and IFRS along with the preliminary financial impacts of those differences. Many areas of the project have progressed into the conversion phase with detailed policies and procedures being developed and system requirements being identified. These policies, procedures and financial assessments are revised as necessary for changes in accounting standards. At present, a summary of key areas of impact is provided in the following table.

Area	Financial Reporting Impact	System and Process Impact	Business Impact	Status
Rate Regulated Activities	Potential impact to balance sheet and earnings.	Potential impact to financial systems and processes.	Continuing to Assess	Monitoring IASB activities in introducing a standard. Detailed assessment on-going.
Property, Plant and Equipment	Potential impact to balance sheet and earnings.	Potential impact to financial systems and processes.	Continuing to Assess	Detailed assessment completed. Processes and system configurations underway.
Power Purchase Arrangements	Potential impact to balance sheet and earnings.	Potential impact to financial systems and processes.	Continuing to Assess	Monitoring IASB progress in revising the standard. Detailed assessment completed. Process and system configurations underway.
Employee Benefits	Potential impact to balance sheet and earnings.	Additional processes may be required.	Continuing to Assess	Monitoring IASB progress in revising the standard. Detailed assessment of the current standard is completed. Designing processes and reporting needs.
Income Taxes	Potential impact to balance sheet on adoption.	Additional processes may be required.	Continuing to Assess	Monitoring IASB progress in revising the standard. Detailed assessment on-going.
IFRS 1 Exemptions	Potential impact to balance sheet on adoption.	None identified	Continuing to Assess	Detailed assessment on-going.

The IFRS project team continues to monitor IASB activities and industry perspectives. On May 19, 2009, the AUC approved Rule 026; "Rule Regarding Regulatory Account Procedures Pertaining to the Implementation of International Financial Reporting Standards". The Corporation was an active participant in the collaborative process adopted in developing this rule and believes the procedures to be fair and comprehensive.

The IASB continues to issue new accounting standards during the conversion period and, as a result, the final impact of the IFRS on the Corporation's consolidated financial statements will only be measured once all IFRS applicable at the conversion date are known.

### **Financial Debt Instruments - Recognition and Measurement**

In July 2009, the Accounting Standards Board approved amendments to Section 3855 – "Financial Instruments: Recognition and Measurement" in order to converge with international standards for impairment of debt instruments by changing the categories into which debt instruments are required and permitted to be classified. These amendments will permit (or require in certain circumstances) entities to reclassify certain investments in debt instruments, amend the guidance regarding impairment measurement for held-to-maturity debt instruments and require reversals of impairment losses for available-for-sale-debt instruments when conditions have changed. These amendments apply only to investments in debt instruments and do not apply to investments in equity instruments or to debt instruments that have been designated at origination as held-for-trading. The amendments are effective for annual financial statements for fiscal years beginning on or after November 1, 2008. An entity is permitted, but not required, to apply these amendments to interim financial statements relating to periods within the fiscal year of adoption only if those interim financial statements are issued on or after August 20, 2009. There is no impact to the Corporation as a result of this amendment.

## **9 CRITICAL ACCOUNTING ESTIMATES**

Since a determination of the value of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of the Corporation's consolidated financial statements requires the use of estimates and assumptions that have been made using careful judgment. Adjustments to previous estimates, which will impact net income and could be material, are recorded in the period they become known.

ENMAX's critical accounting estimates are related to unbilled revenue accruals, allowance for doubtful accounts, amortization expense, asset impairment, asset retirement obligations and provisions for income taxes, including income taxes receivable. These critical estimates are described in Section 11 of Management's Discussion and Analysis in ENMAX's 2008 Annual Report. There have been no changes in the techniques and models used in preparing and evaluating these estimates. For additional information, refer to note 1 of the consolidated financial statements in the 2008 Annual Report.

## **10 RISK MANAGEMENT AND UNCERTAINTIES**

ENMAX follows an integrated approach to risk management on a corporate-wide basis. For further information on risks, refer to Section 12 of the Management's Discussion and Analysis in the 2008 Annual Report and the accompanying consolidated financial statements.

Management has increased its credit and collections activities to monitor credit risk exposures in light of recent market conditions, and has implemented available measures to protect against any further losses. In specific situations, this includes, but is not limited to, a reduction of credit limits, requests for additional collateral, or restriction of new transaction terms.

## **11 OUTLOOK**

The discussion in this section is qualified by the Caution regarding forward-looking statements at the beginning of Management's discussion and analysis.

ENMAX expects commodity prices to remain weak for the balance of 2009. While a large portion of the Corporation's exposure to commodity prices is mitigated through variable-price contracts and fixed-price hedges, some impact of these weak commodity prices is expected to be experienced. This is expected to negatively impact electricity and gas margins. Transmission and distribution margins are expected to remain in line with expectation and continue to see improvement from the prior year due to the FBR regulatory decision received in early 2009. While the general economic outlook seems to be improving, contractual services margins are expected to remain below plan due to delays in construction and transit projects. Gains and losses on foreign exchange exposures and financial instruments will be mitigated by the hedging activities put in place and minimal further volatility is expected. In response to the weakened economic conditions, the Corporation will continue to actively manage its 2009 operating costs and capital expenditure programs in order to maintain its history of stability.

## 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 600,000 residential, commercial, and industrial customer accounts in Alberta. ENMAX Energy Corporation, a subsidiary of ENMAX Corporation, is Alberta's leading competitive electricity retailer. Through subsidiaries, ENMAX Energy is one of Alberta's largest investors in renewable energy and was the first Canadian electricity retailer to offer customers the option to support wind generated energy. As well, ENMAX Corporation, through its subsidiary ENMAX Envision, provides fibre optic networks for high speed data and internet communications

ENMAX welcomes questions from stakeholders.

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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> <i>(millions of dollars)</i>	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
Cash and cash equivalents (note 4)	\$ 115.8	\$ 35.6
Accounts receivable (notes 4 and 5)	434.5	544.4
Inventories	6.0	0.9
Income taxes receivable	14.7	20.4
Future income tax asset	10.2	10.4
Other current assets (note 4)	115.8	114.1
	<u>697.0</u>	<u>725.8</u>
Property, plant and equipment (note 7)	2,082.6	1,897.5
Power purchase arrangements (note 8)	516.2	502.4
Intangible assets (note 9)	135.6	139.4
Goodwill	16.0	16.0
Employee future benefits (note 10)	15.3	14.6
Future income tax asset	123.7	136.3
Other long-term assets (notes 4 and 5)	45.6	49.6
<b>TOTAL ASSETS</b>	<u>\$ 3,632.0</u>	<u>\$ 3,481.6</u>
<b>LIABILITIES</b>		
Short term debt (note 11)	\$ -	\$ 125.2
Accounts payable and accrued liabilities (note 4)	358.5	420.7
Dividends payable	13.8	-
Income taxes payable	32.1	47.3
Customer guarantee deposits	14.8	10.9
Future income tax liability	6.5	1.0
Current portion of long-term debt (note 4)	58.6	44.2
	<u>484.3</u>	<u>649.3</u>
Long-term debt (note 4)	1,300.5	980.4
Future income tax liability	92.0	136.5
Other long-term liabilities (note 4)	74.5	118.9
<b>SHAREHOLDER'S EQUITY</b>		
Share capital	280.1	280.1
Retained earnings	1,432.9	1,328.3
Accumulated other comprehensive loss (note 12)	(32.3)	(11.9)
	<u>1,400.6</u>	<u>1,316.4</u>
	<u>1,680.7</u>	<u>1,596.5</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u>\$ 3,632.0</u>	<u>\$ 3,481.6</u>
Commitments and contingencies (note 8 and 13)		

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

<i>(unaudited)</i> <i>(millions of dollars)</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
<b>REVENUE (note 6)</b>				
Electricity	\$ 372.7	\$ 451.4	\$ 1,128.3	\$ 1,337.9
Natural gas	27.0	38.3	208.2	227.9
Transmission and distribution	81.5	83.8	269.1	248.3
Contractual services	18.1	28.3	56.1	80.2
Other	(3.7)	11.1	44.4	15.8
<b>TOTAL REVENUE</b>	<b>495.6</b>	612.9	<b>1,706.1</b>	1,910.1
<b>COST OF SERVICES PROVIDED (note 6)</b>				
Electricity	286.3	345.2	842.7	1,056.5
Natural gas	29.3	35.6	202.6	228.4
Local access fees and grid charges	39.3	45.4	121.2	134.6
Contractual services	12.2	19.1	36.2	54.2
Operations, maintenance and administration	41.3	53.4	152.1	147.5
<b>TOTAL COST OF SERVICES PROVIDED</b>	<b>408.4</b>	498.7	<b>1,354.8</b>	1,621.2
	87.2	114.2	351.3	288.9
Amortization	34.2	29.9	103.6	85.1
Interest	15.1	13.4	42.9	26.6
Income taxes	(2.4)	8.5	53.4	27.6
<b>NET EARNINGS</b>	<b>40.3</b>	62.4	<b>151.4</b>	149.6
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>				
Unrealized gains (losses) on available-for-sale financial assets arising during the period, includes future income tax expense of \$nil and \$0.1 for the three and nine month period, respectively (2008 - \$0.4 benefit and \$0.5 benefit)	0.2	(3.4)	1.6	(2.4)
Unrealized gains (losses) on derivatives designated as cash flow hedges, includes future income tax expense of \$1.8 and \$2.5 for the three and nine month period, respectively (2008 - \$2.6 expense and \$0.1 expense)	(0.2)	(69.2)	(42.9)	8.1
Realized losses (gains) on derivatives designated as cash flow hedges in prior periods transferred to net earnings in current period, includes future income tax benefit of \$0.6 and expense of \$1.4 for the three and nine month period, respectively (2008 - \$2.3 expense and \$5.4 expense)	10.3	7.5	20.7	14.2
Realized losses (gains) on available-for-sale financial assets transferred to net earnings in the current period, includes future income tax expense of \$nil for both the three and nine month period (2008 - \$0.1 benefit and \$0.1 benefit, respectively)	0.2	(0.8)	0.2	(0.8)
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>	<b>10.5</b>	(65.9)	<b>(20.4)</b>	19.1
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ 50.8</b>	\$ (3.5)	<b>\$ 131.0</b>	\$ 168.7

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

<i>(unaudited)</i> <i>(millions of dollars)</i>	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
<b>BALANCE, JANUARY 1, 2008</b>	\$ 280.1	\$ 1,197.2	\$ (18.5)	\$ 1,458.8
Net earnings for the period	-	87.2	-	87.2
Dividends	-	(50.0)	-	(50.0)
Other comprehensive income, including future income tax expense of \$0.5	-	-	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), including future income tax expense 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>
Net earnings (loss) for the remainder of 2008	-	31.5	(12.5)	19.0
<b>BALANCE, DECEMBER 31, 2008</b>	<b>280.1</b>	<b>1,328.3</b>	<b>(11.9)</b>	<b>1,596.5</b>
Transition adjustment resulting from adopting new accounting standard (note 2)	-	8.2	-	8.2
Net earnings for the period	-	111.1	-	111.1
Dividends	-	(55.0)	-	(55.0)
Other comprehensive income (loss), including future income tax expense of \$2.8	-	-	(30.9)	(30.9)
<b>BALANCE, JUNE 30, 2009</b>	<b>280.1</b>	<b>1,392.6</b>	<b>(42.8)</b>	<b>1,629.9</b>
Net earnings for the period	-	40.3	-	40.3
Other comprehensive income, including future income tax expense of \$1.2	-	-	10.5	10.5
<b>BALANCE, SEPTEMBER 30, 2009</b>	<b>\$ 280.1</b>	<b>\$ 1,432.9</b>	<b>\$ (32.3)</b>	<b>\$ 1,680.7</b>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
<i>(unaudited)</i> <i>(millions of dollars)</i>				
<b>CASH PROVIDED BY (USED IN):</b>				
<b>OPERATING ACTIVITIES</b>				
Net earnings	\$ 40.3	\$ 62.4	\$ 151.4	\$ 149.6
Items not involving cash:				
Amortization	34.2	29.9	103.6	85.1
Future income taxes	(0.8)	(7.5)	13.0	(4.6)
Change in unrealized market value of financial contracts	(10.4)	0.6	(42.9)	2.9
Other	5.1	7.5	4.5	16.3
	<u>68.4</u>	<u>92.9</u>	<u>229.6</u>	<u>249.3</u>
Change in non-cash working capital	(6.6)	67.9	9.2	(28.5)
Employee future benefits	(1.4)	(3.1)	(6.3)	(8.2)
	<u>60.4</u>	<u>157.7</u>	<u>232.5</u>	<u>212.6</u>
<b>INVESTING ACTIVITIES</b>				
Additions to power purchase arrangements (note 8)	-	-	(48.1)	(53.6)
Purchase of property, plant and equipment	(89.4)	(83.3)	(306.8)	(199.9)
Other long-term assets	(3.7)	5.6	(3.7)	(3.9)
Obtain (refund) customer guarantee deposits	4.2	1.3	3.9	(1.6)
Acquisitions, net of cash acquired	-	-	-	(121.7)
Contributions in aid of construction	10.5	6.3	41.3	15.3
	<u>(78.4)</u>	<u>(70.1)</u>	<u>(313.4)</u>	<u>(365.4)</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of short-term financing	(10.0)	(15.0)	(1,106.1)	(1,331.7)
Proceeds of short-term financing	-	-	980.9	1,295.8
Proceeds of long-term debt	-	-	365.3	363.2
Repayment of long-term debt	(9.7)	(8.7)	(30.8)	(27.0)
Dividend paid	(13.7)	(12.5)	(41.2)	(37.5)
Other long-term liabilities	(1.8)	(1.6)	(7.0)	(5.1)
	<u>(35.2)</u>	<u>(37.8)</u>	<u>161.1</u>	<u>257.7</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(53.2)</b>	<b>49.8</b>	<b>80.2</b>	<b>104.9</b>
Cash and cash equivalents at beginning of period	169.0	107.5	35.6	52.4
	<u>\$ 115.8</u>	<u>\$ 157.3</u>	<u>\$ 115.8</u>	<u>\$ 157.3</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>				
Supplementary information				
Interest paid	\$ 13.0	\$ 5.5	\$ 32.9	\$ 17.6
Income taxes paid	\$ 12.0	\$ 3.9	\$ 56.3	\$ 22.5
Cash and cash equivalents consist of:				
Cash	\$ 52.8	\$ 16.1	\$ 52.8	\$ 16.1
Short-term investments	\$ 63.0	\$ 141.2	\$ 63.0	\$ 141.2

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 (GAAP). The accounting policies and presentation 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, 2008. 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 2008 Annual Report. Amounts are stated in millions of Canadian dollars, except as otherwise noted.

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**

#### **Rate-Regulated Operations**

Effective January 1, 2009, the temporary exemption from Canadian Institute of Chartered Accountants (CICA) Handbook Section 1100, "Generally Accepted Accounting Principles", which permits the recognition and measurement of assets and liabilities arising from rate regulation, was withdrawn. This change has been applied prospectively beginning January 1, 2009. This new standard did not have a material effect on the Corporation's consolidated financial statements as other Canadian GAAP standards deal with the specific accounting requirements of regulatory accounting.

#### **Intangible Assets**

Effective January 1, 2009, the Corporation adopted the CICA Handbook Sections relating to the revisions to standards dealing with intangible assets. The revisions are intended to align the definition of an intangible asset under Canadian GAAP with that under International Financial Reporting Standards (IFRS) and US 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. Emerging Issues Committee (EIC) abstract 27 "Revenues and Expenditures During the Pre-Operating Period" will no longer apply with the adoption of Section 3064. Under this new guidance, computer software assets classified as property, plant and equipment have been reclassified as intangible assets. The net book value amount reclassified at January 1, 2009 was \$107.4 million. The adoption of this new section did not have an effect on the total amount of long-term assets capitalized, and had no impact on previously reported earnings. No assets had been capitalized using the guidance in EIC-27.

## **2. Change in Accounting Policy (continued)**

### **Credit Risk and Fair Value of Financial Assets and Liabilities**

In January 2009, the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This standard is effective for the Corporation's fiscal year January 1, 2009, with retrospective application without restatement. As a result of the application of this new standard, the fair value of derivatives included in other long-term liabilities was reduced by \$11.0 million and future income tax liability was increased by \$2.8 million. As this was an opening balance adjustment, retained earnings were increased by \$8.2 million, including the tax impact of \$2.8 million. There was no impact to the current reporting periods.

### **Other Accounting Policy Changes**

The Corporation has reclassified certain income statement line items to more accurately reflect the underlying transactions. There is no effect on net income as a result in the change and comparative period numbers have been restated to reflect this change.

## **3. Future Accounting Changes**

### **Improving Disclosures about Financial Instruments**

The Accounting Standards Board of Canada (AcSB) agreed to adopt the final version of the amendments to IFRS 7, "Financial Instruments: Disclosures", issued in March 2009. The amendments were made to Section 3862, "Financial Instruments — Disclosures" (and also the version of IFRS 7 to be incorporated into the Handbook later this year as part of the AcSB's IFRS transition strategy). The amendments to IFRS 7 are to enhance disclosures about fair value measurements, including the relative reliability of the inputs used in those measurements, and about the liquidity risk of financial instruments. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009. The AcSB decided that an entity need not provide comparative information for the disclosures required by the amendments in the first year of application. The Corporation is currently assessing the impact of these new disclosure requirements.

### **International Financial Reporting Standards**

On February 13, 2008, the AcSB formally confirmed full convergence of Canadian accounting standards with IFRS, as issued by the (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. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting recognition and financial disclosure. The Corporation is currently assessing the financial statement impact of the transition to IFRS.

### **3. Future Accounting Changes (continued)**

#### **Financial Debt Instruments - Recognition and Measurement**

In July 2009, the Accounting Standards Board approved amendments to Section 3855 – “Financial Instruments: Recognition and Measurement” in order to converge with international standards for impairment of debt instruments by changing the categories into which debt instruments are required and permitted to be classified. These amendments will permit (or require in certain circumstances) entities to reclassify certain investments in debt instruments, amend the guidance regarding impairment measurement for held-to-maturity debt instruments and require reversals of impairment losses for available-for-sale-debt instruments when conditions have changed. These amendments apply only to investments in debt instruments and do not apply to investments in equity instruments or to debt instruments that have been designated at origination as held-for-trading. The amendments are effective for annual financial statements for fiscal years beginning on or after November 1, 2008. An entity is permitted, but not required, to apply these amendments to interim financial statements relating to periods within the fiscal year of adoption only if those interim financial statements are issued on or after August 20, 2009. There is no impact to the Corporation as a result of this amendment.

### **4. Financial Instruments, Hedges and Risk Management**

#### *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 Value-at-Risk (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 three to five business days at the 97.5% confidence level resulting from fluctuations in price and volumetric risk factors.

#### 4. Financial Instruments, Hedges and Risk Management (continued)

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 and volumetric risks. ENMAX's pre-tax portfolio VaR levels for commodity price risk for the prompt 12 months time horizon is as follows:

Value at Risk Levels <i>(millions of dollars)</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Average	5.1	4.3	5.6	3.2
High	7.7	5.3	9.0	5.3
Low	3.0	3.1	3.0	1.6

Total commodity VaR including volumetric risk in the third quarter of 2009 averaged \$9.0 million, with a high of \$11.7 million, and a low of \$7.0 million. (2008 - average \$6.9 million, high \$8.9 million, and low \$5.4 million). For the first nine months ended September 30, 2009, total commodity VaR including volumetric risk averaged \$8.6 million, with a high of \$11.7 million, and a low of \$6.7 million (2008 - average \$6.6 million, high \$8.9 million, and low \$5.4 million).

##### *Foreign exchange and interest rate risk*

ENMAX is not exposed to interest rate risk and volatility on its long-term debt on its annual interest expense as a result of the issuance of fixed-rate long-term debt and the use of interest rate hedging instruments. However, the fair value of ENMAX's long-term debt and any associated interest rate hedging instruments change as interest rates change, assuming all other variables remain constant. For example, a 1% change in interest rates as at September 30, 2009, would have an effect on fair value of fixed interest rate debt of \$73.5 million.

Changes in the value of the Canadian dollar relative to the US dollar could impact the Canadian dollar cost of natural gas, which affects the input cost of the Corporation's natural gas-fired generation capacity, as well as the cost of the Corporation offering fixed price gas contracts to its customers. The foreign exchange impact on these gas purchases is offset, when possible, by foreign exchange hedges and therefore ENMAX is not exposed to foreign exchange risk. As at September 30, 2009, the Corporation held \$0.2 million in US denominated cash. The exposure to a 1% change in foreign exchange rates, for example, would be immaterial.

#### 4. Financial Instruments, Hedges and Risk Management (continued)

##### *Credit risk*

The Corporation's maximum financial statement exposure to credit risk is the carrying value of the financial assets, as set out in the table below. However, this maximum exposure does not reflect losses expected by management.

As at, (millions of dollars)	September 30, 2009	December 30, 2008
Cash and cash equivalents (1)	115.8	35.6
Accounts receivable (2)	434.5	544.4
Other current assets (3)	115.8	114.1
Other long-term assets (3)	45.6	49.6

##### *(1) 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 counterparties. Continuous reviews are performed to evaluate changes in the credit quality of counterparties.

##### *(2) Accounts receivable – credit risk*

Credit losses from ENMAX Energy during the three month period ending September 30, 2009, totaled \$2.3 million, which are included in the allowance for doubtful accounts provision at September 30, 2009. Credit losses for the Corporation for the nine month period ending September 30, 2009, totaled \$3.7 million. Management has increased its credit and collections activities to monitor credit risk exposures in light of recent market conditions, and has implemented available measures to protect against any further losses. In specific situations, this includes, but is not limited to, a reduction of credit limits, requests for additional collateral, or restriction of new transaction terms.

The aging analysis of trade receivables which are past due but not impaired is as follows:

As at, (millions of dollars)	September 30, 2009	December 31, 2008
1-30 days past due	12.5	16.9
31-60 days past due	3.6	4.0
61 days past due and over	15.1	9.4
<b>Total past due</b>	<b>31.2</b>	<b>30.3</b>

#### 4. Financial Instruments, Hedges and Risk Management (continued)

As at September 30, 2009, the allowance for doubtful accounts was \$9.4 million. The changes in the allowance were as follows:

<i>(millions of dollars)</i>	<b>Nine months ended September 30, 2009</b>	Year ended December 31, 2008
Provision at the beginning of the period	7.1	8.3
Increase to allowance	3.7	7.4
Write-offs	<b>(1.4)</b>	(8.6)
<b>Provision at end of the period</b>	<b>9.4</b>	7.1

The remainder of the accounts receivable balance outstanding at September 30, 2009 are unbilled revenue accruals and as such, no provisions have been recorded due to the minimal credit risk as at the balance sheet date.

##### (3) 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 offset. 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, and/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. Additional payments, if any, that would have to be made to settle unrealized losses on accrual contracts.

The Corporation has concentrations of counterparty credit risk with unrated entities. 96% of the exposure at September 30, 2009, was with an industry accepted and independently collateralized energy exchange with widespread operations in the Alberta market. The Corporation believes there is minimal risk of default, however, mitigating trading strategies have been implemented to reduce exposures and to further minimize risk.

#### 4. Financial Instruments, Hedges and Risk Management (continued)

##### *Liquidity risk*

The following table details the remaining contractual maturities for ENMAX's non-derivative financial liabilities, including both the principal and interest cash flows:

<i>As at, (millions of dollars)</i>	<b>September 30, 2009</b>	December 31, 2008
2009	<b>66.6</b>	104.6
2010	<b>122.0</b>	99.8
2011	<b>119.1</b>	98.4
2012	<b>116.4</b>	93.3
2013	<b>113.1</b>	89.9
Thereafter	<b>1,512.2</b>	1,105.0

The following table details the remaining contractual maturities for ENMAX's derivative financial liabilities, including both the principal and interest cash flows:

<i>As at, (millions of dollars)</i>	<b>September 30, 2009</b>	December 31, 2008
2009	<b>15.3</b>	64.6
2010	<b>57.0</b>	28.5
2011	<b>9.6</b>	15.4
2012	<b>5.7</b>	10.1
2013	<b>2.2</b>	5.7
Thereafter	<b>16.5</b>	15.9

In addition, guarantees are provided by the Corporation to third parties on behalf of certain consolidated subsidiaries for obligations under contracts that facilitate physical and financial transactions using various derivatives. The guarantees provided as at September 30, 2009 were for a maximum of \$633.0 million. The fair value of the trading and hedging positions under contracts with a net liability at September 30, 2009, under the guarantees, was \$62.7 million. The liabilities for these amounts are included in the balance sheet under 'Accounts payable and accrued liabilities'.

The Corporation has also provided guarantees on behalf of certain consolidated subsidiaries for obligations to perform and make payments under various other contracts. The amount guaranteed under these contracts at September 30, 2009, was a maximum of \$346.2 million.

#### 4. Financial Instruments, Hedges and Risk Management (continued)

The Corporation was not in compliance with all financial covenants as of September 30, 2009. The covenants on the non-recourse financing of the Furry Creek business line were breached during the period ending September 30, 2009. The outstanding long-term debt balance at the balance sheet date for Furry Creek is \$12.8 million, and therefore, ENMAX has sufficient cash on hand at the balance sheet date to extinguish all non-recourse debt related to the breached covenant. The covenants on the Corporation's remaining \$1,346.3 million in debt have not been breached. ENMAX is currently in discussions with the lender to Furry Creek regarding obtaining a waiver for the breach.

##### *Fair value*

Fair value of financial instruments are determined by reference to quoted bid or asking price, as appropriate, in active markets at reporting 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.

##### *Non-derivative financial assets and liabilities*

Cash and cash equivalents are recorded at fair market value. Fair values for accounts receivable, short-term financing, accounts payable and accrued liabilities are not materially different from their carrying amounts due to their short-term nature.

Investments in equity instruments in the amount of \$5.1 million (December 31, 2008 - \$3.2 million) are included in other long-term assets on the balance sheet. Investments in publicly traded equity instruments are treated as available-for-sale and are carried at fair value and changes to fair value are recorded through other comprehensive income. The fair value of these instruments is obtained through reference to a listed bid price in an active market.

Equity investments in private companies do not have an available active market for their shares and are therefore carried at cost.

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 for comparable credit-rated entities to the Corporation.

#### 4. Financial Instruments, Hedges and Risk Management (continued)

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

As at <i>(millions of dollars)</i>	September 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (1), consisting of:				
Debentures, with remaining terms of:				
Less than 5 years	54.5	58.7	29.8	32.1
6 - 10 years	94.2	104.6	74.6	82.8
11 - 15 years	114.7	122.4	169.5	177.5
16 - 20 years	27.3	29.7	17.6	18.3
21 - 25 years	239.3	259.9	147.0	151.0
Private debentures				
Series 1 (6.15%)	296.8	331.7	296.6	280.3
Series 2 (5.85%)	248.5	277.9	-	-
Non-recourse term financing (Furry Creek, Kettles and CEC)	266.3	275.7	271.7	324.4
Non-recourse term financing (Proportionate Share of EnPower Joint Venture)	11.7	13.3	11.9	11.8
Promissory note	5.8	5.5	5.9	4.8
	<b>1,359.1</b>	<b>1,479.4</b>	1,024.6	1,083.0

(1) Includes current portion of \$58.6 million (December 31, 2008 – \$44.2 million). Maturity dates range from October 2009 to September 2034.

#### *Derivative assets and liabilities*

Financial derivative instruments are recorded on the balance sheet at fair value. The fair value of the Corporation's interest rate swap has been calculated using estimated forward rates. The fair value of electricity, natural gas, and heat rate hedges has been calculated using estimated forward prices for the relevant period. As at September 30, 2009, the mark-to-market adjustment based on the fair value of these hedge contracts resulted in unrealized gains or losses on derivative instruments which are included in the balance sheet as per the table on the following page.

**4. Financial Instruments, Hedges and Risk Management (continued)**

As at	September 30, 2009		December 31, 2008	
<i>(millions of dollars)</i>	Hedge Instruments	Non-Hedge Derivatives	Hedge Instruments	Non-Hedge Derivatives
<b>Assets</b>				
Current	45.3	8.4	50.5	3.8
Non-current	15.3	16.7	31.8	-
<b>Liabilities</b>				
Current	60.1	-	55.1	-
Non-current	24.2	22.0	32.6	52.5

Cash flow hedges are used to manage the variability of cash flows resulting from the purchase and sale of electricity and natural gas as well as foreign exchange exposure. For cash flow hedges, which are described in greater detail in the market risk section above, changes in the fair value of the effective portion of the hedging derivative are accumulated in other comprehensive income and recognized in net earnings during the periods when the variability in cash flows of the hedged item is realized. In the third quarter of 2009, losses of \$0.4 million (\$nil in the same period in 2008) were recognized in income as a reflection of the ineffectiveness of the relevant hedges. Losses of \$3.5 million were recognized in income as a reflection of the ineffectiveness of the relevant hedges in the first nine months of 2009 (\$1.1 million gain in the same period in 2008). Gains and losses on cash flow hedges are reclassified immediately to net earnings when the hedged item is sold or terminated early, or when a hedged anticipated transaction is no longer likely to occur. During the three and nine months ended September 30, 2009, there were no amounts recorded in net earnings (loss of \$0.5 million and \$0.2 million, respectively, in the three and nine month periods in 2008).

Fair value hedges are used to manage the variability of asset values resulting from the exposure to foreign currencies. For the three and nine months ended September 30, 2009, \$1.9 million in gains were recognized in income (\$nil in the same periods in 2008) as a result of realized hedges. As at September 30, 2009, \$1.3 million in unrealized gains were recorded in other comprehensive income (December 31, 2008 - \$nil).

The Corporation estimates that of the \$32.3 million of losses reported in accumulated other comprehensive income as at September 30, 2009, \$14.8 million is expected to be realized within the next 12 months at market prices in effect at the time of settlement.

Non-hedge derivatives are classified as held-for-trading and recognized at fair market value with changes in fair market value being recorded through net earnings. In the three and nine months ended September 30, 2009, gains of \$2.9 million (2008 - \$16.0 million gain) and \$20.9 million (2008 - \$9.8 million gain), respectively, were recorded in net earnings.

**4. Financial Instruments, Hedges and Risk Management (continued)***Fair value of off-balance sheet contracts-for-differences*

The fair value of the Corporation's contracts-for-differences is determined by estimating the amounts that would have to be received or paid to counterparties to terminate the contracts at September 30, 2009 and December 31, 2008. The following contracts-for-differences were outstanding at the end of the period:

	<b>September 30, 2009</b>	December 31, 2008
<b>Notional Quantity</b>		
Electricity sales	<b>3,418 GW</b>	3,800 GW
Natural gas sales	<b>4,783 TJ</b>	900 TJ
Electricity purchases	<b>2,149 GW</b>	3,400 GW
Natural gas purchases	<b>33,610 TJ</b>	49,300 TJ

Notional quantities are not recorded in the consolidated financial statements because these amounts are not exchanged by the Corporation and its counterparties and are not a measure of the Corporation's exposure. Notional amounts are used only as the basis for calculating payments for certain derivatives.

At September 30, 2009, on the basis of electricity and natural gas prices at that date, the estimated unrecorded fair value of these economically hedged contracts, excluding PPA sales, would be a negative mark-to-market adjustment amounting to \$26.0 million (September 30, 2008 – positive adjustment of \$2.5 million). This amount does not reflect the fact that these contracts will settle at prices in effect at the time of expiration.

## 5. 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:

As at (millions of dollars)	September 30, 2009	December 31, 2008
<b>Regulatory assets</b>		
Accounts receivable: purchased power variances	27.8	43.5
Accounts receivable: formula-based ratemaking	13.2	-
Distribution assets: inter-company profit on underground residential development	32.3	30.7
<b>Total regulatory assets</b>	<b>73.3</b>	<b>74.2</b>
<b>Regulatory liabilities</b>		
Other long-term liabilities: pension funding	-	7.5
<b>Total regulatory liabilities</b>	<b>-</b>	<b>7.5</b>

The following describes each of the circumstances in which rate regulation affects the accounting for a transaction or event. Regulatory assets represent future revenues associated with certain costs, incurred in the current period or in prior periods, which are expected to be recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that are expected to be returned to customers as a result of the rate-setting process.

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. The Corporation 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 asset represents the excess of actual over forecast purchased power costs. In the absence of rate regulation, Canadian GAAP would require that actual purchased power costs be recognized as an expense when incurred. In this case, operating results for the three and nine months ended September 30, 2009, would have been \$6.8 million lower (2008 - \$6.1 million lower) and \$15.7 million higher (2008 - \$5.6 million lower), respectively. The regulatory asset is included in accounts receivable.

## 5. Financial Statement Effects of Rate Regulation (continued)

In May 2007, ENMAX Power Corporation applied to the Alberta Utilities Commission ("AUC") to have rates set under a formula-based ratemaking (FBR) approach. On March 25, 2009, the regulator approved the application with adjustments, retroactive to January 1, 2007. The Corporation recorded \$16.6 million of transmission and distribution receivables reflecting the preliminary estimate of the decision. Management continues to finalize the impact of the decision on its results. In accordance with the Interim Compliance Decision, ENMAX Power commenced collection of this receivable on July 1, 2009, with \$3.4 million being collected in the third quarter of 2009.

Distribution assets for the regulated operations of the Corporation include intercompany profit relating to construction work performed by an ENMAX subsidiary. Such profit is deemed for regulatory purposes 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, Canadian GAAP would require that intercompany profits be eliminated upon consolidation. The impact on current period earnings for the three and nine months ended September 30, 2009, would be a reduction of \$0.6 million (2008 – \$0.9 million) and \$1.6 million (2008 - \$2.8 million), respectively, representing the profit on these services. The balances for property, plant and equipment and retained earnings at September 30, 2009, would further be reduced by \$32.3 million (December 31, 2008 – \$30.7 million).

Pension costs are recorded using the accrual method as required by Canadian GAAP. Previously, the AUC approved the recovery of amounts relating to the unfunded liability for the defined benefit pension plan over 10 years. As a result of AUC Decision 2009-35, ENMAX is required to eliminate the previously approved regulatory liability. Consequently, the previous balance of \$8.2 million as at March 31, 2009, was recognized as revenue in the second quarter of 2009. At September 30, 2009, the Corporation has recorded a regulatory liability in the amount of nil (December 31, 2008 - \$7.5 million) to reflect this regulatory treatment. In the absence of rate regulation and this adjustment, net earnings for the three and nine months ended September 30, 2009, would have been the same (2008 - \$1.3 million higher) and \$7.5 million lower (2008 - \$2.0 million higher), respectively. At September 30, 2009, other long-term liabilities and retained earnings would have been unchanged (December 31, 2008 – \$7.5 million increase to retained earnings).

For certain of the regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties relating to the ultimate authority of the regulator in determining the item's treatment for rate-setting purposes. For example, ENMAX's treatment of purchased power costs is dependent on the continued use of an automatic adjustment mechanism for regulatory purposes, and would require reconsideration if the regulator decided to discontinue the use of this mechanism or to require ENMAX Power to absorb cost variances in a particular year. Similarly, there is a risk that the regulator may disallow a portion of certain costs incurred in the current period for recovery through future rates, or disagree with the proposed recovery period.

## 5. Financial Statement Effects of Rate Regulation (continued)

### Other items affected by rate regulation

Current regulations exclude transmission, distribution and rate-regulated electricity sales earnings from income taxes. Rate-regulated electricity sales are subject to a payment in lieu of tax (PILOT). Accordingly, the Corporation has not recognized current or future income taxes on these earnings. In the event regulations change, it would be expected that when these amounts became payable, they would be recovered through future rate revenues. In the absence of rate regulation, Canadian GAAP requires the recognition of current and future income tax liabilities and future tax assets.

Gains and losses on the disposal and retirement of regulated depreciable assets are deferred and amortized over the estimated remaining service life of similar assets, through a charge to accumulated amortization equal to the net book value of the disposed or retired asset. In the absence of rate regulation, under Canadian GAAP, the difference between the proceeds and net book value would be charged or credited to earnings in the period the asset is disposed of or retired.

The regulator permits an allowance for funds used during construction (AFUDC), based on ENMAX Power'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. As of September 30, 2009, AFUDC and capitalized interest totaling \$4.0 million (December 31, 2008 – \$8.6 million) were included in property, plant, and equipment.

## 6. Segmented Information

	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
	2009	2008 <sup>(1)</sup>	2009	2008 <sup>(1)</sup>	2009	2008 <sup>(1)</sup>	2009	2008 <sup>(1)</sup>
Three months ended September 30 - (millions of dollars)								
<b>REVENUE</b>								
Electricity	403.1	492.6	44.5	60.8	(74.9)	(102.0)	372.7	451.4
Natural gas	27.0	38.3	-	-	-	-	27.0	38.3
Transmission and distribution	-	-	81.5	83.8	-	-	81.5	83.8
Contractual services	11.3	11.7	14.1	22.8	(7.3)	(6.2)	18.1	28.3
Other	(3.9)	4.5	0.2	0.8	-	5.8	(3.7)	11.1
<b>TOTAL REVENUE</b>	<b>437.5</b>	<b>547.1</b>	<b>140.3</b>	<b>168.2</b>	<b>(82.2)</b>	<b>(102.4)</b>	<b>495.6</b>	<b>612.9</b>
<b>COST OF SERVICES PROVIDED</b>								
Electricity	319.5	388.1	41.6	59.1	(74.8)	(102.0)	286.3	345.2
Natural gas	29.3	35.6	-	-	-	-	29.3	35.6
Local access fees and grid charges	-	-	39.3	45.4	-	-	39.3	45.4
Contractual services	1.1	1.0	11.9	18.4	(0.8)	(0.3)	12.2	19.1
Operations, maintenance and administration	32.9	37.5	15.7	22.1	(7.3)	(6.2)	41.3	53.4
<b>TOTAL COST OF SERVICES PROVIDED</b>	<b>382.8</b>	<b>462.2</b>	<b>108.5</b>	<b>145.0</b>	<b>(82.9)</b>	<b>(108.5)</b>	<b>408.4</b>	<b>498.7</b>
<b>EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAXES</b>	<b>54.7</b>	<b>84.9</b>	<b>31.8</b>	<b>23.2</b>	<b>0.7</b>	<b>6.1</b>	<b>87.2</b>	<b>114.2</b>
Amortization	22.9	17.9	11.7	10.4	(0.4)	1.6	34.2	29.9
<b>EARNINGS BEFORE INTEREST AND INCOME TAXES</b>	<b>31.8</b>	<b>67.0</b>	<b>20.1</b>	<b>12.8</b>	<b>1.1</b>	<b>4.5</b>	<b>53.0</b>	<b>84.3</b>
Interest							15.1	13.4
Income taxes							(2.4)	8.5
<b>NET EARNINGS</b>							<b>40.3</b>	<b>62.4</b>
<b>GOODWILL</b>	<b>16.0</b>	<b>16.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16.0</b>	<b>16.0</b>
<b>CAPITAL ADDITIONS</b>	<b>82.4</b>	<b>43.9</b>	<b>11.0</b>	<b>40.5</b>	<b>(4.0)</b>	<b>(1.1)</b>	<b>89.4</b>	<b>83.3</b>

(1) Certain comparative figures have been restated to conform to the current year presentation for a business unit reclassification between segments.

## 6. Segmented Information (continued)

Nine months ended September 30 - (millions of dollars)	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
	2009	2008 <sup>(1)</sup>	2009	2008 <sup>(1)</sup>	2009	2008 <sup>(1)</sup>	2009	2008 <sup>(1)</sup>
<b>REVENUE</b>								
Electricity	1,237.8	1,454.6	141.3	177.8	(250.8)	(294.5)	1,128.3	1,337.9
Natural gas	208.2	227.9	-	-	-	-	208.2	227.9
Transmission and distribution	-	-	269.1	248.3	-	-	269.1	248.3
Contractual services	35.0	31.3	45.0	66.0	(23.9)	(17.1)	56.1	80.2
Other	46.9	10.7	1.0	2.3	(3.5)	2.8	44.4	15.8
<b>TOTAL REVENUE</b>	<b>1,527.9</b>	<b>1,724.5</b>	<b>456.4</b>	<b>494.4</b>	<b>(278.2)</b>	<b>(308.8)</b>	<b>1,706.1</b>	<b>1,910.1</b>
<b>COST OF SERVICES PROVIDED</b>								
Electricity	956.5	1,177.6	136.8	173.2	(250.6)	(294.3)	842.7	1,056.5
Natural gas	202.6	228.4	-	-	-	-	202.6	228.4
Local access fees and grid charges	-	-	121.2	134.6	-	-	121.2	134.6
Contractual services	3.0	2.9	37.6	52.0	(4.4)	(0.7)	36.2	54.2
Operations, maintenance and administration	113.5	102.5	62.3	69.3	(23.7)	(24.3)	152.1	147.5
<b>TOTAL COSTS OF SERVICES PROVIDED</b>	<b>1,275.6</b>	<b>1,511.4</b>	<b>357.9</b>	<b>429.1</b>	<b>(278.7)</b>	<b>(319.3)</b>	<b>1,354.8</b>	<b>1,621.2</b>
<b>EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAXES</b>	<b>252.3</b>	<b>213.1</b>	<b>98.5</b>	<b>65.3</b>	<b>0.5</b>	<b>10.5</b>	<b>351.3</b>	<b>288.9</b>
Amortization	69.2	50.3	33.0	30.1	1.4	4.7	103.6	85.1
<b>EARNINGS BEFORE INTEREST AND INCOME TAXES</b>	<b>183.1</b>	<b>162.8</b>	<b>65.5</b>	<b>35.2</b>	<b>(0.9)</b>	<b>5.8</b>	<b>247.7</b>	<b>203.8</b>
Interest							42.9	26.6
Income taxes							53.4	27.6
<b>NET EARNINGS</b>							<b>151.4</b>	<b>149.6</b>
<b>GOODWILL</b>	<b>16.0</b>	<b>16.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16.0</b>	<b>16.0</b>
<b>CAPITAL ADDITIONS</b>	<b>260.2</b>	<b>157.3</b>	<b>96.8</b>	<b>93.8</b>	<b>(2.1)</b>	<b>2.4</b>	<b>354.9</b>	<b>253.5</b>

(1) Certain comparative figures have been restated to conform to the current year presentation for a business unit reclassification between segments.

## Segmented Total Assets

As at (millions of dollars)	September 30, 2009	December 31, 2008
ENMAX Energy	2,387.5	2,300.1
ENMAX Power	1,028.5	1,003.2
Corporate and eliminations	216.0	178.3
	<b>3,632.0</b>	<b>3,481.6</b>

**7. Property, plant and equipment**

<i>(millions of dollars)</i>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
<b>As at September 30, 2009</b>			
Transmission, distribution and substation equipment	1,328.8	(491.1)	837.7
Capital spares and other	29.1	-	29.1
Tools, systems and equipment	129.1	(64.3)	64.8
Construction in progress	432.8	-	432.8
Buildings and site development	117.1	(36.5)	80.6
Generation facilities and equipment	877.4	(74.5)	802.9
Land	24.8	-	24.8
Vehicles	23.6	(10.8)	12.8
	<b>2,962.7</b>	<b>(677.2)</b>	<b>2,285.5</b>
Contributions in aid of construction (CIAC)	<b>(271.3)</b>	<b>68.4</b>	<b>(202.9)</b>
	<b>2,691.4</b>	<b>(608.8)</b>	<b>2,082.6</b>
<b>As at December 31, 2008 (Restated - note 2)</b>			
Transmission, distribution and substation equipment	1,256.2	(466.4)	789.8
Capital spares and other	22.3	-	22.3
Tools, systems and equipment	129.1	(60.3)	68.8
Construction in progress	216.9	-	216.9
Buildings and site development	116.4	(34.3)	82.1
Generation facilities and equipment	920.4	(53.9)	866.5
Land	24.9	-	24.9
Vehicles	23.3	(10.3)	13.0
	2,709.5	(625.2)	2,084.3
Contributions in aid of construction (CIAC)	(249.5)	62.7	(186.8)
	2,460.0	(562.5)	1,897.5

**8. Power Purchase Arrangements**

On January 1, 2009, ENMAX Energy purchased an additional 10% interest in the Battle River Power Purchase Arrangement (PPA) for \$48.1 million. The agreement also provides that ENMAX Energy will purchase the remaining 15% on January 1, 2010, for additional consideration of \$63.7 million.

## 9. Intangible Assets

<i>(millions of dollars)</i>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
<b>As at September 30, 2009</b>			
Customer lists and contracts	20.0	(8.8)	11.2
Computer software	230.8	(123.1)	107.7
Land easements, rights and lease options	4.0	(1.8)	2.2
Land and mineral rights	1.5	(0.3)	1.2
Renewable energy certificates and water licenses	15.0	(1.7)	13.3
	<b>271.3</b>	<b>(135.7)</b>	<b>135.6</b>
<b>As at December 31, 2008 (Restated - note 2)</b>			
Customer lists and contracts	20.0	(7.2)	12.8
Computer software	219.4	(112.0)	107.4
Land easements, rights and lease options	4.0	-	4.0
Land and mineral rights	1.9	(1.7)	0.2
Renewable energy certificates and water licenses	15.0	-	15.0
	<b>260.3</b>	<b>(120.9)</b>	<b>139.4</b>

## 10. 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, 2009, are \$3.4 million (2008 – \$4.0 million) and \$10.9 million (2008 - \$11.8 million), respectively.

## 11. Short-term Financing

The Corporation has unsecured credit facilities amounting to \$750.0 million (December 31, 2008 - \$730.0 million) to fund general operating requirements and to provide liquidity support for commercial paper and commodity marketing programs. Combined, all of the facilities encompass \$500.0 million in bilateral facilities and \$250.0 million of syndicated credit facilities. As at September 30, 2009, \$178.9 million (December 31, 2008 - \$333.3 million) of operating facilities and \$64.1 million (December 31, 2008 - \$30.0 million) of syndicated facilities were used in support of outstanding letters of credit.

Short-term financing is comprised of commercial paper and bankers' acceptances which are guaranteed by the Corporation's credit facilities. At September 30, 2009, the Corporation had nil outstanding (December 31, 2008 - \$125.2 million at a weighted average rate of 2.09%).

**12. Accumulated Other Comprehensive Income**

<i>(millions of dollars)</i>	<b>September 30, 2009</b>	December 31, 2008
Unrealized losses on available-for-sale financial assets	<b>(4.8)</b>	(3.7)
Unrealized losses on derivatives designated as cash flow hedges	<b>(27.5)</b>	(8.2)
Accumulated other comprehensive losses, including a future income tax loss of \$6.4 million (2008 - loss of \$1.9 million)	<b>(32.3)</b>	(11.9)

**13. Commitments and Contingencies***Property, plant and equipment*

The Corporation and/or its subsidiaries have signed contracts for major capital expenditures totaling \$216.8 million, including cancellation costs.

*Obligations under other agreements*

The Corporation has the following obligations under other agreements:

- premises, vehicles and equipment rentals under multiple lease contracts with varying expiration dates.
- obligations to make monthly payments in return for the output from PPAs and other power purchase and tolling agreements, based on normal operating conditions adjusted for inflation, other than in the event of a forced outage.
- commitments for the purchase of renewable energy certificates and carbon offset credits.
- commitments under long-term service arrangements on certain generating facilities.

The aggregate payments for these obligations total \$2,962.8 million.

*Regulatory*

The Corporation, along with other electrical transmission and distribution utilities in the province of Alberta, is subject to regulatory reviews and decisions. The impact of the reviews and decisions is reflected in the consolidated financial statements when the amount can be reasonably estimated.

### 13. Commitments and Contingencies (continued)

#### *Power purchase arrangements*

The facilities covered under PPAs were subject to outages and operational issues during this quarter. The PPA Owners and ENMAX Energy differ in opinion as to who should bear the costs arising from these events. Although there can be no assurance that these disputes will be resolved in the Corporation's favour, the Corporation does not believe that the outcome of these disputes will have a material adverse affect on the financial position of the Corporation.

#### *Legal claims*

In the normal course of business, the Corporation is named as a defendant in lawsuits related to various matters. The Corporation believes the outcome of these lawsuits will not have a material impact on the Corporation.

#### *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.

The Corporation regularly reviews the potential for adverse outcomes in respect of tax matters and believes it has adequate provisions for these tax matters. Tax provisions are adjusted, positively or negatively, for changes in estimates and assessments by tax authorities in the period in which they are more likely than not to have an impact on the financial results.

In August 2004, Alberta Finance notified ENMAX Energy 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 the asset of \$855.0 million.

From June 2005 through July 2008, ENMAX Energy received Notices of Reassessment from Alberta Finance in respect of the taxation years 2001 through 2005. ENMAX Energy does not agree with the reassessments and has commenced the necessary steps to defend its position through the formal appeals process. However, ENMAX Energy 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, 2009, and December 31, 2008. ENMAX Energy has received refunds in 2008 and 2009 relating to taxation years 2001 and 2002 taxation years, including a further reassessment of its 2002 taxation year on February 13, 2009, resulting in an additional refund of \$2.4 million including interest. ENMAX Energy expects this process to be successful and will pursue all options available should the appeals process result in an unfavourable outcome. The amount of a 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.

### 13. Commitments and Contingencies (continued)

#### *Environmental*

Provincial regulations aimed at reducing the levels of greenhouse gas emissions took effect July 2007. These changes in law due to the change of law provisions in ENMAX Energy's PPAs and Tolling Agreements expose ENMAX Energy to the associated compliance costs.

For the three and nine month period ended September 30, 2009, the consolidated financial statements include a charge to earnings in the amount of \$6.1 million (2008 - \$5.2 million) and \$15.5 million (2008 - \$14.7 million) respectively, included in costs of electricity services provided, relating to estimated compliance costs under the provincial GHG regulations for ENMAX Energy's interests in coal and natural gas-fired generation facilities through its PPAs and Tolling Agreements. Compliance payments are due to the plant owners by June 30 of the year following the compliance. ENMAX Energy has taken steps, including acquiring qualified offset credits from both its wind generation assets and purchases on the wholesale market, to substantially mitigate impacts of the GHG regulations.

Federal regulations aimed at reducing the level of greenhouse gas emissions are expected to come into force in 2010. As these regulations are not yet in effect, and the applicable compliance details have not yet been finalized, the total amounts of these costs, which could have a material impact on future net earnings, cannot be reasonably estimated at this time. The Corporation continues to assess and monitor the implications that these changes in legislation may have on its business.

#### *Letters of credit*

In the normal course of operations, letters of credit are issued to facilitate the extension of sufficient credit for counterparties having credit exposure to the Corporation or its subsidiaries. The Corporation has issued letters of credit amounting to \$243.0 million at September 30, 2009 (December 31, 2008 – \$363.3 million).

#### *Director/Officer indemnifications*

Under its bylaws, the Corporation indemnifies individuals who have acted at the Corporation's request to be a director and/or officer of the Corporation and/or one or more of its direct and indirect subsidiaries, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory or other legal restrictions and limitation periods. The nature of the indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. The Corporation has purchased various insurance policies to reduce the risks associated with the indemnification.

**13. Commitments and Contingencies (continued)***Other indemnifications*

In the ordinary course of business, the Corporation and its subsidiaries enter into contracts which contain indemnification provisions, such as purchase and sale contracts, service agreements, intellectual property licensing agreements, purchases and sales of assets and equipment, joint venture agreements, operating agreements and leasing and land use arrangements. In such contracts, the Corporation may indemnify counterparties to the contracts if certain events occur, such as undisclosed liabilities, changes in financial condition and loss caused by the actions of third parties or as a result of litigation or other claims by third parties. These indemnification provisions will vary based upon the contract. In most cases, there are no pre-determined amounts or limits included in these indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount the Corporation could be required to pay cannot be estimated.

**14. Acquisitions**

On December 19, 2008, ENMAX Energy acquired the Calgary Energy Centre (CEC) for \$368.3 million, represented by \$240.3 million in non-recourse financing and \$128.0 million of cash. ENMAX Energy had a pre-existing 20 year tolling agreement with Calgary Energy Centre No.2, Inc. prior to the acquisition. With the acquisition of CEC, this tolling agreement is deemed to be settled for accounting purposes and a gain of \$6.6 million was recorded on the settlement of this agreement, representing the excess of the current market value of the electricity supply from CEC over the cost of that supply under the tolling agreement. This gain was recorded in other revenue on the consolidated Statement of Earnings in 2008.

The Corporation accounted for this acquisition using the purchase method and the results of operations have been included in the consolidated financial statements since the dates that control was obtained. The allocations of the purchase prices are as follows:

**14. Acquisitions (continued)**

<i>(millions of dollars)</i>	<b>CEC (preliminary)</b>	<b>Adjustments (Q2 2009)</b>	<b>CEC (final)</b>
<b>Net assets acquired:</b>			
Current assets net of cash acquired <sup>(1)</sup>	3.4	(0.2)	3.2
Capital assets	530.1	(46.1)	484.0
Current liabilities	(8.3)	-	(8.3)
Non-recourse financing	(240.3)	-	(240.3)
Promissory notes	(118.9)	-	(118.9)
Other long-term liabilities	(1.7)	-	(1.7)
Derivative liability	(49.5)	-	(49.5)
Future income tax liabilities	(110.3)	46.2	(64.1)
	<b>4.5</b>	<b>(0.1)</b>	<b>4.4</b>
<b>Purchase Price:</b>			
Cash consideration, net of cash acquired <sup>(1)</sup>	115.6	(0.1)	115.5
Assumptions of related party promissory notes	(118.9)	-	(118.9)
Settlement of existing tolling arrangement	6.6	-	6.6
Transaction costs	1.2	-	1.2
	<b>4.5</b>	<b>(0.1)</b>	<b>4.4</b>

<sup>(1)</sup> Current cash and Cash consideration are shown net of cash acquired of \$12.4 million. The cash acquired in CEC includes \$9.9 million of restricted cash.

The adjustments to the purchase price noted in the table above resulted from corrections to preliminary calculations of future income tax balances. These adjustments have no impact on current or previously reported earnings, cash flows or compliance with covenants of the Corporation. These adjustments were reflected in the second quarter without prior period restatement as this reclassification of the components of the purchase price allocation was not considered to be material to the presentation of prior period financial statements.