

ENMAX CORPORATION

CONSOLIDATED
FINANCIAL
STATEMENTS

2004

AUDITORS' REPORT

To the Shareholder of **ENMAX Corporation**

We have audited the consolidated balance sheets of **ENMAX Corporation** as at December 31, 2004 and 2003 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2002 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated February 7, 2003.

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants
Calgary, Canada

February 11, 2005

ENMAX CORPORATION

CONSOLIDATED BALANCE SHEETS

DECEMBER 31 (MILLIONS OF DOLLARS)

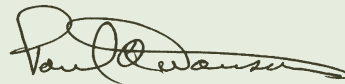
	2004	2003
ASSETS		
CASH AND CASH EQUIVALENTS (NOTE 5)	\$ 353.3	\$ 100.9
ACCOUNTS RECEIVABLE	226.5	181.3
INVENTORIES	13.6	12.0
CURRENT PORTION OF 2000 DEFICIENCY RIDER RECEIVABLE (NOTE 9)	5.3	48.4
OTHER CURRENT ASSETS	1.5	1.4
	600.2	344.0
CAPITAL ASSETS (NOTE 6)	772.1	729.7
POWER PURCHASE ARRANGEMENTS (NOTE 8)	160.0	169.6
2000 DEFICIENCY RIDER RECEIVABLE (NOTE 9)	–	4.0
FUTURE INCOME TAX ASSET (NOTE 14)	171.5	185.4
OTHER LONG-TERM ASSETS	9.8	10.6
TOTAL ASSETS	\$ 1,713.6	\$ 1,443.3
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 203.8	\$ 126.4
CUSTOMER GUARANTEE DEPOSITS	15.3	14.4
CURRENT PORTION OF LONG-TERM DEBT (NOTE 10)	32.8	22.9
	251.9	163.7
LONG-TERM DEBT (NOTE 10)	219.5	137.7
OTHER LONG-TERM LIABILITIES	18.2	14.8
TOTAL LIABILITIES	489.6	316.2
SHAREHOLDER'S EQUITY		
SHARE CAPITAL (NOTE 11)	280.1	280.1
RETAINED EARNINGS	943.9	847.0
TOTAL SHAREHOLDER'S EQUITY	1,224.0	1,127.1
COMMITMENTS AND CONTINGENCIES (NOTE 17)		
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 1,713.6	\$ 1,443.3

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

ON BEHALF OF THE BOARD:



Thompson MacDonald
Chair, ENMAX Board of Directors



Paul Dawson, F.C.A.
Chair, Audit and Finance Committee

ENMAX CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS)

	2004	2003	2002
REVENUE			
SALES OF ELECTRICITY AND NATURAL GAS	\$ 826.4	\$ 845.0	\$ 802.3
TRANSMISSION AND DISTRIBUTION REVENUE	266.6	277.0	277.3
CONTRACTUAL SERVICES AND OTHER	82.7	86.8	70.8
TOTAL REVENUE	1,175.7	1,208.8	1,150.4
COST OF SERVICES PROVIDED			
ELECTRIC AND NATURAL GAS COSTS (NOTES 8 AND 13)	517.2	487.5	442.3
GRID CHARGES	126.6	138.6	171.6
LOCAL ACCESS FEES	68.5	68.2	72.2
OPERATIONS AND MAINTENANCE	75.2	80.8	67.0
BILLING AND COLLECTION	43.9	46.8	34.1
COST OF PROVIDING CONTRACTUAL SERVICES	36.7	38.9	32.3
TOTAL COST OF SERVICES PROVIDED	868.1	860.8	819.5
GROSS MARGIN	307.6	348.0	330.9
GENERAL AND ADMINISTRATIVE	40.3	51.7	55.7
AMORTIZATION	53.8	62.2	46.8
OPERATING EARNINGS BEFORE INTEREST AND INCOME TAX CHARGES	213.5	234.1	228.4
INTEREST (NOTE 12)	14.0	12.9	14.8
EARNINGS BEFORE INCOME TAX	199.5	221.2	213.6
INCOME TAX (NOTE 14)	52.2	53.1	47.0
NET EARNINGS	147.3	168.1	166.6
RETAINED EARNINGS, BEGINNING OF YEAR	847.0	728.9	597.3
DIVIDENDS	(50.4)	(50.0)	(35.0)
RETAINED EARNINGS, END OF YEAR	\$ 943.9	\$ 847.0	\$ 728.9

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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ENMAX CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS)	2004	2003	2002
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
NET EARNINGS	\$ 147.3	\$ 168.1	\$ 166.6
AMORTIZATION	63.4	72.3	88.6
GAIN ON SALE OF ASSETS	–	–	(11.0)
FUTURE INCOME TAXES (NOTE 14)	13.9	46.4	45.9
CHANGE IN UNREALIZED MARKET VALUE OF FINANCIAL COMMODITY CONTRACTS (NOTE 13)	7.5	–	–
	232.1	286.8	290.1
CHANGE IN NON-CASH WORKING CAPITAL ITEMS (NOTE 16)	30.1	2.3	4.4
	262.2	289.1	294.5
INVESTING ACTIVITIES			
PURCHASE OF CAPITAL ASSETS	(108.4)	(178.3)	(168.4)
PROCEEDS ON SALE OF ASSETS	–	9.8	11.5
2000 DEFICIENCY RIDER RECEIVABLE (NOTE 9)	47.1	45.5	19.5
CONTRIBUTIONS IN AID OF CONSTRUCTION	12.2	9.8	8.5
CUSTOMER GUARANTEE DEPOSITS	0.9	0.5	2.9
OTHER LONG-TERM ASSETS	0.8	(10.6)	–
	(47.4)	(123.3)	(126.0)
FINANCING ACTIVITIES			
COMMERCIAL PAPER REPAYED	–	–	(113.8)
LONG-TERM DEBT ISSUED / (REPAID)	91.7	(23.2)	(23.3)
OTHER LONG-TERM LIABILITIES	(3.7)	5.0	0.7
DIVIDENDS PAID	(50.4)	(50.0)	(35.0)
	37.6	(68.2)	(171.4)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	252.4	97.6	(2.9)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	100.9	3.3	6.2
CASH AND CASH EQUIVALENTS, END OF YEAR (NOTE 5)	\$ 353.3	\$ 100.9	\$ 3.3
INTEREST PAID	\$ 15.4	\$ 14.6	\$ 17.5
INCOME TAXES PAID / (RECOVERED)	\$ 10.6	\$ (2.1)	\$ 8.0

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

1. DESCRIPTION OF BUSINESS

ENMAX Corporation (ENMAX or the Corporation), a wholly owned subsidiary of The City of Calgary (The City), was incorporated under the Business Corporations Act (Alberta) in July 1997. The Corporation was formed to carry on the electric utility transmission and distribution operations previously carried on by the Calgary Electric System (CES), a former department of The City, in contemplation of the emerging deregulated electric industry in Alberta. As such, operations of the Corporation began on January 1, 1998 with the transfer of substantially all of the assets and liabilities of the CES by The City into the Corporation at net book value for consideration of one common share issued to The City.

The Corporation operates in two segments representing separately managed business units, each of which offers different products and services.

ENMAX Power

ENMAX Power Corporation is a regulated, wholly owned subsidiary established to carry out all electricity distribution and transmission service functions, with one subsidiary providing unregulated power services.

ENMAX Energy

ENMAX Energy Corporation is an unregulated, wholly owned subsidiary established to carry out all energy supply and retail functions.

Various components of the electric utility industry are regulated by the Alberta Energy and Utilities Board (EUB). Effective January 1, 1996, the provincial government passed into law the Electric Utilities Act (EUA). The Act provides for the sale of all power from generators for use in Alberta to the Power Pool of Alberta (Power Pool) for resale to distribution companies at a bid price which matches demand with supply. The EUA was amended in 1998 to provide for the introduction of retail competition into Alberta's electric industry, commencing in January 2001.

The Corporation operates in various service territories in Alberta. In certain areas, municipalities act as regulator to approve the Distribution Tariff (DT) and the Regulated Rate Tariff (RRT). Prior to 2003, Calgary City Council, as regulator of ENMAX Power, approved the DT and RRT for eligible customers within the city of Calgary. In 2003, the Electrical Utility Regulation Committee (EURC), established by Calgary City Council, was the regulator of ENMAX Power and, as such, approved the RRT for eligible customers within the city of Calgary. An amendment to the EUA in June 2003 changed the regulatory jurisdiction of municipal owned utilities with affiliated retailers operating outside of the municipality's service area from the municipality to the EUB effective January 1, 2004.

Transmission companies lease their transmission facilities to the Alberta Electric System Operator (AESO), which administers transmission services needed to serve customers throughout Alberta and charges a uniform tariff to all distribution companies. Effective January 1, 2004, the tariff associated with ENMAX Power's transmission facilities is regulated by the EUB. Prior to that time, a regulated settlement was made with the Alberta Department of Energy (DOE) related to the tariff for 2004 and 2005.

2. ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP).

Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of these consolidated financial statements requires the use of estimates and assumptions which

have been made using careful judgment. This includes the amounts recorded for accounts receivable, accounts payable and accrued liabilities and other long-term liabilities. In the opinion of management, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Basis of Presentation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, as well as its proportionate share of the accounts of its joint ventures. All intercompany accounts and transactions have been eliminated.

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. Certain industry-specific accounting policies include the following:

- allowance for funds used during construction (AFUDC),
- amortization and disposition of capital assets, and
- contributions in aid of construction.

Inventories

Inventories of supplies and materials are recorded at the lower of average cost and net realizable value.

Capital Assets

Capital assets are recorded at cost which includes direct labour, material, equipment charges, overhead and AFUDC. The AFUDC is charged and recovered in rates to customers over the service life of the assets.

Original costs of retired regulated depreciable assets are charged and the related net disposal proceeds are credited to accumulated amortization. As a result, all gains and losses on the disposal of regulated depreciable assets are deferred and amortized over the estimated remaining service life of the related assets. Gains and losses on the disposal of regulated and non-regulated non-depreciable assets are recognized in the year of disposal.

Long-lived assets are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from the asset's use and eventual disposition. The loss, if any, is measured as the amount by which the carrying amount exceeds the fair value of the asset.

Amortization of capital assets is recorded on a straight-line basis over the estimated useful life of the asset class at the following rates:

	%		
BUILDINGS AND SITE DEVELOPMENT	2.19	-	20.00
TRANSMISSION, DISTRIBUTION, SUBSTATION AND GENERATION EQUIPMENT	1.98	-	8.59
DATA PROCESSING SYSTEMS	10.00	-	20.00
FURNITURE	4.77	-	5.00
TOOLS, RADIOS AND EQUIPMENT	3.33	-	33.33
VEHICLES	6.88	-	13.71

Contributions in Aid of Construction

Under various regulatory-approved agreements with customers and developers, the Corporation receives contributions in aid of

construction in the form of cash contributions. Such contributions are deferred and amortized on the same basis as, and offset the amortization charge of, the assets to which they relate.

Power Purchase Arrangements

The cost of the Power Purchase Arrangements (PPAs) has been recorded on the consolidated balance sheets as a long-term asset. The cost is amortized to electric costs over the life of the contracts based on future cash flow estimates at the time of acquisition.

Revenue Recognition

ENMAX receives revenue primarily from retail electricity and natural gas sales, transmission and distribution of electricity and related service activities. Revenues are recognized on an accrual basis and include an estimate of services provided but not yet billed.

Income Tax

The Corporation and its subsidiaries are municipally owned and are generally not subject to federal and provincial income taxes. The Corporation records income tax expense based on an Alberta regulation to the EUA that requires municipally owned entities to make payments in lieu of income taxes on certain portions of their operations. ENMAX uses the liability method of tax allocation for operations subject to income tax or payments in lieu of income tax. In 2002, a new subsidiary was established to participate in the building and operation of a wind farm in southern Alberta (see Note 7). This subsidiary is taxable under the Income Tax Act (Canada).

Financial Instruments

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and customer guarantee deposits approximate the carrying amounts of these instruments due to their short period to maturity (see Notes 10 and 13).

Hedging

In conducting its business, the Corporation uses various instruments, including forward contracts, swaps and options, to manage the risk arising from fluctuations in commodity prices. Financial instruments are tested for effectiveness when designated as a hedge and on an ongoing basis. Effectiveness is measured with reference to the risk management objective and strategy for the financial instrument. For instruments that qualify for hedge accounting, gains and losses are recognized in income in the same period and in the same financial statement category as the income or expense from the hedged position. Otherwise, the instruments are recognized on the balance sheet and measured at fair value, with changes in fair value recognized currently in income (see Note 13).

Employee Benefit Plans

The Corporation sponsors pension plans which contain both defined benefit and defined contribution provisions. The cost of defined benefit pensions and other post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Pension plan assets are measured at fair market value. For the purpose of calculating the expected return on plan assets for the net benefit cost, a market-related value is used. Adjustments arising from plan amendments are amortized on a straight-

line basis over the average remaining service lifetime of employees active at the date of amendment. The excess of the cumulative, unamortized net actuarial gain or loss over 10% of the greater of the benefit obligation and the fair value of plan assets at the beginning of the year is amortized over the average remaining service lifetime of the active employees.

3. ACCOUNTING CHANGES

Hedging Relationships

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

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

At December 31, 2004, the fair market value of the financial contract was an unrealized loss of \$5.8 million. This is included on the consolidated balance sheet within other long-term liabilities. For the year ended December 31, 2004, the change in fair market value, combined with amortization of the related deferred credit, amounted to a charge to net earnings of \$7.5 million, which is included in electric and natural gas costs on the consolidated statement of earnings.

Asset Retirement Obligations

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

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

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

Unbilled Revenue

In September 2004, ENMAX refined its process of estimating unbilled revenue relating to its electricity customers. Unbilled revenue represents the estimated amount of electricity consumption by ENMAX customers that has not yet been charged to the customers through the billing process. The impact is an adjustment to electricity sales and accounts receivable. This

ENMAX CORPORATION - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

adjustment affects the timing of recognized revenue in the statement of earnings, however there was no impact on the bills received by the customers. The adjustment, which was recorded as a change in accounting estimate in the third quarter of 2004, increased earnings for ENMAX Energy by \$42.7 million, after tax.

4. SEGMENTED INFORMATION⁽¹⁾

YEAR ENDED DECEMBER 31, 2004 (MILLIONS OF DOLLARS)	ENMAX ENERGY	ENMAX POWER	CORPORATE & INTERSEGMENT ELIMINATIONS	CONSOLIDATED TOTALS
REVENUE				
SALES OF ELECTRICITY AND NATURAL GAS	\$ 1,020.1	\$ -	\$ (193.7)	\$ 826.4
TRANSMISSION AND DISTRIBUTION REVENUE	-	266.6	-	266.6
CONTRACTUAL SERVICES AND OTHER	41.2	58.0	(16.5)	82.7
TOTAL REVENUE	1,061.3	324.6	(210.2)	1,175.7
COST OF SERVICES PROVIDED				
ELECTRIC AND NATURAL GAS COSTS ⁽²⁾	517.1	-	0.1	517.2
GRID CHARGES	266.7	55.6	(195.7)	126.6
LOCAL ACCESS FEES	-	68.5	-	68.5
OPERATIONS AND MAINTENANCE	28.7	48.0	(1.5)	75.2
BILLING AND COLLECTION	43.9	-	-	43.9
COST OF PROVIDING CONTRACTUAL SERVICES	0.6	36.8	(0.7)	36.7
TOTAL COST OF SERVICES PROVIDED	857.0	208.9	(197.8)	868.1
GROSS MARGIN	204.3	115.7	(12.4)	307.6
GENERAL AND ADMINISTRATIVE AMORTIZATION	22.8	24.2	(6.7)	40.3
	17.4	38.7	(2.3)	53.8
OPERATING EARNINGS	164.1	52.8	(3.4)	213.5
INTEREST	9.6	19.6	(15.2)	14.0
INCOME TAX	50.8	-	1.4	52.2
NET EARNINGS	\$ 103.7	\$ 33.2	\$ 10.4	\$ 147.3
CAPITAL ADDITIONS	\$ 7.7	\$ 93.4	\$ 7.3	\$ 108.4

1. Intersegment transactions are recognized on the basis of prevailing market or regulated rates.

2. Included in electric costs is \$9.6 million pertaining to the amortization of PPAs.

Total Assets

DECEMBER 31 (MILLIONS OF DOLLARS)	2004	2003
ENMAX ENERGY	\$ 698.3	\$ 711.6
ENMAX POWER	642.3	649.1
CORPORATE AND ELIMINATIONS	373.0	82.6
	\$ 1,713.6	\$ 1,443.3

YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS)	ENMAX ENERGY		ENMAX POWER		CORPORATE & INTERSEGMENT ELIMINATIONS		CONSOLIDATED TOTALS	
	2003	2002	2003	2002	2003	2002	2003	2002
REVENUE								
SALES OF ELECTRICITY AND NATURAL GAS	\$ 1,052.2	\$ 1,018.6	\$ –	\$ –	\$ (207.2)	\$ (216.3)	\$ 845.0	\$ 802.3
TRANSMISSION AND DISTRIBUTION REVENUE	–	–	277.0	277.3	–	–	277.0	277.3
CONTRACTUAL SERVICES AND OTHER	35.6	24.9	62.6	50.3	(11.4)	(4.4)	86.8	70.8
TOTAL REVENUE	1,087.8	1,043.5	339.6	327.6	(218.6)	(220.7)	1,208.8	1,150.4
COST OF SERVICES PROVIDED								
ELECTRIC AND NATURAL GAS COSTS ⁽¹⁾	487.5	442.3	–	–	–	–	487.5	442.3
GRID CHARGES	309.0	323.4	37.8	65.6	(208.2)	(217.4)	138.6	171.6
LOCAL ACCESS FEES	–	–	68.2	72.2	–	–	68.2	72.2
OPERATIONS AND MAINTENANCE	32.5	31.1	48.0	34.6	0.3	1.3	80.8	67.0
BILLING AND COLLECTION	46.8	34.1	–	–	–	–	46.8	34.1
COST OF PROVIDING CONTRACTUAL SERVICES	0.6	(0.4)	39.1	33.8	(0.8)	(1.1)	38.9	32.3
TOTAL COST OF SERVICES PROVIDED	876.4	830.5	193.1	206.2	(208.7)	(217.2)	860.8	819.5
GROSS MARGIN	211.4	213.0	146.5	121.4	(9.9)	(3.5)	348.0	330.9
GENERAL AND ADMINISTRATIVE	31.8	27.6	21.4	31.6	(1.5)	(3.5)	51.7	55.7
AMORTIZATION	23.5	17.7	42.9	33.3	(4.2)	(4.2)	62.2	46.8
OPERATING EARNINGS	156.1	167.7	82.2	56.5	(4.2)	4.2	234.1	228.4
INTEREST	3.7	(0.2)	17.5	15.0	(8.3)	–	12.9	14.8
INCOME TAX	51.9	45.7	–	–	1.2	1.3	53.1	47.0
NET EARNINGS	\$ 100.5	\$ 122.2	\$ 64.7	\$ 41.5	\$ 2.9	\$ 2.9	\$ 168.1	\$ 166.6
CAPITAL ADDITIONS	\$ 52.8	\$ 30.2	\$ 86.7	\$ 94.1	\$ 38.8	\$ 44.1	\$ 178.3	\$ 168.4

1. Included in electric costs is \$10.1 million (2002 - \$41.8 million) pertaining to the amortization of PPAs.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments with maturities within three months from the date of acquisition.

DECEMBER 31 (MILLIONS OF DOLLARS)	2004	2003
CASH ON HAND AND BALANCES WITH BANKS	\$ (3.1)	\$ (3.5)
SHORT-TERM INVESTMENTS	356.4	104.4
CASH AND CASH EQUIVALENTS	\$ 353.3	\$ 100.9

The effective interest rate on short-term investments as at December 31, 2004 was 2.6% (2003 – 2.8%).

6. CAPITAL ASSETS

(MILLIONS OF DOLLARS)	DECEMBER 31, 2004			DECEMBER 31, 2003		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
TRANSMISSION, DISTRIBUTION AND SUBSTATION EQUIPMENT	\$ 967.7	\$ (366.3)	\$ 601.4	\$ 897.9	\$ (336.1)	\$ 561.8
GENERATION EQUIPMENT	50.3	(2.5)	47.8	49.7	(0.8)	48.9
BUILDINGS AND SITE DEVELOPMENT	101.8	(19.6)	82.2	106.1	(28.2)	77.9
TOOLS, FURNITURE, SYSTEMS AND EQUIPMENT	220.0	(95.2)	124.8	124.8	(82.7)	136.6
VEHICLES	15.8	(10.6)	5.2	17.1	(13.2)	3.9
LAND	17.5	–	17.5	17.5	–	17.5
INTANGIBLE ASSETS	3.3	(2.2)	1.1	2.7	(1.8)	0.9
CONSTRUCTION IN PROGRESS	41.9	–	41.9	26.2	–	26.2
	1,418.3	(496.4)	921.9	1,336.5	(462.8)	873.7
CONTRIBUTIONS IN AID OF CONSTRUCTION	(189.6)	39.8	(149.8)	(178.6)	34.6	(144.0)
	\$ 1,228.7	\$ (456.6)	\$ 772.1	\$ 1,157.9	\$ (428.2)	\$ 729.7

7. JOINT VENTURE INVESTMENT

In 2002, ENMAX entered into a joint venture arrangement with Vision Quest Windelectric Inc. to build and operate 114 wind turbines in southern Alberta. The wind farm began generating electricity in 2003 and ENMAX has a 50% ownership interest. ENMAX has also agreed to purchase the output from the wind farm under a 20-year power purchase agreement.

Summarized Financial Information of Joint Venture

DECEMBER 31 (MILLIONS OF DOLLARS)	2004	2003
BALANCE SHEET		
ACCOUNTS RECEIVABLE	\$ 0.7	\$ 0.3
OTHER CURRENT ASSETS	0.1	0.1
CAPITAL ASSETS	47.5	48.9
FUTURE INCOME TAXES	(1.1)	(0.3)
OTHER LONG-TERM LIABILITIES	(0.3)	–
PROPORTIONATE SHARE IN NET ASSETS OF JOINT VENTURE	\$ 46.9	\$ 49.0

YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS)	2004	2003
EARNINGS		
REVENUE	\$ 6.9	\$ 4.2
COSTS AND EXPENSES	(1.4)	(0.9)
AMORTIZATION	(1.7)	(0.8)
INCOME TAX	(0.8)	(0.3)
PROPORTIONATE SHARE IN NET EARNINGS OF JOINT VENTURE	\$ 3.0	\$ 2.2

YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS)	2004	2003
CASH FLOWS		
OPERATIONS	\$ 5.1	\$ 28.9
INVESTING ACTIVITIES	(0.3)	(43.3)
FINANCING ACTIVITIES	0.3	–
PROPORTIONATE SHARE IN THE INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS OF JOINT VENTURE	\$ 5.1	\$ (14.4)

8. POWER PURCHASE ARRANGEMENTS

As part of the Government of Alberta auction of electrical generation PPAs, the Corporation purchased from a third-party generator the rights to the physical output from four units (contract expired January 1, 2004) for \$77.3 million and two units (contract expiring December 31, 2020) for \$247.7 million. In November 2002, one of the four units in the first contract was decommissioned resulting in the receipt by ENMAX of a settlement payment from the third-party generator, amounting to \$11.5 million. The Corporation is entitled to an estimated average 5.9 million megawatt hours (MWh) per year from 2005 through 2020. The megawatts available decrease yearly as the units age. In return for the output, the Corporation is obligated to make monthly fixed and variable payments (see Note 13).

Electric costs include the following items related to the PPAs:

YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS)	2004	2003	2002
FIXED AND VARIABLE COSTS	\$ 189.4	\$ 283.1	\$ 331.2
AMORTIZATION OF PURCHASE PRICE	9.6	10.1	41.8
	\$ 199.0	\$ 293.2	\$ 373.0

Scheduled PPA amortization charges are as follows (millions of dollars):

2005	2006	2007	2008	2009	Thereafter
\$ 10.2	\$ 8.9	\$ 8.4	\$ 7.5	\$ 8.5	\$ 116.5

9. 2000 DEFICIENCY RIDER RECEIVABLE

The 2000 deficiency rider receivable represents revenue shortfalls in 2000 attributable to unexpectedly high energy costs. These costs were recovered, with associated interest, in 2002 through 2004 via a rider on the DT. Collections in 2004 amounted to \$47.1 million (2003 - \$45.5 million; 2002 - \$40.6 million). The remaining balance of \$5.3 million at December 31, 2004 was billed to customers in December and will be collected in the first quarter of 2005.

10. LONG-TERM DEBT

The Corporation's long-term debt consists of issued debentures with the following rates and terms to maturity:

DECEMBER 31 (MILLIONS OF DOLLARS)	2004	2003	WEIGHTED AVERAGE FIXED INTEREST RATES
DEBENTURES:			
LESS THAN 5 YEARS	\$ 52.9	\$ 42.6	7.8%
5 – 10 YEARS	76.3	51.5	5.7%
10 – 15 YEARS	123.1	66.5	5.4%
	252.3	160.6	
LESS: CURRENT PORTION	32.8	22.9	
	\$ 219.5	\$ 137.7	

The debentures were initially issued by The City on behalf of the CES pursuant to City by-law authorizations prior to January 1, 1998. Pursuant to the Master Agreement between the Corporation and The City, the debentures were included in the assumed liabilities upon transfer of substantially all of the assets and liabilities of the CES from The City to the Corporation at January 1, 1998. In accordance with a debt management service level agreement between the Corporation and The City, The City shall continue to service the existing debentures through the disbursement of principal and interest payments. The Corporation is required to reimburse The City for all principal repayments and interest payments with respect to the debentures on the same day as The City disburses the payments to the debt holders. In addition, the Corporation is required to pay a loan guarantee and administration fee to The City of 0.25% on the average monthly outstanding debenture balance held by The City on behalf of the Corporation. In 2004, The City on behalf of the Corporation issued additional debentures totaling \$119.5 million.

The required repayment of principal on the long-term debt at December 31, 2004 is as follows (millions of dollars):

2005	2006	2007	2008	2009	Thereafter
\$32.8	\$29.4	\$29.3	\$21.7	\$21.6	\$117.5

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ENMAX has unsecured credit facilities amounting to \$450.0 million to fund general operating requirements and to provide liquidity support for a commercial paper program. At December 31, 2004 and 2003, no amounts were drawn on the credit facilities or issued under the commercial paper program, other than to support letters of credit issued in the normal course of operations (see Note 17).

Fair Value

The estimated fair value of the Corporation's long-term debt as at December 31, 2004 is \$269.6 million (December 31, 2003 - \$177.1 million). Calculation of the estimated fair value of the debt is based on current lending rates for the primary lender to The City, the Alberta Capital Financing Authority, for the debentures with comparable terms and maturities.

11. SHARE CAPITAL

	NUMBER OF SHARES	AMOUNT (MILLIONS OF DOLLARS)
AUTHORIZED:		
UNLIMITED NUMBER OF COMMON SHARES		
ISSUED AND OUTSTANDING:		
ISSUED ON INCORPORATION (ONE DOLLAR)	1	\$ -
ISSUED ON TRANSFER OF NET ASSETS FROM CES (SEE NOTE 1)	1	278.2
ISSUED ON TRANSFER OF BILLING AND CUSTOMER CARE ASSETS FROM THE CITY	1	1.9
OUTSTANDING AT DECEMBER 31, 2004 AND 2003	3	\$ 280.1

12. INTEREST

Interest expense is comprised of the following:

YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS)	2004	2003	2002
INTEREST ON LONG-TERM DEBT	\$ 15.4	\$ 13.6	\$ 15.7
SHORT-TERM INTEREST AND OTHER FINANCING CHARGES	0.9	0.9	1.5
LESS: ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	(2.3)	(1.6)	(2.4)
	\$ 14.0	\$ 12.9	\$ 14.8

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13. FINANCIAL INSTRUMENTS

Hedging Activities

The Corporation is fully exposed to price fluctuations in the market in which its sales are made. To manage this exposure, the Corporation acquired energy through the auction of PPAs for the output of coal-fired generating plants (see Note 8).

To manage price and volume risk and PPA unit outages, the Corporation utilizes a number of trading instruments including energy commodity price swaps, real-time import or export of electricity and natural gas hedging instruments. The Corporation runs a 24 hour-a-day, seven day-a-week trading operation to manage dispatch of the PPA plants and short-term volume fluctuations. The Corporation manages the counterparty credit risk associated with these hedging activities through the use of aggregate exposure limits and contract limits for each counterparty.

All hedges are documented at inception including information such as the hedging relationship, the risk management objective and strategy, the method for assessing effectiveness and the method of accounting for the hedging relationship. Hedge effectiveness is reassessed on a quarterly basis. Financial instruments that do not qualify for hedge accounting are recognized on the balance sheet and measured at fair value, with changes in fair value recognized currently in income. The estimated fair value of these financial instruments at December 31, 2004 was a loss of \$5.8 million. For the year ended December 31, 2004, the impact of financial instruments that do not qualify for hedge accounting is a charge to net earnings of \$7.5 million, which is included in electric and natural gas costs on the consolidated statement of earnings.

Energy Sales

As at December 31, 2004, the Corporation had executed electricity service agreements with non-RRT customers comprising annual commitments of 40,000 to 4.2 million average MWh in the next five years at prices ranging from \$58.79 to \$68.70 per MWh.

As at December 31, 2004, the Corporation had executed natural gas service agreements with customers comprising annual commitments of 0.7 million to 6.0 million gigajoules (GJ) in the next five years at prices ranging from \$6.69 to \$7.06 per GJ.

Energy Purchases

At December 31, 2004, the Corporation had outstanding fixed-price electricity swap and other purchase contracts that totaled 4.5 million MWh, relating primarily to 2005 and 2006. Also, as at December 31, 2004, the Corporation had outstanding fixed-price natural gas swap contracts for 5.8 million GJ. These natural gas swaps represent a hedge against price fluctuations for electricity.

At December 31, 2004, the estimated fair value of the hedging contracts was a loss of \$28.7 million. These contracts offset exposure to the fixed-price sales contracts entered into for 2005 and beyond.

Power Purchase Arrangements and Agreements

In return for the output from PPAs and power purchase agreements, the Corporation is obligated to make estimated average monthly payments based on normal operating conditions of \$21.4 million for 2005.

14. INCOME TAXES

Prior to 2001, the Corporation and its subsidiaries were not subject to federal and provincial income taxes because ENMAX is municipally owned. The Government of Alberta developed a regulation to the EUA requiring municipally owned entities to make payments in lieu of income taxes on certain portions of their operations. This regulation is effective from fiscal 2001 forward.

Provision for Income Taxes

YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS)	2004	2003	2002
CURRENT	\$ 38.3	\$ 6.7	\$ 1.1
FUTURE	13.9	46.4	45.9
	\$ 52.2	\$ 53.1	\$ 47.0

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Reconciliation of Income Tax Expense

YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS EXCEPT WHERE NOTED)	2004	2003	2002
EARNINGS BEFORE INCOME TAX	\$ 199.5	\$ 221.2	\$ 213.6
INCOME NOT SUBJECT TO TAX	(54.8)	(103.4)	(116.4)
	\$ 144.7	\$ 117.8	\$ 97.2
FEDERAL AND PROVINCIAL TAX RATE	33.87%	36.75%	39.25%
EXPECTED INCOME TAX EXPENSE	\$ 49.0	\$ 43.3	\$ 38.1
NON-DEDUCTIBLE EXPENSES	2.9	0.1	–
LARGE CORPORATIONS TAX	–	0.4	0.5
ADJUSTMENT TO FUTURE TAX ASSET FOR ENACTED CHANGES IN RATES AND OTHER ESTIMATE REVISIONS	0.4	9.2	8.5
OTHER	(0.1)	0.1	(0.1)
ACTUAL INCOME TAX EXPENSE	\$ 52.2	\$ 53.1	\$ 47.0

Future Income Tax Asset

DECEMBER 31 (MILLIONS OF DOLLARS)	2004	2003
EXCESS OF TAX VALUE OVER CARRYING VALUE OF ASSETS ⁽¹⁾	\$ 171.5	\$ 185.4

1. Under the payment in lieu of tax regulation, certain assets of the Corporation were deemed to be disposed of and reacquired at fair market value for tax purposes on December 31, 2000. This resulted in tax values in excess of book value for these assets (see Note 17).

15. EMPLOYEE FUTURE BENEFITS

The Corporation established a registered pension plan on January 1, 2001 to provide future pension benefits for its employees. Prior to 2001, employees of the Corporation participated under the provisions of the Local Authorities Pension Plan. The assets and liabilities attributable to these employees were transferred to the new plan effective January 1, 2001. The registered pension plan covers substantially all employees and includes both defined benefit (DB) and defined contribution (DC) provisions. The DB provisions provide a pension based on years of service and highest average earnings over five consecutive years of employment. DB pension benefits under the registered plan will increase annually by 60% of Alberta inflation. Under the DC provisions, employer contributions are based on the participating members' pensionable earnings and contribution levels.

The Corporation also sponsors a supplemental pension plan providing an additional DB pension based on years of service and highest average earnings (including short-term incentive pay) to both DB and DC members whose benefits are limited by maximum pension rules under the Income Tax Act. The supplemental pension plan benefits do not automatically increase with inflation.

In addition, the Corporation provides employees with other post-retirement benefits other than pensions, including extended health and dental benefits beyond those provided by government-sponsored plans, life insurance and a lump-sum allowance payable at retirement.

ENMAX measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the DB provisions of the registered pension plan was prepared as at December 31, 2003. The next required actuarial valuation for funding purposes will be performed in 2005, effective as of December 31, 2004.

The market-related value of assets was calculated as the lesser of 110% of the market value of assets or the average of the adjusted market value of assets for the current and three preceding years. The adjusted market values were determined from the preceding three year-end market values accumulated to the end of the fiscal year in question with net contributions and assumed investment return.

Total cash payments for employee future benefits for 2004, consisting of cash contributed by ENMAX under the DB and DC provisions of the registered pension plan and cash payments directly to beneficiaries of its unfunded other benefit plans, were \$13.3 million (2003 - \$4.4 million; 2002 - \$5.0 million).

The total expense for the DC provisions of the plan is \$2.6 million for the year ended December 31, 2004 (2003 - \$2.9 million; 2002 - \$2.6 million).

In 2003, the Corporation outsourced its billing and customer care function and about 320 ENMAX employees became employees of the service provider. The event resulted in the transfer to the service provider of pension assets and pension and other benefit liabilities relating to the affected employees. This event was considered a settlement and curtailment for 2003 accounting purposes.

Information about the DB provisions of the plan, including the supplemental pension plan and the post-retirement non-pension benefit plan is as follows:

YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS)	2004		2003	
	PENSION BENEFIT PLANS	OTHER BENEFITS PLAN	PENSION BENEFIT PLANS	OTHER BENEFITS PLAN
CHANGE IN BENEFIT OBLIGATION				
BENEFIT OBLIGATION – BEGINNING OF YEAR	\$ 107.1	\$ 4.3	\$ 100.9	\$ 2.9
CURRENT SERVICE COST	3.3	0.3	3.3	0.3
EMPLOYEE CONTRIBUTIONS	1.2	–	1.2	–
BENEFITS PAID	(4.7)	(0.2)	(4.2)	(0.2)
INTEREST COST	7.0	0.3	6.6	0.3
TRANSFER AND REMEASUREMENT OF OBLIGATION ON SETTLEMENT AND CURTAILMENT	–	–	(0.8)	(0.4)
ACTUARIAL LOSS / (GAIN)	8.9	(0.1)	0.1	1.4
BENEFIT OBLIGATION – END OF YEAR	122.8	4.6	107.1	4.3
CHANGE IN PLAN ASSETS				
PLAN ASSETS AT MARKET-RELATED VALUE – BEGINNING OF YEAR	81.0	–	81.1	–
EMPLOYER CONTRIBUTIONS	10.2	–	1.8	–
EMPLOYEE CONTRIBUTIONS	1.2	–	1.2	–
BENEFITS PAID	(4.3)	–	(4.2)	–
RETURN ON PLAN ASSETS	6.1	–	5.7	–
TRANSFER AND REMEASUREMENT OF ASSETS ON SETTLEMENT AND CURTAILMENT	–	–	(5.6)	–
EXPERIENCE (LOSS) / GAIN	(3.8)	–	1.0	–
PLAN ASSETS AT MARKET-RELATED VALUE – END OF YEAR	90.4	–	81.0	–
DEFERRED INVESTMENT GAIN / (LOSS)	0.7	–	(4.5)	–
PLAN ASSETS AT FAIR VALUE – END OF YEAR	91.1	–	76.5	–
FUNDED STATUS – PLAN DEFICIT	(31.7)	(4.6)	(30.6)	(4.3)
UNAMORTIZED TRANSITIONAL ASSET	(2.4)	(0.1)	(2.8)	(0.1)
UNAMORTIZED EXPERIENCE LOSSES	36.1	1.1	30.7	1.3
ACCRUED BENEFIT ASSET / (LIABILITY), NET OF VALUATION ALLOWANCE OF NIL	\$ 2.0	\$ (3.6)	\$ (2.7)	\$ (3.1)

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The net accrued benefit liability is included in ENMAX's balance sheet in other long-term liabilities. Plan assets at December 31, 2004 consist of Canadian equity securities (47%), foreign equity securities (23%), long-term fixed income securities (28%), and cash and short-term securities (2%).

The significant weighted average actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations and net benefit cost are as follows:

	2004		2003		2002	
	PENSION BENEFIT PLANS	OTHER BENEFITS PLAN	PENSION BENEFIT PLANS	OTHER BENEFITS PLAN	PENSION BENEFIT PLANS	OTHER BENEFITS PLAN
ACCRUED BENEFIT AT DECEMBER 31:						
DISCOUNT RATE	6.00%	6.00%	6.25%	6.25%	6.75%	6.75%
RATE OF COMPENSATION INCREASE	3.60% ⁽¹⁾	3.60%	3.60% ⁽¹⁾	3.60%	3.60% ⁽¹⁾	3.60%
BENEFIT COST FOR YEAR ENDED DECEMBER 31:						
DISCOUNT RATE	6.25%	6.25%	6.25%	6.25%	6.75%	6.75%
EXPECTED LONG-TERM RATE						
OF RETURN ON PLAN ASSETS	7.25%	N/A	7.25%	N/A	8.00%	N/A
RATE OF COMPENSATION INCREASE	3.60% ⁽¹⁾	3.60%	3.60% ⁽¹⁾	3.60%	3.60% ⁽¹⁾	3.60%

1. Plus age-related merit/promotion increases.

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2004 (2003 and 2002 – 9%). The rate was assumed to decrease gradually to 5% in 2014 and to remain at that level thereafter. The per capita cost of covered dental benefits was assumed to increase by 4.5% per year.

Assumed health care cost trend rates may have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rate would have the following effect for 2004:

EFFECT OF CHANGE IN HEALTH CARE COST TREND RATE	OTHER BENEFITS PLAN	
	1% INCREASE	1% DECREASE
INCREASE (DECREASE) IN SERVICE COST FOR YEAR ENDED DECEMBER 31	\$ 17,000	\$ (15,000)
INCREASE (DECREASE) IN INTEREST COST FOR YEAR ENDED DECEMBER 31	\$ 10,000	\$ (8,000)
INCREASE (DECREASE) IN ACCRUED BENEFIT OBLIGATION AT DECEMBER 31	\$ 149,000	\$ (137,000)

The Corporation's net benefit cost is as follows:

YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS)	2004		2003		2002	
	PENSION BENEFIT PLANS	OTHER BENEFITS PLAN	PENSION BENEFIT PLANS	OTHER BENEFITS PLAN	PENSION BENEFIT PLANS	OTHER BENEFITS PLAN
CURRENT SERVICE COST	\$ 3.3	\$ 0.3	\$ 3.3	\$ 0.3	\$ 3.1	\$ 0.2
INTEREST COST	7.0	0.3	6.6	0.3	6.3	0.2
ACTUAL RETURN ON ASSETS	(2.5)	–	(6.0)	–	(0.8)	–
ACTUARIAL LOSSES / (GAINS)	9.1	(0.2)	5.3	1.4	(0.1)	0.2
DIFFERENCE BETWEEN EXPECTED AND						
ACTUAL RETURN	(3.6)	–	0.3	–	(5.6)	–
DIFFERENCE BETWEEN RECOGNIZED AND						
ACTUAL ACTUARIAL (LOSSES) / GAINS	(7.0)	0.2	(3.7)	(1.3)	1.2	(0.2)
SETTLEMENT LOSS	–	–	1.5	0.1	–	–
AMORTIZATION OF NET TRANSITIONAL ASSET	(0.4)	–	(0.4)	–	(0.4)	–
NET BENEFIT PLAN EXPENSE	\$ 5.9	\$ 0.6	\$ 6.9	\$ 0.8	\$ 3.7	\$ 0.4

In 2003, ENMAX implemented a cost restructuring to reduce about 200 employee positions, of which about half were unfilled or vacant. Severance and termination benefits recorded in 2003 for this cost restructuring amounted to \$1.9 million.

16. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS)	2004	2003	2002
ACCOUNTS RECEIVABLE	\$ (45.2)	\$ (0.6)	\$ 53.5
INVENTORIES	(1.6)	(1.9)	0.4
OTHER CURRENT ASSETS	(0.1)	25.3	(24.7)
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	77.0	(20.5)	(24.8)
CHANGE IN NON-CASH WORKING CAPITAL	\$ 30.1	\$ 2.3	\$ 4.4

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17. COMMITMENTS AND CONTINGENCIES

Regulatory

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

On August 13, 2004, the EUB provided initial decisions regarding ENMAX Power's 2004 DT and ENMAX Energy's 2004 RRT for electricity customers in Calgary. Final decisions were received in September. The overall impact of these decisions is a reduction to 2004 consolidated net earnings of \$28.3 million (\$10.2 million relating to ENMAX Energy and \$18.1 million relating to ENMAX Power), reflected as a reduction in distribution revenue of \$20.0 million, a reduction in sales of electricity of \$10.2 million and a reduction in amortization expense of \$1.9 million. The decisions resulted in a refund to ENMAX customers, which is being paid over a twelve month period commencing in November, 2004.

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 Revenue, Tax and Revenue Administration (Alberta Revenue) is responsible for assessing the income tax returns filed under the payment in lieu of taxes (PILOT) regulation to the EUA. In August 2004, Alberta Revenue notified the Corporation that it is questioning 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 these assets was \$195 million, based on an estimated fair market value of \$855 million. ENMAX believes that it appropriately measured the value of the assets for PILOT purposes and will work diligently with Alberta Revenue to support its position. The amount of possible adjustment, which could have a material impact on net earnings, cannot be reasonably estimated at this time and no provision has been made in the consolidated financial statements for additional income tax expense.

Guarantees

Letters of Credit

In the normal course of operations, letters of credit were entered into to support or enhance creditworthiness to facilitate the extension of sufficient credit by counterparties having credit exposure to ENMAX or its subsidiaries. ENMAX has issued letters of credit amounting to \$91.4 million at December 31, 2004 (December 31, 2003 - \$87.2 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 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.

Other Indemnifications

In the ordinary course of business, the Corporation and its subsidiaries enter into contracts which contain indemnification provisions, such as purchase 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 claims by third parties. These indemnification provisions will vary based upon the contract. In many 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.

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18. RELATED PARTY TRANSACTIONS

Included in accounts payable are amounts owed to The City as follows:

DECEMBER 31 (MILLIONS OF DOLLARS)	2004	2003
GOODS AND SERVICES RECEIVED	\$ 0.6	\$ 2.2
LOCAL ACCESS FEES	6.0	5.9
TOTAL PAYABLE TO THE CITY	\$ 6.6	\$ 8.1

Total expenditures for goods and services received from The City for the year ended December 31, 2004 were \$76.8 million (2003 - \$79.4 million; 2002 - \$83.5 million).

Included in accounts receivable are amounts owing to the Corporation from The City as follows:

DECEMBER 31 (MILLIONS OF DOLLARS)	2004	2003
SERVICES PROVIDED	\$ 15.6	\$ 16.9
TOTAL RECEIVABLE FROM THE CITY	\$ 15.6	\$ 16.9

Total revenues received from The City for the year ended December 31, 2004 were \$67.5 million (2003 - \$74.6 million; 2002 - \$63.2 million).

Transactions between the Corporation and The City have been made at amounts approximating fair market value.

19. COMPARATIVE FIGURES

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