

THIRD QUARTER 2004

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
<i>(unaudited - millions of dollars, except return on equity and operating statistics)</i>				
Total revenue	\$ 308.9	\$ 299.2	\$ 875.9	\$ 907.9
Operating expenses	221.0	234.1	697.4	739.8
Earnings before interest and income tax	87.9	65.1	178.5	168.1
Interest	3.9	3.1	10.4	9.9
Income tax	20.8	11.6	45.5	36.8
Net earnings	\$ 63.2	\$ 50.4	\$ 122.6	\$ 121.4
Return on equity (annualized) ¹			13%	16%
Payments to shareholder:				
Dividends	12.6	12.5	37.8	37.5
Local access fees	15.5	15.8	50.2	51.3
Operating statistics:				
Electricity sold to customers (gigawatt hours)	2,220	2,507	6,713	7,101
Energy delivered (gigawatt hours)	1,988	1,970	5,964	5,876

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis, prepared as at November 24, 2004, should be read in conjunction with the accompanying unaudited interim consolidated financial statements of ENMAX Corporation (ENMAX or the corporation) as at and for the three and nine months ended September 30, 2004 and 2003, as well as the 2003 Annual Report. Additional information relating to ENMAX can be found on SEDAR @ www.sedar.com. Amounts are stated in Canadian dollars.

RESULTS OF OPERATIONS

Consolidated

In the first nine months of 2004, ENMAX net earnings were \$122.6 million, including \$63.2 million in the third quarter. This compares to net earnings of \$121.4 million in the first nine months of 2003, \$50.4 million of which was recorded in the third quarter. The third quarter of 2004 includes the impact of two significant items. In September, ENMAX Energy improved its process of estimating unbilled revenue relating to its electricity customers. The impact is an increase to electricity sales and accounts receivable. The adjustment increased earnings for ENMAX Energy in the third quarter of 2004 by \$42.7 million. Also included in the third quarter of 2004 is a charge to net earnings of \$22.8 million representing the year-to-date impact of the Alberta Energy

and Utilities Board (EUB) decisions relating to the 2004 Distribution Tariff and the Regulated Rate Tariff. In addition to these two items, net earnings experienced downward pressure due to lower margins in the competitive energy business and higher grid charges in the wires business.

Total revenue for the first nine months of 2004 was \$875.9 million compared to \$907.9 million in the first nine months of 2003. In the third quarter of 2004, ENMAX recorded total revenue of \$308.9 million compared to \$299.2 million in the third quarter of 2003. In the first nine months of 2004, the decrease in revenues reflects the impact of the EUB decisions, lower electricity volumes sold to customers and a decline in average market prices for electricity sold to customers on a flow-through rate as compared to the first nine months of 2003, partially offset by the third quarter adjustment to unbilled revenue in ENMAX Energy.

Total revenue in the first nine months of 2004 consisted of \$620.6 million from sales of electricity and natural gas; \$196.5 million from distributing electricity and leasing transmission facilities; and \$58.8 million from contractual services and other revenue. Sales of electricity include energy trading revenue of \$16.2 million during the first nine months of 2004 compared to \$17.0 million in the first nine months of 2003.

During the first nine months of 2004, cost of services provided was \$630.8 million, including \$200.1 million in the third quarter. This compares to cost of services provided of \$664.3 million in the first nine months of 2003, including \$210.2 million in the third quarter. Cost of services provided declined in the first nine months of 2004 compared to the same period in 2003 due to decreased electricity sales volumes and lower overall market prices for electricity.

General and administrative expenses were \$27.1 million during the first nine months of 2004 down from \$34.1 million in the first nine months of 2003 due to lower staffing and consulting costs. Income tax expense was \$45.5 million during the first nine months of 2004 compared to \$36.8 million in the first nine months of 2003. Increased income tax expense reflects higher earnings from the taxable segment of the corporation.

In the first nine months of 2004, ENMAX paid a dividend installment to The City of Calgary of \$37.8 million, consistent with the corporation's dividend policy.

SELECTED QUARTERLY FINANCIAL DATA

Three months ended (millions of dollars, unaudited)

	2004		2003		2002	
	Total Revenue	Net Earnings	Total Revenue	Net Earnings	Total Revenue	Net Earnings
March 31	\$ 293.8	\$ 31.1	\$ 331.8	\$ 34.9		
June 30	\$ 273.2	\$ 28.3	\$ 276.9	\$ 36.1		
September 30	\$ 308.9	\$ 63.2	\$ 299.2	\$ 50.4		
December 31			\$ 300.9	\$ 46.7	\$ 321.7	\$ 38.4

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

(millions of dollars, unaudited)

	September 30, 2004	December 31, 2003
Cash and cash equivalents	\$ 346.9	\$ 100.9
Long-term debt ⁽¹⁾	266.3	160.6
Shareholder's equity		
Share capital	280.1	280.1
Retained earnings	931.8	847.0
Total shareholder's equity	1,211.9	1,127.1
Total capitalization	\$ 1,478.2	\$ 1,287.7

(1) Includes current portion of \$33.5 million (2003 - \$22.9 million). Maturity dates range from October 2004 to June 2019.

Coverage Ratios

	For the Nine Months Ended September 30, 2004	For the Year Ended December 31, 2003
Debt to total capitalization (as at period end) ⁽¹⁾	18.0%	12.5%
Net debt to total capitalization (as at period end) ⁽¹⁾	Nil	5.0%
Interest coverage ratio ⁽²⁾	17.2X	18.1X

(1) Debt to total capitalization is equal to long-term debt divided by long-term debt plus shareholder's equity. Net debt to total capitalization reduces long-term debt by cash and cash equivalents for purposes of this calculation.

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

Cash Provided by Operating Activities

Cash provided by operating activities was \$197.0 million in the first nine months of 2004 compared to \$226.3 million in the same period of 2003. The decline in cash provided was due to a higher proportion of cash taxes in 2004 resulting from the expiry of certain deductible tax pools in 2003. Funds for ongoing cash requirements will come from cash flow from operations, available lines of credit and a commercial paper program. ENMAX continues to generate adequate amounts of cash and cash equivalents to meet short-term requirements.

Investing Activities

Capital spending was \$54.0 million in the first nine months of 2004, primarily for expansion of the distribution system. Capital expenditures in 2004 were budgeted to be about \$203 million for ongoing business requirements and smaller growth projects. Approval of capital projects in excess of \$30 million is sought from the shareholder.

Financing Activities

During the past nine months, \$119.5 million in financing was obtained from The City of Calgary through arrangements with Alberta Capital Finance Authority. The funds will be used for capital expenditures in ENMAX Power, which is consistent with the corporation's regulatory position.

NEW ACCOUNTING STANDARDS

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 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 September 30, 2004, the fair market value of the financial contract was an unrealized loss of \$4.8 million. This is included on the consolidated balance sheet within other long-term liabilities. For the three and nine months ended September 30, 2004, the change in fair market value, combined with amortization of the related deferred credit, amounted to a charge to net earnings of \$3.1 million and \$6.6 million, respectively, which are 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.

BUSINESS SEGMENT RESULTS

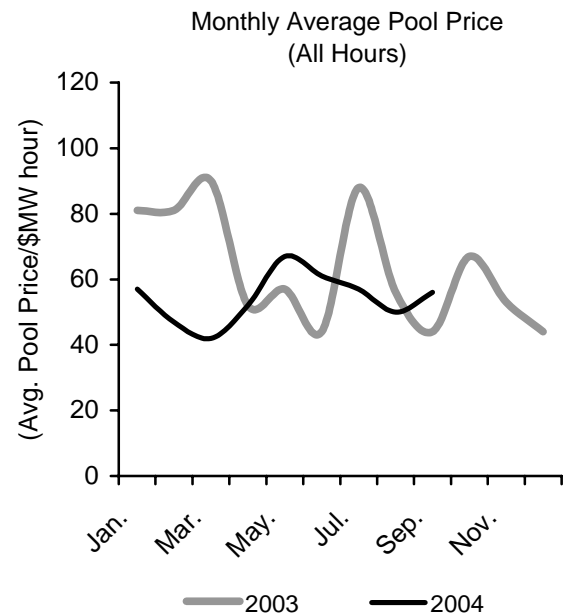
ENMAX Energy

ENMAX Energy recorded net earnings of \$93.1 million in the first nine months of 2004, including \$59.2 million in the third quarter. This compares to net earnings of \$73.5 million in the first nine months of 2003, including \$32.2 million in the third quarter. The third quarter of 2004 includes the impact of two significant items. In September, ENMAX improved 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 adjustment affects the timing of recognized revenue in the statement of earnings, however there will be no impact on the bills received by the customers. The adjustment increased earnings for ENMAX Energy in the third quarter of 2004 by \$42.7 million. Also included in the third quarter of 2004 is a charge to net earnings of \$8.0 million representing the year-to-date impact of the EUB decision regarding ENMAX's 2004 Regulated Rate Tariff. The most significant item in the decision causing this impact was lower recoverable costs related to water and waste water billing services provided to The City of Calgary. In addition to these two items, net earnings experienced downward pressure due to lower margins, reflecting lower sales volumes among commercial and industrial customers as well as a business decision to reduce large commercial customers' rates in exchange for extending the term on existing contracts. This decision impacts current year margins but provides for longer term profitability.

Total revenue during the first nine months of 2004 was \$791.6 million, including \$282.1 million in the third quarter. In the first nine months of 2003, ENMAX Energy had total revenue of \$819.6 million, including \$271.1 million recorded in the third quarter. The decrease in revenue was mainly due to lower wholesale prices putting downward pressure on flow-through customer rates and declining sales volumes, partially offset by the third quarter adjustment for unbilled revenue described above.

The average Power Pool price was \$54 per megawatt hour (MWh) in the first nine months of 2004 compared to \$66 per MWh in the same period in 2003. In the third quarter of 2004, wholesale prices were \$54 per MWh compared to \$62 per MWh in the third quarter of 2003. Third quarter 2004 prices were lower in relation to last year due to fewer outages at coal generating units. Natural gas prices averaged \$5.90 per gigajoule (GJ) in the third quarter of 2004 compared to \$5.54 per GJ in the third quarter of 2003.

ENMAX Energy sold 2,220 gigawatt hours (GWh) of electricity to customers in the third quarter of 2004 compared to 2,507 GWh in the third quarter of 2003. Declining sales volumes among commercial and industrial customers were partially offset by higher sales volumes among small business and residential customers.



ENMAX Power

ENMAX Power recorded net earnings of \$25.1 million in the first nine months of 2004, including \$1.2 million in the third quarter. This compared to net earnings of \$45.8 million during the first nine months of 2003, including \$17.4 million in the third quarter. The third quarter of 2004 includes the year-to-date impact of the EUB decision regarding ENMAX's 2004 Distribution Tariff, amounting to \$14.8 million. The most significant item causing this impact is the discontinuance of the historical practice of using regulated utility rates to fund the equity needed to expand the distribution system to meet customer demand. Net earnings in 2004 were also impacted by higher grid charges (the cost to use Alberta's transmission system).

Total revenue during the first three quarters of 2004 was \$238.2 million, including \$68.3 million in the third quarter. In the comparable periods in 2003, total revenue was \$252.6 million and \$82.6 million, respectively. Revenues declined due to the impact of the EUB decision.

Grid charges were \$41.4 million in the first nine months of 2004 and \$11.0 million in the third quarter of 2004. In the first nine months of 2003, ENMAX Power recorded \$35.6 million for grid charges, including \$9.7 million in the third quarter. Grid charges were higher in 2004 compared to 2003 because in 2003 charges were partially offset by the receipt of a deferral account surplus from the Alberta Electric System Operator.

ENMAX Power delivered 5,964 GWh of electricity during the first nine months of 2004, including 1,988 GWh in the third quarter. This compared to 5,876 GWh delivered in the first nine months of 2003, including 1,970 GWh in the third quarter. Growing customer demand in and around Calgary is attributed with increasing delivered volumes in the first three quarters of 2004 compared to the same period in 2003.

ENMAX Power measures reliability performance based on frequency of system interruptions and total duration of interruptions over a 12-month period. On average, customers experienced 1.07 interruptions, which totaled 29.4 minutes of interruption time for the 12 months ended September 30, 2004. This compares to an average of 0.97 interruptions, which totaled 30 minutes of interruption time during the previous 12-month period. In 2003, ENMAX Power ranked number one for shortest duration of interruptions among other comparably sized Canadian utility companies that report their reliability to the Canadian Electricity Association.

RISK MANAGEMENT AND UNCERTAINTIES

ENMAX has an integrated approach to risk management across all ENMAX companies. The Risk Management Committee, consisting of ENMAX senior executives, oversees risk management and reports risk exposures to the board of directors. Financial and business risks reported in the 2003 Annual Report remain substantially unchanged during the first nine months of 2004. For further information on risks, refer to Management's Discussion and Analysis in the 2003 Annual Report, available on the ENMAX website at enmax.com.

OUTLOOK

ENMAX's earnings are drawn from two distinct businesses: the deregulated but highly competitive commercial market, and the regulated business which supplies electricity to the residential market, and small commercial market, which is overseen by the Alberta Energy and Utilities Board (EUB).

The deregulated business has experienced tightening margins and increased competition, as was forecast. In July 2004, the EUB ruled on the Generic Cost of Capital proceedings for Alberta's electricity and natural gas distribution and transmission companies. The proceeding standardized the approach used to determine the rate of return on common equity and capital structure, and developed a formula to adjust return on common equity over the next five years. The EUB decision permits a 9.6% rate of return on common equity and a 61% debt and 39% equity structure for ENMAX Power. In September 2004, ENMAX received final decisions on the 2004 Distribution Tariff and 2004 Regulated Rate Tariff (RRT) for electricity customers in Calgary.

The overall impact of these decisions is estimated to be a reduction to 2004 annual net earnings of \$31 million (\$22.8 million has been recorded in the year-to-date results). The most significant item causing this impact is the removal of amounts related to equity funding of the distribution system from EUB regulated utility rates. This has been the approved practice under City of Calgary regulation since the 1930s. In November, The City of Calgary decided to continue to collect these amounts through a separate surcharge on the electricity bill. Amounts collected under this new surcharge will flow directly to The City of Calgary and will not form part of ENMAX's net earnings. The funds will be available to the corporation as additional equity when requested. The EUB decision also reduced RRT margins and lowered recoverable costs related to water and waste water billing services provided to The City of Calgary.

ENMAX was prepared for this outcome, and a refined strategy for the future growth of the company was developed by management and the Board of Directors over the past six months. ENMAX is now positioning the company for future growth, as well as continued dividends to the City and benefits to the citizens of Calgary.

ENMAX continues to manage its cost structure to help offset the impact of regulatory decisions and lower retail margins.

COMMUNITY AND ENVIRONMENT

In the third quarter of 2004, ENMAX invested \$0.4 million in community programs. Contributions were allocated in the following categories: 60% community development, 20% sports and recreation, and 20% youth and education. Third quarter highlights include event sponsorship of the Alberta Classic PGA Tournament, ENMAX Family Day at the Calgary Stampede and support of the novice-level afternoon rodeo events. In addition, ENMAX contributed to the Summer Youth Sport Camps at Talisman Centre in Calgary and officially unveiled the ENMAX Water Park at Collicutt Centre in Red Deer.

ENMAX had no reportable, preventable releases to the environment during the first nine months of 2004. An audit of ENMAX's Environmental Management System by the Environmental Commitment and Responsibility ("ECR") Program of the Canadian Electrical Association, conducted in June 2004, indicated that ENMAX has no major exceptions to ECR guidelines and requirements. ENMAX's annual report to the ECR was described by the ECR auditor as "excellent in terms of content, layout and readability."

FORWARD-LOOKING INFORMATION

Certain information in this quarterly report is forward-looking and related to, among other things, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as “anticipate”, “believe”, “expect”, “plan”, “target” or similar words suggesting future outcomes. By their nature, such statements are subject to various risks and uncertainties, which could cause ENMAX’s actual results and experience to differ materially from the anticipated results. Such risks and uncertainties include, but are not limited to, competitive factors and pricing pressures, regulatory decisions and the impact of deregulation on the industry.

CONTACT INFORMATION

ENMAX is an energy distribution, transmission and retail supply and services company, wholly owned by The City of Calgary. The business is led by ENMAX Corporation and carried out through subsidiary companies. ENMAX Energy Corporation ensures a balanced energy supply portfolio and competes against other retailers in Alberta to provide customers with electricity and natural gas. The ENMAX Energy business segment includes the subsidiary ENMAX Encompass Inc. which provides billing, customer care and other customer services for ENMAX and a number of municipalities. ENMAX Power Corporation owns, operates and maintains the regulated distribution and transmission system transmitting electricity to customers in the Calgary area, and provides power services through an unregulated subsidiary.

ENMAX welcomes questions from stakeholders.

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Visit the ENMAX website at enmax.com

CONSOLIDATED BALANCE SHEETS

(millions of dollars) (unaudited)	September 30, 2004	December 31, 2003
ASSETS		
Cash and cash equivalents	\$ 346.9	\$ 100.9
Accounts receivable	199.3	181.3
Inventories	13.5	12.0
Current portion of 2000 deficiency rider receivable	17.9	48.4
Other current assets	1.4	1.4
	<u>579.0</u>	<u>344.0</u>
Capital assets	744.2	729.7
Power purchase arrangements	162.4	169.6
2000 deficiency rider receivable	-	4.0
Future income tax asset	174.3	185.4
Other long-term assets	10.0	10.6
TOTAL ASSETS	<u>\$ 1,669.9</u>	<u>\$ 1,443.3</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 156.3	\$ 126.4
Customer guarantee deposits	15.4	14.4
Current portion of long-term debt	33.5	22.9
	<u>205.2</u>	<u>163.7</u>
Long-term debt	232.8	137.7
Other long-term liabilities	20.0	14.8
TOTAL LIABILITIES	<u>458.0</u>	<u>316.2</u>
SHAREHOLDER'S EQUITY		
Share capital	280.1	280.1
Retained earnings	931.8	847.0
TOTAL SHAREHOLDER'S EQUITY	<u>1,211.9</u>	<u>1,127.1</u>
COMMITMENTS AND CONTINGENCIES (Note 5)		
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$ 1,669.9</u>	<u>\$ 1,443.3</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(millions of dollars) (unaudited)	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
REVENUE				
Sales of electricity and natural gas	\$ 234.4	\$ 210.9	\$ 620.6	\$ 637.5
Transmission and distribution revenue	54.0	68.6	196.5	208.8
Contractual services and other	20.5	19.7	58.8	61.6
TOTAL REVENUE	308.9	299.2	875.9	907.9
COST OF SERVICES PROVIDED				
Electric and natural gas costs	118.0	111.3	369.6	367.1
Grid charges	28.7	38.5	98.2	121.5
Local access fees	15.5	15.8	50.2	51.3
Operations and maintenance	17.9	21.7	54.9	60.7
Billing and collection	10.6	14.4	30.8	34.9
Cost of providing contractual services	9.4	8.5	27.1	28.8
TOTAL COST OF SERVICES PROVIDED	200.1	210.2	630.8	664.3
GROSS MARGIN	108.8	89.0	245.1	243.6
General and administrative	8.8	9.0	27.1	34.1
Amortization	12.1	14.9	39.5	41.4
OPERATING EARNINGS BEFORE INTEREST AND INCOME TAX CHARGES	87.9	65.1	178.5	168.1
Interest	3.9	3.1	10.4	9.9
EARNINGS BEFORE INCOME TAX	84.0	62.0	168.1	158.2
Income tax	20.8	11.6	45.5	36.8
NET EARNINGS	63.2	50.4	122.6	121.4
RETAINED EARNINGS, BEGINNING OF PERIOD	881.2	774.9	847.0	728.9
Dividends	(12.6)	(12.5)	(37.8)	(37.5)
RETAINED EARNINGS, END OF PERIOD	\$ 931.8	\$ 812.8	\$ 931.8	\$ 812.8

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of dollars) (unaudited)	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net earnings	\$ 63.2	\$ 50.4	\$ 122.6	\$ 121.4
Amortization	14.5	17.5	46.7	49.0
Future income taxes	1.8	10.4	11.1	34.5
Change in unrealized market value of financial contracts (Note 3)	3.1	-	6.6	-
	<u>82.6</u>	<u>78.3</u>	<u>187.0</u>	<u>204.9</u>
Change in non-cash working capital items	(11.0)	4.8	10.0	21.4
	<u>71.6</u>	<u>83.1</u>	<u>197.0</u>	<u>226.3</u>
INVESTING ACTIVITIES				
Purchase of capital assets	(23.5)	(35.3)	(59.5)	(140.6)
Proceeds on sale of assets	-	-	-	9.8
Contributions in aid of construction	1.6	1.6	5.5	6.9
2000 deficiency rider receivable collected	11.4	11.4	34.5	34.0
Customer guarantee deposits	-	(0.6)	1.0	(1.5)
Other long-term assets	0.2	0.9	0.6	(7.7)
	<u>(10.3)</u>	<u>(22.0)</u>	<u>(17.9)</u>	<u>(99.1)</u>
FINANCING ACTIVITIES				
Long-term debt issued / (repaid)	(5.4)	(2.9)	105.7	(12.0)
Other long-term liabilities	(3.4)	0.9	(1.0)	1.8
Dividends paid	(12.6)	(12.5)	(37.8)	(37.5)
	<u>(21.4)</u>	<u>(14.5)</u>	<u>66.9</u>	<u>(47.7)</u>
Increase in cash and cash equivalents	39.9	46.6	246.0	79.5
Cash and cash equivalents, beginning of period	307.0	36.2	100.9	3.3
Cash and cash equivalents, end of period	<u>\$ 346.9</u>	<u>\$ 82.8</u>	<u>\$ 346.9</u>	<u>\$ 82.8</u>
Interest paid	\$ 2.7	\$ 1.4	\$ 8.6	\$ 8.2
Income taxes paid	\$ 1.1	\$ 0.3	\$ 9.5	\$ 0.9

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. Except as disclosed in Note 3, the accounting policies applied are consistent with those outlined in the corporation's annual financial statements for the year ended December 31, 2003. These interim consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements included in ENMAX's 2003 Annual Report. Amounts are stated in Canadian dollars.

ENMAX is subject to fluctuations in the demand for and price of electricity and natural gas, therefore interim results are not necessarily indicative of annual results.

2. Segmented Information

Three months ended September 30 (millions of dollars)	ENMAX Energy		ENMAX Power		Intersegment Eliminations		Consolidated Totals	
	2004	2003	2004	2003	2004	2003	2004	2003
REVENUE								
Sales of electricity and natural gas	\$ 271.8	\$ 262.3	\$ -	\$ -	\$ (37.4)	\$ (51.4)	\$ 234.4	\$ 210.9
Transmission and distribution revenue	-	-	54.0	68.6	-	-	54.0	68.6
Contractual services and other	10.3	8.8	14.3	14.0	(4.1)	(3.1)	20.5	19.7
TOTAL REVENUE	282.1	271.1	68.3	82.6	(41.5)	(54.5)	308.9	299.2
COST OF SERVICES PROVIDED								
Electric and natural gas costs ⁽¹⁾	118.0	111.3	-	-	-	-	118.0	111.3
Grid charges	55.6	80.4	11.0	9.7	(37.9)	(51.6)	28.7	38.5
Local access fees	-	-	15.5	15.8	-	-	15.5	15.8
Operations and maintenance	6.9	7.6	12.0	14.0	(1.0)	0.1	17.9	21.7
Billing and collection	10.6	14.4	-	-	-	-	10.6	14.4
Cost of providing contractual services	0.2	0.2	9.5	8.5	(0.3)	(0.2)	9.4	8.5
TOTAL COST OF SERVICES PROVIDED	191.3	213.9	48.0	48.0	(39.2)	(51.7)	200.1	210.2
GROSS MARGIN	90.8	57.2	20.3	34.6	(2.3)	(2.8)	108.8	89.0
General and administrative	5.5	6.9	5.9	2.7	(2.6)	(0.6)	8.8	9.0
Amortization	4.2	5.8	8.2	10.1	(0.3)	(1.0)	12.1	14.9
OPERATING EARNINGS	81.1	44.5	6.2	21.8	0.6	(1.2)	87.9	65.1
Interest	1.3	0.9	5.0	4.4	(2.4)	(2.2)	3.9	3.1
Income tax	20.6	11.4	-	-	0.2	0.2	20.8	11.6
NET EARNINGS	\$ 59.2	\$ 32.2	\$ 1.2	\$ 17.4	\$ 2.8	\$ 0.8	\$ 63.2	\$ 50.4
CAPITAL ADDITIONS	\$ 1.2	\$ 1.3	\$ 20.5	\$ 22.6	\$ 1.8	\$ 11.4	\$ 23.5	\$ 35.3

1. Included in electric costs is \$2.4 million (2003 - \$2.6 million) pertaining to the amortization of PPAs.

Nine months ended September 30 (millions of dollars)	ENMAX Energy		ENMAX Power		Intersegment Eliminations		Consolidated Totals	
	2004	2003	2004	2003	2004	2003	2004	2003
REVENUE								
Sales of electricity and natural gas	\$ 763.2	\$ 794.4	\$ -	\$ -	\$ (142.6)	\$ (156.9)	\$ 620.6	\$ 637.5
Transmission and distribution revenue	-	-	196.5	208.8	-	-	196.5	208.8
Contractual services and other	28.4	25.2	41.7	43.8	(11.3)	(7.4)	58.8	61.6
TOTAL REVENUE	791.6	819.6	238.2	252.6	(153.9)	(164.3)	875.9	907.9
COST OF SERVICES PROVIDED								
Electric and natural gas costs ⁽¹⁾	369.6	367.1	-	-	-	-	369.6	367.1
Grid charges	200.8	243.5	41.4	35.6	(144.0)	(157.6)	98.2	121.5
Local access fees	-	-	50.2	51.3	-	-	50.2	51.3
Operations and maintenance	21.3	25.0	34.5	35.6	(0.9)	0.1	54.9	60.7
Billing and collection	30.8	34.9	-	-	-	-	30.8	34.9
Cost of providing contractual services	0.5	0.5	27.2	28.3	(0.6)	-	27.1	28.8
TOTAL COST OF SERVICES PROVIDED	623.0	671.0	153.3	150.8	(145.5)	(157.5)	630.8	664.3
GROSS MARGIN	168.6	148.6	84.9	101.8	(8.4)	(6.8)	245.1	243.6
General and administrative	15.0	20.7	17.3	14.5	(5.2)	(1.1)	27.1	34.1
Amortization	12.9	16.2	28.5	28.3	(1.9)	(3.1)	39.5	41.4
OPERATING EARNINGS	140.7	111.7	39.1	59.0	(1.3)	(2.6)	178.5	168.1
Interest	3.3	2.4	14.0	13.2	(6.9)	(5.7)	10.4	9.9
Income tax	44.3	35.8	-	-	1.2	1.0	45.5	36.8
NET EARNINGS	\$ 93.1	\$ 73.5	\$ 25.1	\$ 45.8	\$ 4.4	\$ 2.1	\$ 122.6	\$ 121.4
CAPITAL ADDITIONS	\$ 3.9	\$ 48.9	\$ 52.9	\$ 60.6	\$ 2.7	\$ 31.1	\$ 59.5	\$ 140.6

1. Included in electric costs is \$7.2 million (2003 - \$7.6 million) pertaining to the amortization of PPAs.

Total Assets (millions of dollars)	September 30, 2004	December 31, 2003
ENMAX Energy	\$ 695.3	\$ 711.6
ENMAX Power	626.1	649.1
Corporate and eliminations	348.5	82.6
	\$ 1,669.9	\$ 1,443.3

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 September 30, 2004, the fair market value of the financial contract was an unrealized loss of \$4.8 million. This is included on the consolidated balance sheet within other long-term liabilities. For the three and nine months ended September 30, 2004, the change in fair market value, combined with amortization of the related deferred credit, amounted to a charge to net earnings of \$3.1 million and \$6.6 million, respectively, which are 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 adjustment affects the timing of recognized revenue in the statement of earnings, however there will be no impact on the bills received by the customers. The adjustment increased earnings for ENMAX Energy in the third quarter of 2004 by \$42.7 million, after tax.

4. 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 rates under the Income Tax Act. In addition, the corporation provides employees with other post-employment benefits including extended health and dental benefits beyond those provided by government-sponsored plans.

The total benefit cost recorded in the consolidated statement of earnings for the three and nine months ended September 30, 2004 is \$2.3 million (2003 - \$2.2 million) and \$6.7 million (2003 - \$6.4 million), respectively.

5. Commitments and Contingencies

Regulatory Decisions

On August 13, 2004, the Alberta Energy and Utilities Board (EUB) provided initial decisions regarding ENMAX Power's 2004 Distribution Tariff and ENMAX Energy's 2004 Regulated Rate Tariff (RRT) for electricity customers in Calgary. Final decisions were received in September.

The overall impact of these decisions is a reduction to 2004 annual net earnings of approximately \$31 million. ENMAX has reflected the year-to-date impact in the third quarter of 2004, amounting to a reduction in distribution revenue of \$16.2 million, a reduction in sales of electricity of \$8.0 million and a reduction in amortization expense of \$1.4 million, resulting in a reduction in consolidated net earnings of \$22.8 million (\$8.0 million relating to ENMAX Energy and \$14.8 million relating to ENMAX Power).

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 Electric Utilities Act. In August 2004, Alberta Revenue notified the corporation that it is questioning the value of certain assets established for the purpose of this regulation. 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 interim consolidated financial statements for additional income tax expense.

6. Comparative Figures

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