



ENMAX Corporation Year End 2003 Earnings Report – Questions & Answers

February 26, 2004

What is the main reason for ENMAX's strong financial performance in 2003?

Net earnings increased in 2003 to \$168.1 million, compared to \$166.6 million in 2002. Shareholder's equity rose 12% to \$1.13 billion and a dividends paid to The City of Calgary were up 43% to \$50.0 million. Primarily, this strong performance is due to selling and distributing more energy to customers throughout Alberta. The unregulated retail business increased electricity volumes sold by 4% to 9,552 gigawatt hours (GWh). The regulated transmission and distribution business increased electricity volumes distributed in and around Calgary by 2% to 7,928 GWh. Other factors driving ENMAX's strong financial performance were lower transmission costs and higher revenue from the unregulated energy and power services businesses.

How do your owners – Calgarians – benefit from ENMAX's profits?

Like any company, ENMAX profits are earned for the benefit of its shareholder. ENMAX paid dividends of \$50.0 million to The City of Calgary in 2003. The amount is based on a dividend policy which sees the shareholder receive the higher of \$30.0 million or 30% of the prior year's earnings. Earnings in excess of dividends are reinvested in the growth of the company and used to maintain a healthy balance sheet through reduction of long-term debt. Also, ENMAX contributed more than \$3.5 million to community programs in Calgary and throughout the province in 2003.

What impact do electricity wholesale market prices have on ENMAX's net earnings?

Net earnings are affected by wholesale market prices because of the link between rates paid by customers and the cost of supply purchased by ENMAX to meet customer needs. While most of the supply needed to meet customer demand has been secured at fixed prices, a portion was purchased from the Power Pool of Alberta in 2003 at the wholesale market price. In 2003, wholesale prices averaged \$63 per megawatt hour (MWh) compared to \$44 per MWh in 2002. This resulted in higher total revenue for ENMAX, which was partially offset by the higher electricity supply costs paid by the company.

Do wholesale market prices also affect customer rates?

Wholesale prices affect customer rates to different degrees, depending on the various types of rates customers use to purchase electricity. Residential and small-commercial customers on regulated rates pay a commodity price based mainly on forecasted Power Pool prices. There is also a slight exposure to actual pool prices. Larger customers on default supply rates pay a commodity price directly tied to actual market prices. Customers on commercial contracts pay rates based on ENMAX's best estimate of future wholesale prices.

What is ENMAX doing to manage fluctuating energy prices and the impact on earnings?

ENMAX's energy trading department hedges the impact of price fluctuations. This department manages the amount of electricity supply secured at a fixed price over a set period compared to the amount of electricity supply purchased from the spot market. At the same time, ENMAX has diversified its revenue sources to ensure retail margins are not the only financial performance driver. For example, the distribution and power services businesses create an additional revenue stream. Also, the company maintains an optimum cost structure.