

The consolidated financial statements and all the information in the 2008 annual report are the responsibility of management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and management's best estimates and judgments. The financial and operating information presented in this annual report is consistent with the consolidated financial statements and accompanying notes.

Management has prepared the management's discussion and analysis (MD&A). The MD&A compares the Corporation's financial performance in 2008 to 2007 and should be read in conjunction with the consolidated financial statements and accompanying notes.

ENMAX Corporation has designed and maintains internal controls to safeguard assets and facilitate the preparation of reliable and relevant financial information on a timely basis.

The Board of Directors has appointed an Audit and Finance Committee, which consists of independent directors of the Board, to ensure management fulfills its responsibilities for financial reporting.

The independent external auditors, Deloitte & Touche LLP, have been appointed by the shareholder to express an opinion on ENMAX's consolidated financial statements. The accompanying report of Deloitte & Touche LLP outlines the scope of their examination and their opinion on the consolidated financial statements.

[signed]

Gary R. Holden
President and Chief Executive Officer

March 17, 2009

[signed]

Dwayne Dubois, CA
*Acting Executive Vice President, Finance and
Chief Financial Officer*

REPORT OF MANAGEMENT

To the Shareholder of ENMAX Corporation

We have audited the consolidated balance sheet of ENMAX Corporation as at December 31, 2008 and the consolidated statements of earnings and comprehensive income, shareholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the management of ENMAX Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 ENMAX Corporation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2007 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those consolidated financial statements in their report dated March 11, 2008.

[signed]

Deloitte & Touche LLP
*Chartered Accountants
Calgary, Alberta
March 17, 2009*



AS AT DECEMBER 31	2008	2007
\$ millions		restated [note 3]
ASSETS		
Cash and cash equivalents [note 5]	35.6	52.4
Accounts receivable [note 5]	544.4	495.0
Inventories [note 3]	0.9	1.3
Income taxes receivable	20.4	40.6
Future income tax asset [note 10]	10.4	16.7
Other current assets [note 5]	114.1	68.6
	725.8	674.6
Property, plant and equipment [notes 11 and 12]	2,004.9	1,091.5
Power purchase arrangements [note 13]	502.4	490.7
Intangible assets [note 14]	32.0	19.9
Goodwill [note 15]	16.0	–
Employee future benefits [note 16]	14.6	9.9
Future income tax asset [note 10]	136.3	128.1
Other long-term assets [notes 5, 7 and 9]	49.6	41.5
Total assets	3,481.6	2,456.2
LIABILITIES		
Short-term financing [note 17]	125.2	35.9
Accounts payable and accrued liabilities (notes 5)	420.7	439.4
Income taxes payable	47.3	24.5
Customer guarantee deposits	10.9	14.4
Future income tax liability [note 10]	1.0	1.1
Current portion of long-term debt [note 5 and 18]	44.2	35.0
	649.3	550.3
Long-term debt [note 5 and 18]	980.4	391.7
Future income tax liability [note 10]	136.5	11.8
Other long-term liabilities [note 5]	118.9	43.6
SHAREHOLDER'S EQUITY		
Share capital [note 19]	280.1	280.1
Retained earnings	1,328.3	1,197.2
Accumulated other comprehensive loss [note 20]	(11.9)	(18.5)
	1,316.4	1,178.7
	1,596.5	1,458.8
Commitments and contingencies [notes 13 and 21]		
Total liabilities and shareholder's equity	3,481.6	2,456.2

See accompanying notes to consolidated financial statements.

On behalf of the Board:

[signed]

Thompson MacDonald, ICD.D
Chair, ENMAX Board of Directors

[signed]

Cliff Fryers, LLB
Chair, Audit and Finance Committee

YEARS ENDED DECEMBER 31	2008	2007
\$ millions		
REVENUE [note 8]		
Electricity	1,852.0	1,426.4
Natural gas	347.7	247.8
Transmission and distribution	333.6	324.1
Contractual services	108.4	103.4
Other [note 15]	28.2	8.0
Total revenue	2,669.9	2,109.7
COST OF SERVICES PROVIDED [note 8]		
Electricity	1,496.5	1,155.1
Natural gas	342.1	242.5
Local access fees and grid charges	180.3	182.2
Contractual services	72.4	68.6
Operations, maintenance and administration	212.0	160.5
Total cost of services provided	2,303.3	1,808.9
Earnings before amortization, interest and income taxes	366.6	300.8
Amortization	116.7	101.1
Interest [note 22]	36.8	21.4
Income taxes [note 10]	32.0	36.5
Net earnings	181.1	141.8
Other comprehensive income (loss), net of tax		
Unrealized gains (losses) on financial assets available for sale	(6.8)	1.9
Realized losses on financial assets transferred to net earnings	1.2	–
Unrealized losses on cash flows hedges	(19.1)	–
Realized losses on cash flow hedges transferred to net earnings	31.3	2.3
Other comprehensive income, net of future income tax expense of \$5.4 (2007 – benefit of \$3.0)	6.6	4.2
Comprehensive income	187.7	146.0

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME



	SHARE CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) [NOTE 20]	TOTAL
\$ millions				
Balance, January 1, 2007	280.1	1,105.4	(22.7)	1,362.8
Net earnings	–	141.8	–	141.8
Dividends	–	(50.0)	–	(50.0)
Other comprehensive income, net of future income tax benefit of \$3.0	–	–	4.2	4.2
Balance, December 31, 2007	280.1	1,197.2	(18.5)	1,458.8
Net earnings	–	181.1	–	181.1
Dividends	–	(50.0)	–	(50.0)
Other comprehensive income, net of future income tax expense of \$5.4	–	–	6.6	6.6
Balance, December 31, 2008	280.1	1,328.3	(11.9)	1,596.5

See accompanying notes to consolidated financial statements.

YEARS ENDED DECEMBER 31	2008	2007
\$ millions		
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net earnings	181.1	141.8
Items not involving cash:		
Amortization	116.7	101.1
Future income taxes [note 10]	(9.8)	22.3
Change in unrealized market value of financial contracts [note 5]	2.5	4.4
Other	25.9	16.2
	316.4	285.8
Changes in non-cash working capital [note 23]	(55.5)	(18.3)
Employee future benefits	(12.1)	(3.1)
	248.8	264.4
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(327.1)	(226.7)
Additions to power purchase arrangements [note 13]	(53.6)	(59.1)
Contributions in aid of construction	18.6	20.9
Other long-term assets	1.0	(2.0)
Acquisitions, net of cash acquired [note 15]	(247.2)	(1.6)
Refund of customer guarantee deposits	(3.5)	(0.1)
	(611.8)	(268.6)
FINANCING ACTIVITIES		
Proceeds of short-term financing	1,426.6	—
Repayment of short-term financing	(1,337.3)	(15.1)
Proceeds of long-term debt [note 18]	375.2	107.4
Repayment of long-term debt	(61.6)	(41.0)
Dividend paid	(50.0)	(50.0)
Other long-term liabilities	(6.7)	0.2
	346.2	1.5
Decrease in cash and cash equivalents	(16.8)	(2.7)
Cash and cash equivalents, beginning of year	52.4	55.1
Cash and cash equivalents, end of year	35.6	52.4
Cash interest paid	35.8	24.2
Cash income taxes paid	31.2	5.2

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

1 Description of the 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 ENERGY

ENMAX Energy Corporation is a non-regulated, wholly owned subsidiary established to carry out all energy supply and retail functions in its own right and through twenty subsidiaries and two affiliated companies.

ENMAX POWER

ENMAX Power Corporation is a regulated, wholly owned subsidiary established to carry out all electricity transmission and distribution service functions in its own right and through two subsidiaries providing non-regulated power services.

2 Significant Accounting Policies

BASIS OF PRESENTATION

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of the Corporation and its subsidiaries, as well as its proportionate share of the accounts of its joint ventures.

The assets and liabilities, results of operations and cash flows of the subsidiaries are included in the consolidated financial statements of the Corporation.

All inter-company accounts and transactions have been eliminated, except as described in note 7.

MEASUREMENT UNCERTAINTY

The preparation of the Corporation's consolidated financial statements, in accordance with GAAP, requires management to make estimates that affect the reported amounts of revenues, expenses, assets and liabilities as well as the disclosure of contingent assets and liabilities at the financial statement date.

On January 1, 2001, the Alberta retail electricity marketplace opened to retail competition. The various systems and procedures used by third parties to provide load and settlement data to retailers across the province are required to completely and accurately capture all customer movement, load classification and consumption data. However, by regulation, wire service providers are not required to submit final load settlement data on customer electricity usage until eight months after the month in which such electricity was consumed. The data and associated processes and systems are used by the Corporation to estimate electricity revenues and costs, including unbilled consumption. The Corporation's estimation procedures will not necessarily detect errors in underlying data provided by industry participants including wire service providers and load settlement agents. Any such changes will be accounted for as a change in estimate in the period they occur.

For determining potential asset impairments and certain disclosures, the Corporation is required to estimate the fair value of certain assets and obligations. Estimates of fair values are mainly based on discounted cash flow techniques employing estimated cash flows based on a number of assumptions and using an appropriate discount rate. Financial instruments are recorded at fair value, which may, due to market illiquidity, require the use of estimated future prices.

The allowance for doubtful accounts reflects an estimate of the accounts receivable that are ultimately expected to be uncollectible. It is based on a number of factors including the aging of accounts receivable, historical write-offs within customer groups, assessments of the collectibility of amounts from individual customers and general economic conditions.

2 Significant Accounting Policies (continued)

Amortization is an estimate to allocate the cost of an asset over its estimated useful life on a systematic and rational basis. Estimating the appropriate useful lives of assets requires significant judgment and is based on estimates of common life characteristics of common assets.

Measurement of the Corporation's asset retirement obligations require the use of estimates with respect to the amount and timing of asset retirements, the extent of site remediation required and related future cash flows and discount rates.

Income taxes and amounts in lieu of income taxes are determined based upon estimates of the Corporation's current income taxes and estimates of future taxes resulting from temporary tax differences. Future income tax assets are assessed to determine the likelihood that they will be recovered from future taxable income.

To the extent that recovery is not considered more likely than not, a valuation allowance will be recorded and charged against income in the period that the allowance is created or revised.

Certain estimates are necessary since the regulatory environment in which the Corporation operates often requires amounts to be recorded at estimated values until finalization and adjustment pursuant to subsequent regulatory decisions, or other regulatory proceedings.

Adjustments to previous estimates, which will impact net income and could be material, are recorded in the period they become known.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventory is comprised of excess gas supply which has not been consumed in the generation of electricity and items held for resale. Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, which includes direct labour, material, equipment charges, overhead and allowance for funds used during construction (AFUDC). The AFUDC is charged and recovered at approved rates to customers over the service life of the assets, as described in note 7. The Corporation classifies all major future components of its electricity distribution system infrastructure as property, plant and equipment (note 3). Once capitalized, these items are not amortized until transferred to active capital projects and those projects are placed into service.

Amortization of property, plant and equipment is recorded on a straight-line basis over the estimated useful life of the asset class at the following rates:

Buildings and site development	1.93%	–	20.00%
Transmission, distribution and substation equipment	0.55%	–	14.37%
Generation facilities and equipment	2.86%	–	5.00%
Tools, systems and equipment	4.15%	–	19.38%
Vehicles	2.36%	–	13.71%

Construction in progress represents assets which are not available for use and therefore not subject to amortization.

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, as described in note 7. Gains and losses on the disposal of non-regulated non-depreciable assets are recognized in the year of disposal.

2 Significant Accounting Policies (continued)

INTANGIBLE ASSETS

Intangible assets are recorded at cost and amortization is recorded on a straight-line basis over the estimated useful lives of the assets at the following rates:

Customer lists and contracts	5.00%	–	13.33%
Land easements, rights and lease options	2.14%	–	57.14%

Intangible assets with indeterminate lives include some land easements, renewable energy certificates and water licenses, and are not subject to amortization. These assets are assessed annually for impairment or more frequently if events or changes in circumstances indicate that the asset may be impaired.

ASSET IMPAIRMENT

Long-lived assets subject to amortization are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with infinite lives and goodwill are tested for impairment annually, or more frequently when events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss would be recognized if the carrying amount exceeds the recoverable value of an asset, determined as 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.

The fair values are estimated using accepted valuation methodologies such as discounted future net cash flows, earnings multiples, or prices for similar assets, whichever is most appropriate under the circumstances.

ASSET RETIREMENT OBLIGATION

The Corporation recognizes its obligation to retire certain tangible long-lived assets, whereby the fair value of an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and then amortized over its estimated useful life. In subsequent periods, the asset retirement obligation is adjusted for the passage of time and any changes in the amount or timing of the underlying future cash flows are reflected through charges to earnings. A gain or loss may be incurred upon settlement of the liability.

At December 31, 2008 and 2007, the Corporation's asset retirement obligations relate to costs associated with the removal and decommissioning of its fibre optic network, generating plants and proportionate share of jointly owned wind turbines. In addition, the Corporation has an obligation to decommission its electricity transmission and distribution assets in Alberta and the run-of-river hydroelectric generating station in British Columbia. However, the likely timing, method and cost of such future decommissioning activities is unknown and cannot be reasonably estimated. Accordingly, the Corporation is unable to estimate the fair value of this asset retirement obligation and has not recorded it in the consolidated financial statements. The obligation will be recorded when sufficient information is available to reasonably estimate the settlement date and the cost and method of settlement.

CONTRIBUTIONS IN AID OF CONSTRUCTION

Under various statutory requirements and agreements with customers and developers, the Corporation receives contributions in aid of construction (CIAC) in the form of cash contributions. Such contributions are recorded as a reduction of property, plant and equipment and amortized on the same basis as, and offset the amortization charge for, the assets to which they relate.

POWER PURCHASE ARRANGEMENTS (PPAs)

The cost to acquire the PPAs has been recorded on the consolidated balance sheet as a long-term asset. The cost is amortized on a straight-line basis to electricity costs over the life of the arrangements.

2 Significant Accounting Policies (continued)

GOODWILL

Goodwill which represents the excess of purchase price over fair value of net assets acquired, is annually assessed for impairment. Goodwill and all other assets and liabilities have been allocated to the company's segments, referred to as reporting units. To assess impairment, the fair value of each reporting unit is determined and compared to the book value of the reporting unit. If the fair value of the reporting unit is less than the book value, then a second test is performed to determine the amount of the impairment. The amount of the impairment is determined by deducting the fair value of the reporting unit's assets and liabilities from the fair value of the reporting unit to determine the implied fair value of goodwill and comparing that amount to the book value of the reporting unit's goodwill. Any excess of the book value of goodwill over the implied fair value of goodwill is the impairment amount.

REVENUE RECOGNITION

Revenues are recognized on an accrual basis as services are provided and include an estimate of fees for services provided but not yet billed. For construction projects, revenue is recognized on the percentage of completion basis. All revenues are reviewed for collectibility and only recognized when collection is reasonably assured.

INCOME TAX

The Corporation and its subsidiaries are municipally owned and are generally not subject to federal and provincial income taxes. Those subsidiaries that are outside the jurisdiction of the Electric Utilities Act (EUA) are taxable under the Income Tax Act (Canada). 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 (PILOT) on certain portions of their operations. ENMAX uses the liability method of accounting for income taxes and amounts in lieu of income taxes.

Under this method, current income taxes are recognized for the estimated income taxes payable or recoverable for the current year. Future income tax assets and liabilities are recognized for the future tax consequences attributable to temporary (or timing) differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted rates of tax expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on future tax assets and liabilities is recognized in income in the period that includes the date of enactment or substantive enactment.

FINANCIAL INSTRUMENTS

The financial instruments of the Corporation include held-for-trading instruments, loans and receivables, available-for-sale instruments and other financial liabilities.

Cash and cash equivalents are classified as held-for-trading instruments and are recorded at fair value. Accounts receivable are classified as loans and receivables and are recorded initially at fair value and subsequently carried at amortized cost, with interest and other income earned from these financial assets recorded in other revenue. Short-term financing, long-term debt, and accounts payable and accrued liabilities are classified as other financial liabilities and are recorded initially at fair value and subsequently carried at amortized cost using the effective interest method. Investments in equity instruments are classified as available-for-sale instruments and are carried at fair value, with changes to fair value recorded through other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market are measured at cost. Derivatives such as swaps, futures, options and forwards are classified as held-for-trading instruments and are recorded at their fair value with changes in fair value recorded through income. However, if they are designated as hedging items, they are accounted for as described in the Hedges section of this note.

Held-for-trading items are required to be classified as such due to their nature as a derivative, or are items held for the purpose of selling or repurchasing in the near term. Available-for-sale items are non-derivative financial assets that do not fit into any of the other classes of financial assets.

The Corporation uses an allowance for doubtful accounts to reduce the carrying amount of accounts receivables that are impaired. This allowance is based on a number of factors including the aging of accounts receivable, historical write-offs within customer groups, assessments of the collectibility of amounts from individual customers and general economic conditions. Write-offs are determined using similar techniques and by reviewing material amounts on a case by case basis.

2 Significant Accounting Policies (continued)

Other financial assets are reviewed for impairment by comparing their carrying value to fair value. An impairment loss is recorded in earnings during the period in which the fair value falls below the carrying value.

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

HEDGES

In conducting its business, the Corporation uses derivatives and other financial instruments, including forward contracts, swaps and options and contracts-for-differences to manage its exposure to certain market risks. These hedges 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 hedged item.

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. For cash flow hedges, 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 cash flows of the hedged item is realized. 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 probable. Changes in fair value due to ineffectiveness of hedges, as well as changes in fair value of non-hedge derivatives are recorded in earnings under cost of services provided. Changes in fair value of de-designated or discontinued hedges are recorded in earnings under cost of services provided from the date of de-designation or discontinuation. The unrealized changes in fair value recorded prior to de-designation or discontinuation are carried in accumulated other comprehensive income until the derivative is settled.

EMPLOYEE BENEFIT PLANS

The Corporation sponsors pension plans that 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.

The market-related value of assets is calculated based on the average of the adjusted market value of assets for the current and three preceding years. The adjusted market values are determined from the preceding three year-end market values accumulated to the end of the fiscal year in question using net contributions less distributions and assumed investment return. 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.

EMISSION CREDITS AND ALLOWANCES

Effective July 1, 2007, the Climate Change and Emissions Management Amendment Act (the Act) was enacted into law in Alberta. The Act establishes baseline emission intensity levels for each large generating facility and emissions over this baseline are subject to a surcharge. Changes in law provisions in the Corporation's PPAs have the potential to expose the Corporation to significant portions of these compliance costs (see note 21). The Corporation's accounting policy for emission credits and allowances, which will form part of the compliance cost, is described below.

Purchased emission allowances are recorded on the balance sheet, as part of intangible assets, at historical cost and are carried at the lower of weighted average cost and net realizable value. Allowances granted to the Corporation or internally generated, from approved projects, that meet the definition of a derivative are accounted for using the fair value method of accounting. Allowances that do not satisfy the criteria of a derivative are accounted for at cost.

The Corporation has recorded emissions liabilities on the balance sheet, as a component of accounts payable and accrued liabilities, using the best estimate of the amount required to settle the obligation in excess of government established emission intensity levels. To the extent compliance costs are charged to the Corporation under the change in law provisions of the Corporation's PPAs, these amounts are recognized as cost of electricity services provided in the period they are charged.

3 Change in Accounting Policy

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

CICA Handbook Section 1535 "Capital Disclosures" specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. Note 6 provides qualitative disclosure regarding objectives, policies and processes for managing capital as well as quantitative capital data as at December 31, 2008.

CICA Handbook Section 3031 "Inventories" aligns accounting for inventories under GAAP with International Financial Reporting Standards ("IFRS"). Prior period comparative amounts were restated in accordance with the transitional provisions. As a result of adopting Section 3031, the Corporation reclassified all major future components of its electricity distribution system infrastructure previously included in inventory to property, plant and equipment. The amount reclassified at December 31, 2008 was \$22.3 million (December 31, 2007 – \$17.8 million).

CICA Handbook Sections 3862: "Financial Instruments – Disclosure" and 3863: "Financial Instruments – Presentation", replaced Section 3861: "Financial Instruments – Disclosure and Presentation" and contain revised and enhanced disclosure requirements, while presentation requirements carry forward unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The additional disclosure necessary to comply with these standards is provided in note 5. Certain information related to comparative years is not required by these standards and accordingly has not been presented.

4 Future Accounting Changes

RATE-REGULATED OPERATIONS

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

INTANGIBLE ASSETS

The CICA Handbook implemented revisions to standards dealing with intangible assets effective for fiscal years beginning on or after October 1, 2008. The revisions are intended to align the definition of an intangible asset under Canadian GAAP with that under IFRS and 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. Under this new guidance, fewer items meet the criteria for capitalization. The Corporation is currently evaluating the classification of certain assets currently classified as property, plant and equipment to determine if they meet the definition of intangible assets. The Corporation expects that certain computer software may require reclassification as intangible assets under this new guidance.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

5 Financial Instruments, Hedges and Risk Management

The discussion included in this note is limited to the Corporation's financial risks, financial instruments, and hedges.

The risks associated with the Corporation's financial instruments are summarized in the following table:

	MEASURED INITIALLY AT FAIR VALUE AND SUBSEQUENTLY AT COST OR AMORTIZED COST			INITIALLY MEASURED AT FAIR VALUE		
	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	SHORT-TERM FINANCING AND LONG-TERM DEBT	CASH AND CASH EQUIVALENTS	INVESTMENTS	ELECTRICITY, NATURAL GAS AND HEAT DERIVATIVES
Market Risk						
Commodity Prices						✓
Foreign Exchange		✓	✓	✓		✓
Interest Rate			✓			
Equity Price Risk					✓	
Credit Risk	✓					✓
Liquidity Risk		✓	✓			

MARKET RISK

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

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

- › Power purchase arrangements (PPAs) – contractual agreements to convey rights for the PPA purchaser to all, or a portion of, the electricity from a generation facility, for suitable compensation, as defined under the respective terms and conditions of each agreement. ENMAX has entered into PPAs for units at the Keephills and Battle River coal-fired generation facilities.
- › Swaps – contractual agreements between two parties to exchange streams of payments over time according to specified terms. ENMAX enters into commodity, cross-currency, and interest rate swaps to mitigate the impact of changes in commodity prices, foreign exchange rates, and interest rates.
- › Forwards and futures – contractual agreements to purchase or sell a specific commodity or financial instrument at a specified price and date in the future. ENMAX enters into forwards and futures to mitigate the impact of volatility in commodity prices and foreign exchange rates.
- › Options – contractual agreements to convey the right, but not the obligation, for the purchaser to buy or sell a specific amount of a commodity or financial instrument at a fixed price, either at a fixed date or at any time within a specified period. Occasionally, ENMAX enters into option agreements to mitigate the impact of changes in commodity prices, foreign exchange rates, and interest rates.
- › Heat rate contracts – contractual agreements for the purchase or sale of electricity that are priced based on a natural gas index. ENMAX holds a limited number of legacy heat rate contracts entered into prior to September 2005, but does not actively enter into such agreements at this time.

5 Financial Instruments, Hedges and Risk Management (continued)

COMMODITY PRICE RISK

ENMAX has inherent positions in electricity and natural gas commodities arising from its owned and controlled supply assets and its demand obligations. While ENMAX's vertically integrated business model is designed to achieve a balanced portfolio, its electricity and natural gas positions may experience periodic imbalances resulting in exposures to price volatility from spot or short-term contract markets. The Corporation purchases and sells electricity and natural gas commodities in wholesale markets to mitigate the risk exposures arising from such positions.

While the Corporation does not engage in speculative trading, it uses various hedging strategies executed within a controlled environment to mitigate these commodity price risks, including the use of derivatives instruments such as swaps and forwards. However, hedging does not guard against all risks and is not always effective, particularly because it is based upon predictions about future market conditions. ENMAX could recognize financial losses as a result of volatility in the market values of these contracts.

In the absence of actively quoted market prices and pricing information from external sources, the valuation of these derivative instruments may involve management's judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts.

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.

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

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	2008	2007
\$ millions		
Average	3.9	5.8
High	8.2	9.8
Low	1.6	0.4

5 Financial Instruments, Hedges and Risk Management (continued)

Total commodity VaR including volumetric risk in 2008 averaged \$7.1 million, with a high of \$10.8 million, and low of \$5.4 million. (2007 – average \$12.0 million, high \$16.3 million, and low \$6.6 million).

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

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

FOREIGN EXCHANGE AND INTEREST RATE RISK

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

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

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

1% CHANGE IN INTEREST RATES AS AT DECEMBER 31, 2008:	INCREASE	DECREASE
\$ millions		
Effect on fair value of fixed interest rate debt	70.0	70.0

CREDIT RISK

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

The Corporation's maximum 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 results expected by management.

AS AT DECEMBER 31	2008	2007
\$ millions		
Cash and cash equivalents [1]	35.6	52.4
Accounts receivable [2]	544.4	495.0
Other current assets [3]	114.1	68.6
Other long-term assets [3]	49.6	41.5

5 Financial Instruments, Hedges and Risk Management (continued)

[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 creditworthy counterparties. Continuous reviews are performed to evaluate changes in the credit quality of counterparties.

[2] Accounts receivable – Credit Risk

The majority of the Corporation's accounts receivable are exposed to retail credit risk. Exposure to retail credit risk occurs through competitive electricity and natural gas supply activities which serve retail, commercial, and industrial customers on the basis that customers could default on their contractual obligations. This risk represents the loss that may be incurred due to the nonpayment of a customer's accounts receivable balance, as well as the loss that may be incurred from the resale of energy previously allocated to serve the customer.

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

ENMAX's retail credit portfolio is fairly diversified but does have an industry concentration with approximately 20% of retail receivables being with customers in the Alberta oil and gas industry. The recent market turmoil has impacted this industry. A number of customers have curtailed or delayed future development projects; however, existing operations and activities are continuing as planned. The supply of energy is not a discretionary cost to most commercial customers, so is fairly immune to short-term economic downturns. Overall, retail credit quality is dependent on the economy and the ability of customers to manage through unfavourable economic cycles and other market changes. If the business environment were to be negatively affected by changes in economic or other market conditions, the Corporation's retail credit risk may be adversely impacted. Management has increased credit and collection activities to monitor its credit risk exposure in light of recent market conditions and has implemented available mitigation measures to protect against any potential 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. There have been no material losses in the credit portfolio directly related to recent market events, and none are foreseeable.

As at December 31, 2008, the aging analysis of trade receivables which are past due but not impaired is as follows:

AS AT DECEMBER 31,	2008	2007
\$ millions		
Trade receivables	30.3	39.3
1 - 30 days past due	16.9	25.9
31 - 60 days past due	4.0	4.2
61 days past due and over	9.4	9.2

As at December 31, 2008 the allowance for doubtful accounts was \$7.1 million. The changes in the allowance were as follows:

AS AT DECEMBER 31,	2008	2007
\$ millions		
Provision at the beginning of the year	8.3	7.5
Increase to allowance	7.4	5.0
Write-offs	(8.6)	(4.2)
Provision at end of the year	7.1	8.3

[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, and additional payments, if any, that would have to be made to settle unrealized losses on accrual contracts.

The Corporation does not have any significant concentrations of counterparty credit risk and the majority of the counterparty credit exposure is with counterparties who are rated investment grade by recognized rating agencies, including Standard & Poor's and Dominion Bond Rating Service (DBRS), ranging from BBB- to AAA.

LIQUIDITY RISK

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

The following tables detail the remaining contractual maturities for ENMAX's non-derivative financial liabilities, including both the principal and interest cash flows at December 31, 2008:

AS AT DECEMBER 31	2008	2007
\$ millions		
2009	104.6	55.2
2010	99.8	51.6
2011	98.4	48.5
2012	93.3	45.1
2013	89.9	29.2
Thereafter	1,105.0	315.4

In addition, guarantees are provided to third parties on behalf of certain subsidiaries for obligations under contracts that facilitate physical and financial transactions using various derivatives. The guarantees provided as at December 31, 2008 were for a maximum of \$579.9 million. The fair value of the trading and hedging positions under contracts with a net liability at December 31, 2008, under the guarantees, was \$67.6 million. The liabilities for these amounts are included in the balance sheet under 'Accounts Payable and Accrued Liabilities.'

We have also provided guarantees on behalf of certain subsidiaries for obligations to perform and make payments under various other contracts. The amount guaranteed under these contracts at December 31, 2008 was a maximum of \$418.8 million.

Management typically forecasts cash flows for a period of 12 months and beyond to identify financing requirements. These requirements are then addressed through a combination of committed credit facilities and access to capital markets, as discussed in note 6 to these consolidated financial statements.

5 Financial Instruments, Hedges and Risk Management (continued)

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 \$7.3 million (2007 – \$3.5 million) are included in other long-term assets on the balance sheet. Investments in publicly traded equity instruments 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.

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

AS AT DECEMBER 31	2008		2007	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
\$ millions				
Long-term debt [1], consisting of:				
Debentures, with remaining terms of:				
Less than 5 years	29.8	32.1	42.2	44.7
5 - 10 years	74.6	82.8	82.2	87.8
10 - 15 years	169.5	177.5	180.0	182.8
15 - 20 years	17.6	18.3	15.6	10.0
20 - 25 years	147.0	151.0	86.9	96.5
Private debentures	296.6	280.3	–	–
Non-recourse term financing (Furry Creek, Kettles Hill and CEC)	271.7	324.4	13.7	16.7
Non-recourse term financing (proportionate share of EnPower Joint Venture)	11.9	11.8	–	–
Promissory note	5.9	4.8	6.1	5.8
	1,024.6	1,083.0	426.7	444.3

[1] Includes current portion of \$44.2 million (2007– \$35.0 million). Maturity dates range from February 2009 to June 2033.

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 have been calculated using estimated forward prices for the relevant period. As at December 31, 2008, 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 following table.

AS AT DECEMBER 31	2008		2007	
	CASH FLOW HEDGES	NON HEDGE DERIVATIVES	CASH FLOW HEDGES	NON HEDGE DERIVATIVES
\$ millions				
Assets				
Current	50.5	3.8	30.4	–
Non current	31.8	–	28.9	2.6
Liabilities				
Current	55.1	–	56.5	6.1
Non current	32.6	52.5	26.4	–

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 2008, losses of \$0.5 million (\$0.5 million gain in 2007) were recognized in income as a reflection of the ineffectiveness of the hedges. 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 2008, gains of \$0.9 million (2007- \$1.1 million losses) were recorded in net earnings.

The Corporation estimates that of the \$11.9 million of losses reported in accumulated other comprehensive income as at December 31, 2008, \$4.6 million is expected to be reclassified to net income within the next 12 months.

Non-hedge derivatives are classified as held-for-trading and recognized at fair market value with changes in fair market value being recorded through income. In 2008, losses of \$3.5 million (2007- \$nil) were recorded in net earnings.

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 December 31, 2008 and 2007. The following contracts-for-differences were outstanding at the end of the year:

AS AT DECEMBER 31	2008	2007
	NOTIONAL QUANTITY	NOTIONAL QUANTITY
Electricity sales	3,800 GWh	4,400 GWh
Natural gas sales	0.9 million Gj	–
Electricity purchases	3,400 GWh	4,700 GWh
Natural gas purchases	49.3 million Gj	41.9 million Gj

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.

5 Financial Instruments, Hedges and Risk Management (continued)

At December 31, 2008, on the basis of electricity and natural gas prices at that date, the estimated unrecorded fair value of these hedge contracts, excluding PPA sales, would be a negative mark-to-market adjustment amounting to \$9.8 million (2007 – \$21.5 million). This amount does not reflect the fact that these contracts will settle at prices in effect at the time of expiration.

6 Capital Management

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

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

AS AT DECEMBER 31	2008	2007
\$ millions		
Long-term debt [1]	1,024.6	426.7
Less: cash and cash equivalents	35.6	52.4
Net debt	989.0	374.3
Shareholder's equity	1,596.5	1,458.8
Total capital	2,585.5	1,833.1

[1] Includes current portion of \$44.2 million (2007 – \$35.0 million). Maturity dates range from February 2009 to June 2033.

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

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

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

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

AS AT DECEMBER 31	2008	2007
\$ millions		
EBITDA	366.6	300.8
Deduct: amortization	116.7	101.1
Earnings before interest and taxes	249.9	199.7
Deduct: Interest	36.8	21.4
Deduct: Income taxes	32.0	36.5
Net earnings	181.1	141.8

6 Capital Management (continued)

When compared to interest expense for the same period as EBITDA is calculated, this measure is substantially the same as the interest coverage ratio covenant set out in the Corporation's credit facilities.

These capital management policies, which remain unchanged from prior periods, provide access to capital at a reasonable cost while maintaining investment grade credit ratings. Dominion Bond Rating Service and Standard and Poor's issued credit ratings for the Corporation are at A (low) (stable trend) and BBB+ (stable outlook) respectively.

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

7 Financial Statement Effects of Rate Regulation

Under regulatory accounting, the timing of recognition of certain assets, liabilities, revenues and expenses may differ from what is otherwise expected under Canadian GAAP for non-regulated operations. ENMAX has recorded the following regulatory assets and liabilities:

AS AT DECEMBER 31	2008	2007
\$ millions		
Regulatory assets		
Accounts receivable – Purchased power price variance [1]	43.5	26.3
Distribution assets – intercompany profit on underground residential development [2]	30.7	27.3
Total regulatory assets	74.2	53.6
Regulatory liability		
Other long-term liabilities – pension funding [3]	7.5	4.9
Total regulatory liabilities	7.5	4.9

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.

[1] 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, GAAP would require that actual purchased power costs be recognized as an expense when incurred. In this case, operating results for 2008 would have been \$17.2 million lower (2007 – \$12.1 million lower). The regulatory asset is included in accounts receivable.

[2] 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 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, GAAP would require that intercompany profits be eliminated upon consolidation. The impact on current year earnings would be a reduction of \$3.4 million (2007 – \$4.6 million), representing the profit on these services. The balances for property, plant and equipment and retained earnings at December 31, 2008 would further be reduced by \$30.7 million (2007 – \$27.3 million).

7 Financial Statement Effects of Rate Regulation (continued)

[3] Pension costs are recorded using the accrual method as required by Canadian GAAP. The AUC approved a revenue requirement which allowed for the recovery of solvency payments on a cash basis over 10 years. As a result, the Corporation has recorded a regulatory liability in the amount of \$7.5 million (2007 – \$4.9 million) to reflect this regulatory treatment. In the absence of rate regulation, current year transmission and distribution revenues would have been \$2.7 million higher (2007 – \$2.7 million). At December 31, 2008 other long-term liabilities would have been reduced and retained earnings would have been increased by \$7.5 million (2007 – \$4.9 million).

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 the Corporation 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 year for recovery through future rates, or disagree with the proposed recovery period.

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, or 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, GAAP require 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 the related 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 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 AFUDC, based on the Corporation'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 December 31, 2008, AFUDC and capitalized interest totaling \$8.6 million (2007 – \$6.3 million) were included in property, plant and equipment.

8 Segmented Information

YEARS ENDED DECEMBER 31	ENMAX ENERGY		ENMAX POWER		CORPORATE & INTERSEGMENT ELIMINATIONS		CONSOLIDATED TOTALS	
	2008	2007	2008	2007	2008	2007	2008	2007
\$ millions								
Revenue								
Electricity	2,008.0	1,562.3	253.2	250.5	(409.2)	(386.4)	1,852.0	1,426.4
Natural gas	347.7	247.8	–	–	–	–	347.7	247.8
Transmission and distribution	–	–	333.6	324.1	–	–	333.6	324.1
Contractual services	27.2	23.8	106.2	98.2	(25.0)	(18.6)	108.4	103.4
Other	22.3	10.8	3.3	3.7	2.6	(6.5)	28.2	8.0
Total revenue	2,405.2	1,844.7	696.3	676.5	(431.6)	(411.5)	2,669.9	2,109.7
Cost of services provided								
Electricity	1,660.2	1,297.6	245.1	243.5	(408.8)	(386.0)	1,496.5	1,155.1
Natural gas	342.1	242.5	–	–	–	–	342.1	242.5
Local access fees and grid charges	–	–	180.3	182.2	–	–	180.3	182.2
Contractual services	0.5	–	75.8	69.0	(3.9)	(0.4)	72.4	68.6
Operations, maintenance and administration	145.8	100.8	93.0	92.1	(26.8)	(32.4)	212.0	160.5
Total cost of services provided	2,148.6	1,640.9	594.2	586.8	(439.5)	(418.8)	2,303.3	1,808.9
Earnings before amortization, interest and income taxes	256.6	203.8	102.1	89.7	7.9	7.3	366.6	300.8
Amortization	67.6	54.4	43.8	41.2	5.3	5.5	116.7	101.1
Earnings before interest and income taxes	189.0	149.4	58.3	48.5	2.6	1.8	249.9	199.7
Interest							36.8	21.4
Income Taxes							32.0	36.5
NET EARNINGS							181.1	141.8
Goodwill	16.0	–	–	–	–	–	16.0	–
Capital additions	231.1	153.7	140.3	121.1	9.3	11.0	380.7	285.8

TOTAL ASSETS:

AS AT DECEMBER 31	2008	2007
\$ millions		
ENMAX Energy	2,264.0	1,456.6
ENMAX Power	1,039.3	937.1
Corporate and intersegment eliminations	178.3	62.5
	3,481.6	2,456.2

In 2008, ENMAX realigned its reportable segments to be consistent with changes in its internal management structure, which transferred the billing functions for The City of Calgary water services from ENMAX Power to ENMAX Energy. Comparative amounts have been restated accordingly.

9 Restricted Cash

Other long-term assets include restricted cash and cash equivalents of \$6.5 million (2007 – \$1.4 million), relating to a debt servicing obligation on the non-recourse financing (see note 18).

10 Income Taxes

AS AT DECEMBER 31	2008	2007
\$ millions		
Current	41.8	14.2
Future	(9.8)	22.3
	32.0	36.5

RECONCILIATION OF INCOME TAX EXPENSE

AS AT DECEMBER 31	2008	2007
\$ millions		
Earnings before income taxes	213.1	178.3
Income not subject to taxes	(112.1)	(119.3)
	101.0	59.0
Federal and provincial tax rate	29.5%	32.1%
Expected income tax expense	29.8	19.0
Non-deductible expenses	1.2	0.1
Adjustment for future tax reversal and other estimate revisions	13.3	17.4
Benefit of previously unrecognized loss carry forwards	(12.3)	–
Actual income tax expense	32.0	36.5

FUTURE INCOME TAX ASSET

The tax effects of temporary differences and loss carry-forwards that give rise to significant portions of the Corporation's future income tax asset and future income tax liability are presented below:

AS AT DECEMBER 31	2008	2007
\$ millions		
Future income tax asset:		
Power purchase arrangements [1]	98.6	107.9
Cumulative eligible capital	8.9	14.4
Other	1.5	0.7
Loss carry forwards	37.7	18.8
Other comprehensive income	–	3.0
	146.7	144.8
Less current portion	(10.4)	(16.7)
	136.3	128.1
Future income tax liability:		
Property, plant and equipment – differences in net book value and undepreciated capital cost	127.9	7.5
Cumulative eligible capital	6.3	4.6
Other comprehensive income	2.4	0.8
Other	0.9	–
	137.5	12.9
Less current portion	(1.0)	(1.1)
	136.5	11.8
Net future income tax asset	9.2	131.9

[1] Under the payments 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.

10 Income Taxes (continued)

The Corporation has loss carry-forwards that will be used to offset taxes in future years. These loss carry-forwards expire as follows:

AS AT DECEMBER 31	
\$ millions	
2009	41.4
2028	25.2
	66.6

11 Property, Plant and Equipment

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
\$ millions			
As at December 31, 2008			
Transmission, distribution and substation equipment	1,256.2	(466.4)	789.8
Capital Spares and other	22.3	–	22.3
Tools, systems and equipment	291.5	(172.3)	119.2
Construction in progress	273.9	–	273.9
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
	2,928.9	(737.2)	2,191.7
Contributions in aid of construction (CIAC)	(249.5)	62.7	(186.8)
	2,679.4	(674.5)	2,004.9
As at December 31, 2007 (restated – note 3)			
Transmission, distribution and substation equipment	1,182.2	(438.1)	744.1
Capital Spares and other	17.8	–	17.8
Tools, systems and equipment	282.8	(153.4)	129.4
Construction in progress	81.3	–	81.3
Buildings and site development	111.9	(31.4)	80.5
Generation equipment	205.8	(11.8)	194.0
Land	16.7	–	16.7
Vehicles	21.5	(9.7)	11.8
	1,920.0	(644.4)	1,275.6
Contributions in aid of construction (CIAC)	(240.5)	56.4	(184.1)
	1,679.5	(588.0)	1,091.5

12 Joint Venture Investment

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

12 Joint Venture Investment (continued)

In 2006, the Corporation entered into a joint venture agreement (EnPower) with Pristine Power Inc. to build waste heat recovery generation plants. Operations began in 2008 and the Corporation has a 50% ownership interest.

Summarized financial information of the Corporation's proportionate share of the joint ventures' assets, operations and cash flows are as follows:

AS AT AND FOR THE YEAR ENDED DECEMBER 31	2008			2007
	McBRIDE	ENPOWER	TOTAL	McBRIDE
\$ millions				
Balance sheet				
Cash and cash equivalents	–	2.9	2.9	–
Accounts receivable	1.3	0.5	1.8	1.5
Other current assets	–	0.1	0.1	–
Property, plant and equipment	42.1	15.3	57.4	45.4
Future income taxes asset (liability)	(0.2)	–	(0.2)	(0.4)
Accounts payable	(0.3)	(0.5)	(0.8)	(0.3)
Other current liabilities	–	(0.6)	(0.6)	–
Other long-term liabilities	(0.4)	(11.7)	(12.1)	(0.4)
Proportionate share in net assets of joint ventures	42.5	6.0	48.5	45.8
Income Statement				
Earnings				
Revenue	8.1	0.5	8.6	8.4
Costs and expenses	(1.9)	(0.4)	(2.3)	(2.6)
Amortization	(1.7)	(0.2)	(1.9)	(1.7)
Income taxes recovery (expense)	0.2	–	0.2	–
Proportionate share in net earnings of joint venture	4.7	(0.1)	4.6	4.1
Cash flows				
Operating activities	0.6	6.4	7.0	5.8
Investing activities	(15.5)	1.6	(13.9)	–
Financing activities	17.8	8.0	25.8	–
Proportionate share in the increase in cash and cash equivalents of joint venture	2.9	16.0	18.9	5.8

13 Power Purchase Arrangements (PPA)

Under the Keephills PPA, which was acquired in 2000 for \$247.7 million and expires December 2020, the Corporation owns the rights to the physical output of two electrical generating units. The Corporation is entitled to an estimated average 5.9 million megawatt hours (MWh) of electricity per year from 2005 through 2020. The MWh's available decrease yearly as the units age. In return for the output, the Corporation is obligated to make monthly fixed and variable payments which are included in the commitments in note 21.

In June 2006, the Corporation purchased a 55% interest in the Battle River PPA, which expires in December 2020, for \$345.5 million. On each of January 1, 2007 and 2008, the Corporation purchased an additional 10% interest in the Battle River PPA for \$59.1 million and \$53.6 million respectively. The agreement also provides that the Corporation will purchase the remaining 25% for a total additional consideration of \$111.8 million as follows: 10% on January 1st, 2009 and the 15% balance on January 1, 2010 (see note 21).

13 Power Purchase Arrangements (PPA) (continued)

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
\$ millions			
As at December 31, 2008			
Battle River	458.2	(75.6)	382.6
Keephills	247.7	(127.9)	119.8
	705.9	(203.5)	502.4
As at December 31, 2007			
Battle River	404.6	(43.7)	360.9
Keephills	247.7	(117.9)	129.8
	652.3	(161.6)	490.7

14 Intangible Assets

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
\$ millions			
As at December 31, 2008			
Customer lists and contracts	20.0	(7.2)	12.8
Land easements, rights and lease options	4.0	(1.7)	2.3
Land and mineral rights	1.9	–	1.9
Renewable energy certificates and water licenses	15.0	–	15.0
	40.9	(8.9)	32.0
As at December 31, 2007			
Customer lists and contracts	22.7	(7.7)	15.0
Land easements, rights and lease options	1.7	(0.2)	1.5
Renewable energy certificates and water licenses	3.4	–	3.4
	27.8	(7.9)	19.9

15 Acquisitions

On June 27, 2008, ENMAX purchased a 100% interest in the Kettles Hill Wind Farm, a 63 MW wind farm in Pincher Creek, Alberta. The \$167.6 million purchase was represented by \$44.2 million of non-recourse financing and \$123.4 million of cash.

On December 19, 2008, the Corporation 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. The Corporation 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 is recorded in other revenue on the Consolidated Statement of Earnings.

The Corporation accounted for these acquisitions 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:

15 Acquisitions (continued)

			2008	2007
	CEC (PRELIMINARY)	KETTLES HILL (FINAL)	TOTAL	HYDROMAX (FINAL)
\$ millions				
Net assets acquired				
Current assets net of cash acquired [1]	3.4	5.4	8.8	–
Capital assets	530.1	151.4	681.5	–
Intangible assets	–	14.4	14.4	1.6
Goodwill [2]	–	16.0	16.0	–
Current liabilities	(8.3)	(1.8)	(10.1)	–
Non-recourse financing	(240.3)	(44.2)	(284.5)	–
Promissory notes	(118.9)	(57.0)	(175.9)	–
Other long-term liabilities	(1.7)	(1.3)	(3.0)	–
Derivative Liability	(49.5)	–	(49.5)	–
Future income tax liabilities	(110.3)	(17.7)	(128.0)	–
	4.5	65.2	69.7	1.6
Purchase price				
Cash consideration, net of cash acquired [1]	115.6	121.7	237.3	1.6
Assumption of related party promissory notes	(118.9)	(57.0)	(175.9)	–
Settlement of existing tolling arrangement	6.6	–	6.6	–
Transaction costs	1.2	0.5	1.7	–
	4.5	65.2	69.7	1.6

[1] Current cash and cash consideration are shown net of cash acquired of \$12.4 million in CEC and \$1.7 million in Kettles Hill. The cash acquired in CEC includes \$9.9 million of restricted cash.

[2] The goodwill acquired is not expected to be deductible for tax purposes.

The CEC purchase price allocation has not been finalized as of the date of issuance of the Corporation's December 31, 2008 consolidated financial statements as the closing of the acquisition occurred a few weeks prior to the end of the reporting period.

16 Employee Future Benefits

The Corporation has a registered pension plan that 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 the Consumer Price Index for Alberta. 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 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. In addition, the Corporation provides employees with 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, up to age 65.

The Corporation measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at December 31 of each year. Actuarial valuations are conducted every three years. The most recent actuarial valuation was prepared as at December 31, 2004. As the DB plan has a solvency ratio of less than 85%, actuarial valuations would normally be required annually. During the year ended December 31, 2005, the Corporation applied for and received an exemption from Alberta Finance waiving this requirement. The next required valuation will be performed as for the period ended December 31, 2009.

16 Employee Future Benefits (continued)

Total cash payments for employee future benefits for 2008, consisting of cash contributed by the Corporation under the DB and DC provisions of the registered pension plan and cash payments directly to beneficiaries of the Corporation's unfunded other benefit plans, were \$13.0 million (2007 – \$13.7 million).

For the year ended December 31, 2008, the total expense for the DC provisions of the plan is \$5.6 million (2007 – \$3.7 million).

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	2008		2007	
	PENSION BENEFIT PLAN	OTHER BENEFIT PLAN	PENSION BENEFIT PLAN	OTHER BENEFIT PLAN
\$ millions				
Change in benefit obligation				
Benefit obligation – beginning of year	168.9	7.4	168.5	7.2
Current service cost	5.0	0.5	5.2	0.5
Employee contributions	2.0	–	1.7	–
Benefits paid	(6.2)	(0.3)	(10.4)	(0.5)
Interest cost	8.9	0.4	8.7	0.4
Plan amendments	–	(1.6)	–	–
Experience loss	(16.5)	(0.5)	(4.8)	(0.2)
Acquisitions and divestitures	9.0	0.3	–	–
Benefit obligation – end of year	171.1	6.2	168.9	7.4
Change in plan assets				
Plan assets at market-related value – beginning of year	141.3	–	124.4	–
Employer contributions	11.8	0.3	12.5	0.5
Employee contributions	2.0	–	1.7	–
Benefits paid	(6.2)	(0.3)	(10.4)	(0.5)
Return on plan assets	10.4	–	9.3	–
Acquisitions and divestitures	9.8	–	–	–
Experience (loss) gain	(7.2)	–	3.8	–
Plan assets at market-related value – end of year	161.9	–	141.3	–
Deferred investment gain	(28.4)	–	6.4	–
Plan assets at fair value – end of year	133.5	–	147.7	–
Funded status – plan deficit	(37.6)	(6.2)	(21.2)	(7.4)
Unamortized transitional asset	(0.8)	(0.1)	(1.2)	(0.1)
Unamortized past service cost	–	(1.6)	–	–
Unamortized experience losses	59.3	1.6	37.7	2.1
Accrued benefit asset/(liability), net of valuation allowance of nil	20.9	(6.3)	15.3	(5.4)

Plan assets at December 31, 2008 consist of Canadian equity securities of 34% (2007 – 35%), foreign equity securities of 19% (2007 – 25%), long-term fixed income securities of 43% (2007 – 38%) and cash and short-term securities of 4% (2007 – 2%).

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

16 Employee Future Benefits (continued)

YEARS ENDED DECEMBER 31	2008		2007	
	PENSION BENEFIT PLAN	OTHER BENEFIT PLAN	PENSION BENEFIT PLAN	OTHER BENEFIT PLAN
%				
Accrued benefit obligation at December 31				
Discount rate	6.50	6.50	5.25	5.25
Rate of compensation increase	3.50	3.50	3.60	3.60
Health care cost trend rate for next year	n/a	10	n/a	10
Decreasing gradually to 5% in the year	n/a	2021	n/a	2018
Benefit cost for year ended December 31				
Discount rate	5.25	5.25	5.00	5.00
Expected long-term rate of return on plan assets	7.25	n/a	7.25	n/a
Rate of compensation increase	3.60	3.60	3.60	3.60
Health care cost trend rate for next year	n/a	10	n/a	10
Decreasing gradually to 5% in the year	n/a	2018	n/a	2018

The per capita cost of covered dental benefits was assumed to increase by 4.5% per year (2007 – 4.5%).

The Corporation's net benefit cost is as follows:

YEARS ENDED DECEMBER 31	2008		2007	
	PENSION BENEFIT PLAN	OTHER BENEFIT PLAN	PENSION BENEFIT PLAN	OTHER BENEFIT PLAN
\$ millions				
Current service cost	5.0	0.5	5.2	0.5
Interest cost	8.9	0.4	8.7	0.4
Plan amendments	-	(1.6)	-	-
Actual return on assets	31.5	-	(4.3)	-
Actuarial gains	(17.2)	(1.3)	(4.8)	(0.2)
Difference between expected and actual return	(41.9)	-	(5.0)	-
Difference between recognized and actual actuarial gains	20.3	1.4	9.4	0.3
Difference between amortization of past service costs and actual plan amendments for the year	-	1.6		
Amortization of net transitional asset	(0.4)	-	(0.4)	-
Net benefit plan expense	6.2	1.0	8.8	1.0

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 the assumed health care cost trend rate would have the following effect for 2008:

Effect of change in health care cost trend rate:

	1% INCREASE	1% DECREASE
Increase (decrease) in service cost for year ended December 31	0.07	(0.07)
Increase (decrease) in interest cost for year ended December 31	(0.04)	(0.04)
Increase (decrease) in accrued benefit obligation at December 31	0.39	(0.36)

17 Short-term Financing

The Corporation has unsecured credit facilities amounting to \$730.0 million (2007– \$650.0 million) to fund general operating requirements and to provide liquidity support for commercial paper and commodity marketing programs. During the year, the Corporation established a new \$80.0 million credit facility. Combined, all of the facilities encompass \$480.0 million in operating facilities and \$250.0 million of syndicated credit facilities. As at December 31, 2008, \$333.3 million (2007 – \$230.8 million) of operating facilities and \$30.0 million (2007 – \$30.0 million) of syndicated facilities were used in support of outstanding letters of credit (see note 21).

Short-term financing is comprised of commercial paper and bankers' acceptances which are guaranteed by the Corporation's credit facilities. At December 31, 2008, the Corporation had \$125.2 million at a weighted average rate of 2.09% (2007 – \$35.9 million at weighted average rates of 4.80%). The short-term financing is payable upon maturity on dates ranging from January to February 2009.

18 Long-term Debt

	2008	WEIGHTED AVERAGE INTEREST RATES	2007	WEIGHTED AVERAGE INTEREST RATES
\$ millions				
Debtures [1], with remaining terms of				
Less than 5 years	29.8	5.82%	42.2	5.72%
5 - 10 years	74.6	5.79%	82.2	5.81%
10 - 15 years	169.5	4.56%	180.0	4.56%
15 - 20 years	17.6	4.85%	15.6	6.06%
20 - 25 years	147.0	4.89%	86.9	4.95%
Private debtures [1]	296.6	6.15%	–	n/a
Non-recourse term financing	271.7	6.73%	13.7	7.37%
Non-recourse term financing (proportionate share of EnPower Joint Venture)	11.9	6.65%	–	n/a
Promissory note	5.9	5.00%	6.1	5.00%
	1,024.6		426.7	
Less: current portion	44.2		35.0	
	980.4		391.7	

[1] Unsecured debtures

DEBTURES

City debtures

Debtures were initially issued by The City on behalf of the CES pursuant to City bylaw authorizations prior to January 1, 1998. Pursuant to the Master Agreement between the Corporation and The City, the debtures 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 debtures through the disbursement of principal and interest payments.

On June 16, 2008, the Corporation obtained \$66.7 million of 10, 20, and 25 year debtures from The City of Calgary through arrangements with the Alberta Capital Finance Authority (June 2007 – \$107.4 million in 10, 20 and 25 year debtures). Interest on the debtures is compounded semi-annually as follows: \$1.6 million of the debt, which matures in June 2018, at 4.39%; \$8.5 million, maturing in June 2028, at 4.69%; and the remaining \$56.6 million of the debt, which matures in June 2033, at 4.78%. The funds were used for capital expenditures in ENMAX Power only and not in the Corporation's non-regulated business.

The Corporation is required to reimburse The City for all principal repayments and interest payments with respect to the debtures 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 debture balance held by The City on behalf of the Corporation.

18 Long-term Debt (continued)

Private debentures

On June 19, 2008, the Corporation issued \$300.0 million in private debentures, bearing interest at 6.15%, payable semi-annually. The debentures mature on June 19, 2018. Issue costs of \$2.9 million are being amortized using the effective interest method.

NON-RECOURSE FINANCING

The non-recourse financing represents the Corporation's share, through its subsidiary ENMAX Green Power Inc., of loans for the Furry Creek, Kettles Hill, EnPower and CEC projects. Of the \$14.9 million originally assumed with Furry Creek, the balance outstanding at December 31, 2008 was \$13.1 million (2007 – \$13.6 million) which bears interest at a fixed rate of 7.3%, payable monthly, maturing in June 2024. Of the \$44.2 million originally assumed with the Kettles Hill acquisition in 2008, the balance outstanding at December 31, 2008 was \$20.0 million which bears interest at a fixed rate of 6.11%, payable monthly, maturing in December 2016. Of the \$240.3 million originally assumed with the CEC acquisition in 2008, the balance outstanding at December 31, 2008 was \$238.9 million which was effectively fixed to an interest rate of 6.75% using an interest rate swap which was also acquired as part of the acquisition. The CEC debt is payable quarterly and matures in September 2026. The Corporation's share of the EnPower debt as at December 31, 2008 was \$11.9 million (2007 – nil) which bears interest at a fixed rate of 6.65%. This debt is payable monthly and matures in November 2028.

Currently, ENMAX Green Power Inc. has provided a limited recourse guarantee to the extent of its interest in the shares of Furry Creek Power Ltd. The construction loan was converted to project debt in December 2006. Once post conversion land registrations are completed, the limited recourse guarantee will be released and a charge against project assets, which have a carrying value of \$18.9 million, will remain as security.

PROMISSORY NOTE

The promissory note was issued in the fourth quarter of 2006 and represents an amortizing loan from The Board of Trustees of Westwind School Division No. 74, acting as agent for the Wind Participation Consortium (WPC), which is comprised of three school divisions. The 20-year note, in the amount of \$6.3 million, bears interest at a fixed rate of 5% and is repayable in monthly installments. The Corporation provided a fixed charge over two wind turbines located at Taber, Alberta, as security for the loan. Concurrent with execution of the loan, WPC executed a 20-year electricity services agreement with ENMAX Energy.

PRINCIPAL REPAYMENTS

The required repayments of principal on the long-term debt at December 31, 2008 are as follows:

\$ millions	
2009	44.2
2010	43.1
2011	42.0
2012	41.3
2013	40.4
Thereafter	813.6

19 Share Capital

	NUMBER OF SHARES	AMOUNT
\$ millions except share amounts		
Authorized		
Unlimited number of common shares		
Issued and outstanding		
Issued on incorporation (one dollar)	1	–
Issued on transfer of net assets from CES [note 1]	1	278.2
Issued on transfer of billing and customer care assets from the City in 2001	1	1.9
Outstanding at December 31, 2008 and 2007	3	280.1



20 Accumulated Other Comprehensive Loss

YEARS ENDED DECEMBER 31	2008	2007
\$ millions		
Unrealized gains (losses) on available-for-sale financial assets	(8.2)	1.9
Unrealized losses on derivatives designated as cash flow hedges	(3.7)	(20.4)
Accumulated other comprehensive losses, including a future income tax loss of \$2.4 million (2007 – benefit of \$3.0 million)	(11.9)	(18.5)

21 Commitments and contingencies

PROPERTY, PLANT AND EQUIPMENT

The Corporation is committed to major capital expenditures over the next five years, with minimum annual payments as follows:

\$ millions	
2009	213.5
2010	64.2
2011	0.4
2012	0.4
2013	0.4

OBLIGATIONS UNDER OTHER AGREEMENTS

The Corporation rents premises, vehicles and equipment under multiple lease contracts with varying expiration dates.

The Corporation is obligated to make monthly payments in return for the output from PPAs and other power purchase agreements, based on normal operating conditions adjusted for inflation, other than in the event of a forced outage.

The Corporation commits to the purchase of renewable energy certificates and carbon offset credits. The Corporation is obligated to make payments in return for the certificates and credits subsequent to the delivery.

The Corporation commits to long-term service arrangements on certain generating facilities.

The aggregate payments under these arrangements over the next five years are as follows:

\$ millions	
2009	243.4
2010	263.4
2011	266.8
2012	262.6
2013	277.3
Thereafter	1,588.2

21 Commitments and contingencies (continued)

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.

POWER PURCHASE ARRANGEMENTS

The facilities covered under PPAs were subject to outages and operational issues during the year. The PPA Owners and ENMAX 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 PILOT regulations of the EUA, which became effective January 1, 2001.

In August 2004, Alberta Finance notified the Corporation that it was reviewing the value established for certain assets for purposes of this regulation. At January 1, 2001, the balance of the future income tax asset associated with the assets in question was \$195.0 million, based on an estimated fair market value of \$855.0 million.

In June 2005, ENMAX Energy received a Notice of Reassessment from Alberta Finance in respect of the 2001 taxation year, claiming an amount owing for income taxes of \$16.9 million, including \$3.2 million of interest. In July and November 2006, ENMAX Energy received additional Notices of Reassessment relating to the 2002 and 2003 taxation years, in the amount of \$23.7 million, including \$5.0 million of interest, and \$58.0 million, including \$10.4 million of interest, respectively. Subsequently, in July 2007, ENMAX Energy received an amended notice of reassessment for the 2003 taxation year for an additional \$1.8 million relating to items not previously assessed. The reassessments relate primarily to the value of certain power purchase arrangement assets established for the purpose of the PILOT regulation and the allocation of costs and benefits of the energy supply portfolio between taxable and non-taxable operations for those years.

The Corporation does not agree with the assessments and has commenced the necessary steps to defend its position through the formal appeals process. However, 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 December 31, 2008 and 2007. The Corporation expects this process to be successful and will vigorously pursue all options available should the appeals process result in an unfavourable outcome. The amount of possible adjustment, which could have a material impact on net earnings, cannot be reasonably estimated at this time and no provision has been made in the consolidated financial statements for any additional income tax expense that may be payable relating to these assessments.

On July 7, 2008, ENMAX Energy received a letter from the Appeals Board of Alberta Finance amending its previous Reassessment on the allocation of costs and benefits of the energy supply portfolio between taxable and non-taxable operations for the 2001 taxation year. On August 8 and September 30, 2008, ENMAX Energy received refunds reflecting the above reassessment plus interest in the amount of \$5.2 million. In November 2008, ENMAX Energy received a Notice of Reassessment from the Province of Alberta in respect of the 2002 taxation year. The Notice of Reassessment indicated that Alberta Finance has also accepted ENMAX's representation on the allocation of costs and benefits of the PPAs between taxable and non-taxable operations. Since other issues were not resolved in this assessment, ENMAX Energy received a refund of \$3.3 million including interest.

21 Commitments and contingencies (continued)

ENVIRONMENTAL

New provincial regulations aimed at reducing the levels of greenhouse gas emissions took effect July 2007. The change in law provisions in ENMAX's PPA contracts expose the Corporation to a significant portion of these compliance costs.

For the year ended December 31, 2008, the consolidated financial statements include a charge to earnings in the amount of \$20.3 million (2007 – \$9.4 million), included in costs of electricity services provided, relating to estimated compliance costs under the provincial regulations, associated with the Corporation's ownership interests in coal-fired generation facilities through its PPAs. Payments are due to the PPA owners by March 31 of the year following the compliance. The Corporation has taken steps to substantially mitigate these impacts, including price increases to new customers, as well as acquiring qualified credits from both its wind generation assets and purchases on the wholesale market.

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.

GUARANTEES

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 \$363.3 million at December 31, 2008 (2007 – \$260.8 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.

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.

22 Interest

AS AT DECEMBER 31	2008	2007
\$ millions		
Interest on long-term debt	35.3	21.7
Short-term interest and other financing charges	10.1	5.0
Less: allowance for funds used during construction and capitalized interest	(8.6)	(5.3)
	36.8	21.4

23 Changes in non-cash working capital

YEARS ENDED AT DECEMBER 31	2008	2007
\$ millions		
Accounts receivable	(42.0)	(55.1)
Inventories	0.4	2.5
Income taxes receivable	19.3	–
Other current assets	(23.8)	(50.0)
Accounts payable and accrued liabilities	(32.2)	70.5
Income taxes payable	22.8	13.8
Change in non-cash working capital	(55.5)	(18.3)

24 Related party transactions

Total revenues received from The City for the year ended December 31, 2008 were \$92.4 million (2007 – \$93.9 million). Revenues 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.

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

AS AT DECEMBER 31	2008	2007
\$ millions		
Services provided	24.1	26.3
Total receivable from The City	24.1	26.3

Total expenditures for goods and services received from The City for the year ended December 31, 2008 were \$134.2 million (2007 – \$117.9 million). Expenditures include local access fees for the use of The City's rights-of-way.

The Corporation is required to pay a loan guarantee and administration fee to The City of 0.25% of the average monthly outstanding debenture balance. For the year ended December 31, 2008 the amount paid was \$1.1 million (2007 – \$0.9 million).

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

AS AT DECEMBER 31	2008	2007
\$ millions		
Goods and services received	0.4	0.7
Local access fees and equity funding rider	10.5	9.3
Total payable to The City	10.9	10.0

Transactions between the Corporation and The City have been recorded at the exchange amounts.

25 Comparative figures

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

FINANCIAL PERFORMANCE HIGHLIGHTS

(unaudited)

ALL DATA AT DECEMBER 31, OR FOR THE YEARS ENDED	2008	2007	2006	2005	2004	2003	2002	2001
millions of Canadian dollars unless otherwise stated								
Revenue	2,669.9	2,109.7	1,667.6	1,298.4	1,193.1	1,226.2	1,150.4	1,440.3
Net earnings	181.1	141.8	130.1	116.7	152.2	173.0	166.6	249.6
Capital expenses	380.7	285.8	469.6	141.6	113.6	183.5	173.0	111.3
Assets	3,481.6	2,456.2	2,160.4	1,791.2	1,730.4	1,443.3	1,363.4	1,390.1
Long-term debt	1,024.6	426.7	360.3	234.3	252.3	160.6	183.8	320.9
Shareholder equity	1,596.5	1,458.8	1,385.5	1,305.4	1,238.7	1,127.1	1,009.0	877.4
Return on equity (%)	11.9	10.9	9.7	10.1	12.5	15.8	17.6	36.9
Return on assets (%)	6.1	9.7	7.2	7.4	9.3	12.0	12.6	19.5
Debt to capital (%)	39.1	22.7	20.6	15.2	17.1	12.5	15.4	26.8
Local access fees	126.1	111.4	87.2	73.0	68.5	68.2	72.2	110.6
Dividends	50.0	50.0	50.0	50.0	50.4	50.0	35.0	30.0

[1] Return on equity calculated and presented based on comparable earnings. See note 2 in the MD&A.

SYSTEM PERFORMANCE HIGHLIGHTS

ALL DATA AT DECEMBER 31, OR FOR THE YEARS ENDED	2008	2007	2006	2005	2004	2003	2002	2001
millions of Canadian dollars unless otherwise stated								
Number of metered customers								
(in and around Calgary) [1]	420,325	412,000	403,000	389,872	382,494	373,000	362,000	351,000
System peak demand (megawatts, Calgary only)	1,632	1,559	1,538	1,483	1,401	1,382	1,334	1,323
Energy delivered (gigawatt hours)	8,990	8,826	8,607	8,294	8,044	7,928	7,747	7,551
Number of retail metered customers								
locations (throughout Alberta)	649,000	614,000	500,000	457,000	435,000	422,000	421,000	411,000
Electricity sold to customers (gigawatt hours)	17,783	15,958	12,652	9,804	9,118	9,552	9,221	9,028
Peak load requirements (megawatts)	2,749	2,643	2,169	1,586	1,565	1,633	1,543	1,589
Number of employees	1,742	1,241	1,169	1,087	1,054	1,084	1,431	1,320
Transmission system statistics								
Overhead lines (kilometres)	266	266	266	266	264	263	262	262
Underground lines (kilometres)	15	15	15	15	16	16	16	16
Substations	35	35	35	35	34	34	33	33
Distribution system statistics								
Overhead circuit lines (kilometres)	2,352	2,368	2,353	2,337	2,372	2,370	2,370	2,355
Underground circuit lines (kilometres)	5,031	4,862	4,753	4,546	4,352	4,185	4,040	3,850
Utility poles	64,724	64,836	64,577	64,522	65,000	64,780	64,700	64,080
Transformers	47,778	47,092	46,214	45,314	44,000	43,475	41,200	40,445

[1] Data from 2001 to 2004 includes number of metered sites, not number of customers, as one customer may have more than one metered site.