



# Generating solutions.

ENMAX Corporation Q1 Interim Report  
Three months ended March 31, 2010

## HIGHLIGHTS

	Three Months Ended March 31	
	2010	2009
<i>(millions of dollars, except return on equity and operating statistics)</i>		
Total revenues	<b>608.8</b>	700.2
Operating margin <sup>(1)</sup>	<b>155.9</b>	183.4
Net earnings	<b>48.3</b>	65.2
Return on equity (annualized) <sup>(2)</sup>	<b>11.2%</b>	13.6%
Operating statistics:		
Electricity sold (gigawatt hours)	<b>4,816</b>	4,694
Natural gas sold (terajoules)	<b>12,970</b>	14,086
Distribution volumes (gigawatt hours)	<b>2,274</b>	2,353
Total shareholder's equity	<b>1,715.3</b>	1,587.1
Total assets	<b>3,754.8</b>	3,559.1

*(1) Operating margin is a non-GAAP financial measure. See discussion that follows in Section 4 of the Management's Discussion & Analysis (MD&A).*

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

## **FORWARD-LOOKING INFORMATION**

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

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

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

## **MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**

This MD&A is a review of the results of operations of ENMAX for the three months ended March 31, 2010, compared with the same period in 2009, and of the Corporation’s financial condition and future prospects. This discussion contains forward-looking information that is qualified by reference to and should be read together with, the discussion regarding forward-looking statements previously mentioned.

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

The Corporation reports on certain non-GAAP financial measures such as operating margin and funds from operations that are used by management to evaluate performance of business units and segments. Because non-GAAP financial measures do not have a standardized meaning, we have defined and reconciled them with their nearest GAAP measure. For the reader’s reference, the definition, calculation and reconciliation of consolidated non-GAAP financial measures is provided in Section 4: Non-GAAP Financial Measures.

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## 1 OVERALL PERFORMANCE

### Selected Consolidated Financial Information

<i>(millions of dollars)</i>	Three months ended March 31,	
	2010	2009
Total revenue	<b>608.8</b>	700.2
Operating margin <sup>(1)</sup>	<b>155.9</b>	183.4
Standardized earnings before interest, income tax, depreciation and amortization (EBITDA) <sup>(1)</sup>	<b>107.6</b>	124.2
Net earnings	<b>48.3</b>	65.2
Funds generated from operations <sup>(1)</sup>	<b>83.9</b>	103.0
Cash provided by operating activities	<b>68.5</b>	(9.6)

*(1) Non-GAAP financial measure. See discussion that follows in Section 4: Non-GAAP Financial Measures.*

ENMAX's consolidated net earnings for the three months ended March 31, 2010, decreased to \$48.3 million compared with \$65.2 million for the three months ended March 31, 2009. This decrease was driven primarily by lower electricity margins, non-recurring rate increases related to prior periods received in 2009, lower contractual services and other revenues and higher amortization costs. The impact of these decreases was partially offset by higher transmission and distribution margins, lower operations, maintenance and administration (OM&A) costs and lower tax costs.

A reconciliation of net earnings for the three months ended March 31, 2010, as compared with the same period in 2009 is as follows. Further details on specific operations can be found in Business Segment Results (Section 2).

<i>(millions of dollars)</i>	
Net earnings for the period ended March 31, 2009	65.2
Increased / (decreased) margins attributable to:	
Rate increases related to prior periods	(14.6)
Electricity	(13.1)
Natural gas	1.2
Transmission and distribution	6.6
Contractual services and other	(7.6)
Decreased (increased) expenses:	
Operations, maintenance and administration (OM&A)	10.9
Amortization	(4.9)
Interest	(1.7)
Income taxes	6.3
Net earnings for the period ended March 31, 2010	48.3

### Impact of rate increases related to prior periods

In May 2007, ENMAX Power applied to the AUC to have rates set under a new approach. On March 25, 2009, the regulator approved the application, with adjustments, retroactive to January 1, 2007. The regulatory decision generated a revenue increase in 2009 to retroactively recover costs incurred in 2007 and 2008 in the regulated transmission and distribution businesses in the amount of \$23.8 million. In the first quarter of 2009, \$14.6 million of this amount was recorded and did not recur in the first quarter of 2010.

### Other net earnings items

Electricity margins decreased \$13.1 million for the three months ended March 31, 2010, to \$98.4 million from \$111.5 million for the same period in 2009. The decreased margins were driven by the impact of lower wholesale commodity prices on generation volumes not hedged with fixed-price contracts or commodity derivatives and by higher Power Purchase Arrangement (PPA) costs due to incremental PPA volumes from the acquisition of the final 15% of the Battle River PPA in January. Also contributing to the decreased margins were lower fixed contract prices and lower variable-price contract sales. These decreases were mitigated by increased fixed-price contract sales volumes. Settled wholesale prices on electricity in the three months ended March 31, 2010, averaged \$40.88 per megawatt hour (MWh) compared with \$63.01 per MWh in 2009.

Natural gas margins increased \$1.2 million for the three months ended March 31, 2010, to \$1.0 million in earnings from \$0.2 million in losses in the same period in 2009. While gas volumes have declined, a recovery of 2009 costs incurred mitigated the impact. As well, gas hedging activities in the quarter resulted in less earnings exposure to fluctuating long-term market prices than were experienced in 2009.

For the three months ended March 31, 2010, normalized transmission and distribution margins increased \$6.6 million to \$45.0 million from the same period in 2009. The higher margins were driven by higher tariff rates.

For the three months ended March 31, 2010, margins from contractual services and other sources decreased \$7.6 million to \$11.5 million from \$19.1 million recorded in the same period in 2009. The decreased margins are mainly due to 2009 foreign exchange gains related to a purchase agreement denominated in foreign currencies and 2009 gains on the interest rate swap acquired with the Calgary Energy Centre (CEC) which were recorded in other revenue in 2009. In 2010, these financial instruments have been substantially hedged. Some ineffectiveness losses have been realized in the first quarter of 2010, and these losses have been recorded as an expense in OM&A. This impact was partially offset by lower costs to settle environmental liabilities on the PPAs and increased sales in the Envision fibre optic business unit.

OM&A costs for the three months ended March 31, 2010, decreased \$10.9 million to \$48.3 million from \$59.2 million for the same period in 2009. This decrease was driven by lower staffing and consulting costs and the non-recurrence of conversion costs related to the implementation of the new billing system in the first quarter of 2009. These reductions were partially offset by net realized and unrealized foreign exchange losses recorded in expenses related to a purchase agreement denominated in foreign currencies and a foreign denominated futures margin trading account as well as higher costs related to a major turn around on the CEC facility that occurred during the first quarter of 2010.

Amortization expense for the three months ended March 31, 2010, increased \$4.9 million to \$37.9 million from \$33.0 million for the same period in 2009. The increase in amortization was a result of the incremental Battle River PPA ownership; as well as, additional transmission and distribution assets, the start-up of Crossfield in the fourth quarter of 2009 and the new billing system being placed into service.

For the quarter ended March 31, 2010, interest expense increased \$1.7 million to \$14.6 million from \$12.9 million for the same period in 2009. The increase was primarily due to the cost of additional debt issued in the second and third quarters of 2009 and higher short-term borrowings in 2010. This increase was partially offset by an increase in capitalized interest. While general borrowings have increased, most of the cost of these borrowings is associated with capital projects and therefore capitalized to those projects.

Income tax expense for the quarter ended March 31, 2010, decreased \$6.3 million from a cost of \$12.6 million in the same period in 2009. The decrease in income tax expense is mainly due to lower earnings in the taxable operations and lower income tax rates.

### Other comprehensive income

Other comprehensive income illustrates the Corporation's earnings under the assumption of full income recognition of gains and losses on securities and derivatives otherwise treated as hedges of future period revenues and expenses. The Corporation utilizes derivatives to hedge its electricity, natural gas, interest rates and foreign exchange exposures. For the quarter ended March 31, 2010, other comprehensive income totaled a loss of \$15.7 million compared with a \$27.7 million loss in the same period in 2009. The loss in the year primarily reflects continued low natural gas prices.

## 2 BUSINESS SEGMENT RESULTS

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

### Results of operations by segment

<i>(millions of dollars)</i>	Three months ended March 31	
	2010	2009
ENMAX Power	14.9	25.3
ENMAX Energy	53.0	65.1
Corporate & intersegment eliminations	1.8	0.8
Earnings before interest and income tax	69.7	91.2

### ENMAX Power

#### *Business Update*

Distribution projects started this quarter with \$3.5 million being incurred for residential and non-residential development and \$1.5 million for system infrastructure. Also, work commenced on asset replacement and modification projects with \$4.9 million being incurred to meet industry standards and safety codes and distribution automation. Additional funds were invested in AESO-required capital projects and distribution automation.

In the first quarter 2010, ENMAX Power started major transmission projects which will help meet load growth within Calgary as well as to replace aging infrastructure. The projects include the downtown cable replacement project, the 69 kilovolt (kV) south conversion project, new substations and substation upgrades to handle the additional transmission requirements. Capital investment in transmission projects in the quarter totaled \$8.9 million.

#### *Operating Results*

ENMAX Power's results are driven by tariffs approved by the AUC for regulated transmission, distribution and Regulated Rate Option (RRO) businesses; as well as, earnings from its non-regulated power services business. The regulated segment accounted for 91.9% of ENMAX Power's total revenue in the three months ended March 31, 2010, compared with 91.8% in the same period in 2009.

ENMAX Power recorded earnings before interest and income taxes of \$14.9 million in the three months ended March 31, 2010, compared with \$25.3 million in the same period last year. This decrease was due primarily to lower transmission and distribution margins from a regulatory decision received in 2009, which retroactively recovered costs incurred in 2007 and 2008, and higher amortization costs.

Transmission and distribution margins are comprised of amounts charged for wires services, net of electrical grid charges and local access fees. The transmission and distribution margins were \$45.0 million for the three months ended March 31, 2010, compared with \$53.0 million in the same period in 2009. This change was due primarily to the 2009 recognition of \$14.6 million related to a regulatory decision which retroactively recovered costs incurred in 2007 and 2008. This was partially offset by the impact of higher rates in 2010. Physical electricity consumption, on the transmission and distribution system, is down slightly with electricity volumes delivered during the three months ended March 31, 2010, at 2,274 gigawatt hours (GWh) compared with 2,353 GWh in the same period in 2009.

Electricity margins from RRO customers were \$3.2 million for the three months ended March 31, 2010, compared with \$3.0 million in the same period in 2009. This increased margin was primarily the result of higher RRO volumes. RRO electricity volumes sold totaled 619 GWh in the first three months of 2010 compared with 571 GWh in the same period in 2009. As regulated rates have fluctuated below competitive rate options, some customers are choosing to pursue the regulated option.

For the three months ended March 31, 2010, margins for contractual services and other were \$2.7 million compared with \$3.0 million for the same period last year. This decrease is a result of delays being experienced in transit development activities and a slow recovery of underground residential development.

OM&A expenses for the three months ended March 31, 2010, were \$24.1 million which is comparable with the \$23.5 million in the same period in 2009. The slight increase in costs is due to higher bad debt and delayed capital projects resulting in lower administrative overhead recoveries.

Amortization for the three months ended March 31, 2010, totaled \$11.9 million compared with \$10.2 million in the same period in 2009. The increased charges were the result of a higher asset base in service in ENMAX Power.

## **ENMAX Energy**

### *Business Update*

ENMAX Energy combines fuel procurement, generation of electricity and the wholesale market and retail sales into an integrated model. This segment produces or has exclusive access to approximately 2,083 megawatts (MW) of electricity generation to supply customer demand.

During the first quarter, operational testing commenced on the Downtown District Energy Centre (DDEC) with thermal energy being provided to the system's first customer, the Calgary Municipal Building. The DDEC provides up to 6 MW of thermal energy to the 765 thousand square foot Municipal Building facility based on building load and ambient temperatures. DDEC will provide thermal energy to as much as 10 million square feet of new and existing residential and commercial buildings in Calgary. Planning and approval processes continued on the Shepard Energy Centre (Shepard) and the combined heat and power Bonnybrook Energy Centre (Bonnybrook) facilities. Crossfield was commissioned in December 2009; and since assuming full operations, this plant has achieved heat rate, availability and outage targets in line with expectations. Plans to exit the British Columbia generation market have progressed. Final sale of these assets, including newly awarded renewable energy projects under BC Hydro's clean power call, is expected before the end of 2010.

### *Operating Results*

ENMAX Energy recorded earnings before interest and income taxes of \$53.0 million for the three months ended March 31, 2010, compared with \$65.1 million in the same period in 2009. The decrease in the first quarter of 2010 was primarily due to lower electricity margins and lower contractual services and other revenues.

Electricity margins for the three months ended March 31, 2010, decreased \$13.2 million to \$95.3 million from \$108.5 million recorded in the same period in 2009. The decrease in electricity margins was primarily due to lower prices on excess generation volumes, lower commercial and industrial fixed-price contract sales prices and higher PPA costs per MWh related to additional Battle River volumes. These margin decreases were partially offset by greater fixed-price contract sales volumes. ENMAX Energy delivered, under contract, 4,197 GWh of electricity to customers in the three months ended March 31, 2010, compared with 4,123 GWh in the same period in 2009.

Natural gas margins were \$1.0 million for the three months ended March 31, 2010, compared with a loss of \$0.2 million in the comparable period last year. This increase in margin is a result of gas hedging activities in 2010 resulting in fewer hedges experiencing earnings exposure to fluctuating long-term market prices. This was partially offset by a decrease in gas volumes sold. ENMAX Energy's natural gas customers purchased 12,970 terajoules (TJ) in the three months ended March 31, 2010, compared with 14,086 TJ in the same period in 2009. This 8% decline in volumes was due to declining customer renewals on gas contracts. The majority of the decline in customer contracts is with indexed-price contracts; so the financial impact is small.

Contractual services and other revenues decreased \$7.4 million in the three months ended March 31, 2010, to \$14.2 million compared to the \$21.6 million recorded in the same period last year. The decreased margins are mainly due to gains related to foreign exchange and interest rate exposure movements in 2009. In 2010, these financial instruments have been substantially hedged to reduce economic exposure and earnings fluctuations. Some ineffectiveness losses have been realized in the first quarter of 2010, and these losses have been recorded as an expense in OM&A. This impact was partially offset by lower costs to settle environmental liabilities on the PPAs and increased sales in the Envision fibre optic business unit.

ENMAX Energy's OM&A expenses decreased to \$31.7 million in the three months ended March 31, 2010, from \$42.9 million recorded in the same period in 2009. This decrease was primarily attributable to lower staffing costs and the non-recurrence of conversion costs related to the implementation of the new billings system in 2009.

Amortization for the three months ended March 31, 2010, totaled \$25.8 million compared with \$21.9 million in the same period in 2009. The increased charges were the result of the acquisition of an additional 15% of the Battle River PPA, the completion and commissioning of Crossfield in late 2009 and the commissioning of the new billing system part way through the first quarter of 2009.

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

#### *Operating Results*

ENMAX Corporate provides shared services and financing to ENMAX Power and ENMAX Energy. During the three months ended March 31, 2010, earnings before interest and taxes for ENMAX Corporate were \$1.8 million compared with \$0.8 million in the same period in 2009. The increase in earnings reflects lower amortization and OM&A costs.

### 3 SELECTED QUARTERLY FINANCIAL DATA

	2010		2009			2008		
	First	Fourth	Third	Second	First	Fourth	Third	Second
<i>(millions of dollars, except operating statistics)</i>								
Total revenue	<b>608.8</b>	594.8	494.2	525.0	700.2	759.6	612.6	645.6
Operating margin <sup>(1)</sup>	<b>155.9</b>	159.7	129.0	213.5	183.4	141.7	167.3	138.9
Standardized earnings before interest, income tax, depreciation and amortization <sup>(1)</sup> ("EBITDA")	<b>107.6</b>	88.3	87.6	159.5	124.2	77.8	113.9	93.4
Net earnings	<b>48.3</b>	39.0	40.8	60.9	65.2	31.5	62.4	49.3
Funds generated from operations <sup>(1)</sup>	<b>83.9</b>	117.8	77.8	62.5	103.0	66.8	92.9	87.3
ENMAX Energy electricity volumes sold (GWh)	<b>4,197</b>	4,204	3,988	3,916	4,123	3,948	3,943	3,635
ENMAX Power electricity volumes sold (GWh)	<b>619</b>	649	553	538	571	669	538	570
Total electricity volumes sold (GWh)	<b>4,816</b>	4,853	4,541	4,454	4,694	4,615	4,481	4,205
ENMAX Power electricity volumes distributed (GWh)	<b>2,274</b>	2,340	2,036	2,242	2,353	2,313	2,230	2,162
Natural gas volumes sold (TJ)	<b>12,970</b>	13,166	2,357	6,531	14,086	10,019	4,319	5,418

(1) Non-GAAP financial measure. See discussion that follows in Section 4: Non-GAAP Financial Measures.

### 4 NON-GAAP FINANCIAL MEASURES

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

#### Operating margin

<i>(millions of dollars)</i>	Three months ended	
	2010	2009
Electricity and natural gas margins	<b>99.4</b>	111.3
Transmission and distribution margins	<b>45.0</b>	53.0
Contractual services margins and other	<b>11.5</b>	19.1
Operating margin (non-GAAP financial measure)	<b>155.9</b>	183.4
Add: Cost of sales, excluding OM&A	<b>452.9</b>	516.8
Revenue (GAAP financial measure)	<b>608.8</b>	700.2

Operating margins are a useful measure of business performance, as changes in the market price of electricity and natural gas purchased for resale affect both revenue and costs of sales.

EBITDA	Three months ended	
	March 31,	
<i>(millions of dollars)</i>	2010	2009
Adjusted EBITDA (non-GAAP financial measure)	107.6	124.4
Deduct: EBITDA from discontinued operations	-	0.2
Standardized EBITDA	107.6	124.2
Deduct: Amortization	37.9	33.0
Interest	14.6	12.9
Income taxes	6.3	12.6
Net earnings from continuing operations (GAAP financial measure)	48.8	65.7

EBITDA (Earnings before interest, income tax, depreciation and amortization) is a useful measure of business performance, as management believes it provides an indication of the operating results generated by the Corporation's primary business activities without consideration as to how those activities are financed and amortized or how the results are taxed in various business jurisdictions.

Funds generated from operations	Three months ended	
	March 31,	
<i>(millions of dollars)</i>	2010	2009
Funds generated from operations (non-GAAP financial measure)	83.9	103.0
Changes in non-cash working capital	(13.7)	(109.4)
Employee future benefits	(1.7)	(3.2)
Cash provided by operating activities (GAAP financial measure)	68.5	(9.6)

Funds generated from operations are used as an additional metric of cash flow without regard to changes in the Corporation's non-cash working capital.

Total interest cost	Three months ended	
	March 31,	
<i>(millions of dollars)</i>	2010	2009
Total interest cost (non-GAAP financial measure)	18.8	15.4
Capitalized interest	(4.9)	(3.1)
Other non-interest financing costs	0.7	0.6
Interest expense (GAAP financial measure)	14.6	12.9

Total interest cost is used to determine the Corporation's interest coverage ratios.

## 5 FINANCIAL CONDITION

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

<i>(millions of dollars, except % change)</i>	<b>March 31, 2010</b>	December 31, 2009	\$ Change	% Change	Explanation for change
<b>ASSETS</b>					
Cash and cash equivalents	<b>34.8</b>	55.7	(20.9)	(38%)	See Section 6: Liquidity and capital resources
Accounts receivable	<b>446.3</b>	512.3	(66.0)	(13%)	Impact of lower commodity prices on revenues billed and collection of previously outstanding government grants on capital projects.
Other current assets	<b>114.2</b>	99.8	14.4	14%	Change in fair value of short-term derivatives and unrealized hedging assets
Property, plant and equipment	<b>2,133.3</b>	2,054.5	78.8	4%	Capital investments, offset by regularly scheduled depreciation charges.
Power purchase arrangements	<b>555.8</b>	504.7	51.1	10%	Purchase of final 15% interest in the Battle River PPA, offset by regularly scheduled amortization charges.
Other long-term assets	<b>62.0</b>	81.0	(19.0)	(23%)	Change in fair value of long-term derivatives and unrealized hedging assets
<b>LIABILITIES</b>					
Short-term financing	<b>91.7</b>	18.2	73.5	404%	See Section 6: Liquidity and capital resources
Accounts payable and accrued liabilities	<b>275.3</b>	326.8	(51.5)	(16%)	Impact of lower commodity prices on costs incurred.
Dividend payable	<b>46.4</b>	-	46.4	100%	Dividend declared in March to be paid in four equal payments over the year.
Long-term debt <sup>(1)</sup>	<b>1,309.8</b>	1,319.8	(10.0)	(1%)	Regularly scheduled payments made.

(1) Includes current and long-term amounts.

## 6 LIQUIDITY AND CAPITAL RESOURCES

### Capitalization

As at (millions of dollars)	March 31, 2010	December 31, 2009
Total debt <sup>(1)</sup>	1,401.5	1,338.0
Shareholder's equity		
Share capital	280.1	280.1
Retained earnings	1,473.9	1,487.4
Accumulated other comprehensive loss	(38.7)	(23.0)
Total shareholder's equity	1,715.3	1,744.5
Total capitalization (total debt plus shareholder's equity)	3,116.8	3,082.5

(1) Includes short-term financing of \$91.7 million (December 31, 2009 - \$18.2 million) and current portion of long-term debt of \$47.0 million (December 31, 2009 - \$46.1 million). Maturity dates range from May 2010 to September 2034. Excludes debt on assets held for sale.

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

As at (millions of dollars)	March 31, 2010	December 31, 2009
Long-term debt <sup>(1)</sup> , consisting of:		
Alberta Capital Finance Authority debentures, with remaining terms of:		
Less than 5 years	45.5	48.0
6 – 10 years	88.8	90.7
11 – 15 years	110.8	114.7
16 – 20 years	26.9	26.9
21 – 25 years	236.6	236.6
Private debentures		
Series 1, remaining term of 8 years, bullet maturity on June 19, 2018	296.9	296.9
Series 2, remaining term of 4 years, bullet maturity on April 8, 2014	248.6	248.5
Non-recourse term financing (Kettles Hill and CEC), remaining term of 7 and 17 years, respectively	250.0	251.8
Promissory note, remaining term of 17 years	5.7	5.7
	1,309.8	1,319.8

(1) Includes current portion of long-term debt of \$47.0 million (December 31, 2009 - \$46.1 million). Maturity dates range from May 2010 to September 2034. Excludes debt on assets held for sale.

### Coverage ratios

	March 31, 2010	March 31, 2009
Total debt to total capitalization <sup>(1)</sup>	45.0%	44.7%
Interest coverage <sup>(2)</sup>	5.7X	7.8X

(1) Total debt to total capitalization is equal to total debt, including short term financing and long-term debt (including current portion), divided by total debt plus shareholder's equity. If cash was netted against the debt, the ratio as at March 31, 2010, would be 43.8% (December 31, 2009 - 43.9%).

(2) Interest coverage is equal to the 12-month rolling standardized EBITDA (non-GAAP financial measure) divided by the 12-month rolling total interest cost (non-GAAP financial measure).

The target for long-term debt to total capitalization is 45% or lower. The target range for pre-tax interest coverage ratio is 5.5 or higher. ENMAX has been assessed credit ratings of Standard & Poors: BBB+ (negative) and Dominion Bond Rating Services: A (low) for unsecured debentures and R-1 (low) for Commercial Paper. This provides reasonable access to debt capital markets.

The principal financial covenants in ENMAX's credit facilities and debentures are interest coverage and debt to capitalization. As at March 31, 2010, ENMAX is in compliance with its financial covenants related to debt classified as long-term debt on the balance sheet.

As at March 31, 2010, ENMAX classified \$24.1 million of non-recourse financing as liabilities held for sale related to the British Columbia assets held for sale (December 31, 2009 - \$24.2 million). Of this non-recourse financing, \$12.5 million is related to the Furry Creek Power Ltd. operation and has been classified all as current liabilities held for sale (December 31, 2009 - \$12.6 million) as certain covenants on this debt are in breach. ENMAX has sufficient cash on hand at the balance sheet date to extinguish all non-recourse debt related to the breached covenant.

### **Cash provided by operating activities**

Cash provided by operating activities for the three months ended March 31, 2010, was \$68.5 million, compared with a use of cash of \$9.6 million in the same period last year. The increase in cash flow from operations was driven primarily by changes in working capital. Working capital changes were a result of a large decline in accounts payable in the first quarter of 2009 to pay fourth quarter expenses which were at higher commodity prices.

At March 31, 2010, cash and cash equivalents amounted to \$34.8 million, compared with \$55.7 million at December 31, 2009.

### **Investing activities**

Capital spending was \$85.9 million in the three months ended March 31, 2010, a decrease of \$12.7 million over the same period last year. Capital additions for the three months ended March 31, 2010, included a \$24.8 million investment in the transmission and distribution network in Calgary and surrounding area, \$61.8 million in construction costs related to Calgary area generation projects and \$0.8 million in information technology expansion. The majority of these projects were paid for in cash. Remaining expenditures were primarily for regulated assets not specifically related to the transmission and distribution network and British Columbia-based generation projects. Investing activities for the three months ended March 31, 2010, also included the acquisition of the final 15% interest in the Battle River PPA for a cost of \$64.0 million.

### **Financing activities**

ENMAX repaid \$10.1 million of long-term debt in regularly scheduled principal payments during the three months ended March 31, 2010, compared with \$13.0 million in the same period in 2009. These repayments were sourced through cash provided by operating activities.

As at March 31, 2010, ENMAX had credit facilities available of \$750.0 million (December 31, 2009 - \$750.0 million), which are used for general corporate purposes and as a backstop for the commercial paper program. At March 31, 2010, there was \$199.1 million in outstanding letters of credit (December 31, 2009 - \$237.5 million). As at March 31, 2010, there was an \$1.7 million overdraft on the credit facilities (December 31, 2009 - \$8.2) and \$90.0 million of commercial paper outstanding (December 31, 2009 - \$10.0), guaranteed by ENMAX's credit facilities, to fund short-term operating requirements.

On March 16, 2010, ENMAX declared a dividend for 2010 of \$61.8 million to The City of Calgary (The City), its sole shareholder. The dividend is \$6.8 million more than what was declared in 2009 and will be paid in equal quarterly installments during 2010.

ENMAX continues to generate adequate cash flow from operations and has sufficient lines of credit and a commercial paper program available to meet its ongoing operating requirements.

## 7 FUTURE ACCOUNTING CHANGES

### International Financial Reporting Standards (IFRS)

On February 13, 2008, the Accounting Standards Board of Canada (AcSB) confirmed the changeover from Canadian GAAP to International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), will be effective for fiscal years beginning on or after January 1, 2011. The Corporation will be required to apply IFRS in reporting interim and annual financial statements, including comparative periods, beginning January 1, 2011. Under IFRS there is significantly more disclosure than currently required under Canadian GAAP. While IFRS uses a conceptual framework similar to Canadian GAAP, there are still perceptible differences in accounting policies. The Corporation expects the transition to IFRS to impact accounting, financial reporting, internal controls, IT systems and processes, as well as, certain contractual arrangements.

The Corporation commenced its IFRS conversion project in 2007 and has established a formal project governance structure. A project team has been committed to complete this convergence and external advisory services have been engaged.

The project consists of four phases: diagnostic, research and evaluation, conversion and sustainment. Status of these phases is described in the following table:

Project Phase	Milestones/Target Dates	Progress to March 31, 2010
<p>Diagnostic</p> <ul style="list-style-type: none"> <li>• High level analysis of the differences between Canadian GAAP and IFRS</li> <li>• Determination of potential key impact areas</li> </ul>	June 30, 2008	<ul style="list-style-type: none"> <li>• Completed</li> <li>• Identified key impact areas of rate regulated activities, accounting for property, plant and equipment, accounting for power purchase arrangements, employee benefits and IFRS 1, First-Time Adoption of IFRS</li> </ul>
<p>Research and Evaluation</p> <ul style="list-style-type: none"> <li>• Development of a detailed conversion plan</li> <li>• Establishment of a governance structure</li> <li>• Detailed analysis of the differences between Canadian GAAP and IFRS</li> <li>• Preliminary financial impacts of those differences identified</li> </ul>	December 31, 2009	<ul style="list-style-type: none"> <li>• Completed</li> <li>• Monitoring evolving IFRS standards for further developments</li> <li>• High level financial impacts of alternative policies identified</li> </ul>

Project Phase	Milestones/Target Dates	Progress to March 31, 2010
<b>Conversion</b> <ul style="list-style-type: none"> <li>Detailed policies and procedures developed</li> <li>System changes being designed and tested</li> <li>Collection of 2010 financial data under IFRS</li> </ul>	December 31, 2010	<ul style="list-style-type: none"> <li>Policies, procedures, financial assessments and system changes are being developed or revised to collect and report IFRS data in accordance with recent IASB pronouncements</li> <li>Process in place to revise these as necessary for ongoing changes in accounting standards</li> <li>Resource requirements identified</li> <li>System modification governance structure in place</li> </ul>
<b>Sustainment</b> <ul style="list-style-type: none"> <li>Revisions to forecasting and budgeting tools</li> <li>Internal staff training</li> </ul>	June 30, 2011	<ul style="list-style-type: none"> <li>Not yet commenced</li> <li>Long-term forecasting and budgeting tools being modified to capture IFRS impacts</li> </ul>

On May 19, 2009, the AUC approved Rule 026, "Rule Regarding Regulatory Account Procedures Pertaining to the Implementation of International Financial Reporting Standards". The Corporation was an active participant in the collaborative process adopted in developing this rule.

An exposure draft regarding rate-regulated activities was published by the IASB in July 2009, and has significant potential revisions to the financial impact assessments and policies drafted in key areas of the Corporation's conversion project. In February 2010, the IASB discussed the comments received in response to the exposure draft but did not make decisions on specific aspects of the project and requested further investigation into whether regulatory items fall within the IFRS Framework and are consistent with other IFRS standards. A standard for regulated activities is now not expected to be published prior to the Corporation's transition to IFRS. The IASB recently approved an election for first-time adopters of IFRS with operations subject to rate regulation that allows for the transition of carrying amounts of property, plant and equipment to the opening IFRS balance sheet without eliminating regulatory amounts that may be incorporated in those values. The Corporation is carefully considering taking this election.

A summary of key areas of impact identified to date is provided below.

Area	Financial Reporting, System and Business Impacts	Status
Rate-Regulated Activities	<ul style="list-style-type: none"> <li>Impact to balance sheet and earnings</li> <li>Changes to financial systems and processes</li> <li>Continuing to assess financial impacts</li> </ul>	<ul style="list-style-type: none"> <li>Determining and developing system requirements associated with the election available on transition and segregation of regulatory amounts</li> <li>Changes in processes are underway</li> </ul>
Property, Plant and Equipment	<ul style="list-style-type: none"> <li>Impact to balance sheet and earnings</li> <li>Impact to financial systems and processes</li> <li>Continuing to assess financial impacts</li> </ul>	<ul style="list-style-type: none"> <li>Detailed assessment completed</li> <li>Alterations to processes and system underway</li> </ul>
Power Purchase Arrangements	<ul style="list-style-type: none"> <li>Potential impact to balance sheet and earnings</li> <li>Potential impact to financial systems and processes</li> <li>Continuing to assess financial impacts</li> </ul>	<ul style="list-style-type: none"> <li>Detailed assessment of current standard complete</li> <li>Process and system configurations underway</li> </ul>

Area	Financial Reporting, System and Business Impacts	Status
Employee Benefits	<ul style="list-style-type: none"> <li>• Potential impact to balance sheet and earnings</li> <li>• Additional processes may be required</li> <li>• Continuing to assess financial impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed assessment of current standard complete</li> <li>• Process and reporting changes underway</li> <li>• Required valuation nearly complete</li> </ul>
IFRS 1 Exemptions	<ul style="list-style-type: none"> <li>• Impact to balance sheet on adoption</li> <li>• Continuing to assess financial impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring IASB progress in revising the standard</li> <li>• Detailed assessment complete</li> </ul>

The above information is provided for developing an understanding of the key areas of impact and the changeover plan. These disclosures reflect expectations based on information available at the reporting date. Assumptions used in developing the changeover plan, including discussion of accounting policy selections and IFRS 1 exemptions, are preliminary. Circumstances may change prior to the changeover date that may cause the Corporation to select different accounting policies and/or IFRS 1 exemptions.

## 8 CRITICAL ACCOUNTING ESTIMATES

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

ENMAX's critical accounting estimates are related to unbilled revenue accruals, allowance for doubtful accounts, amortization expense, asset impairment, asset retirement obligations and provisions for income taxes, including income taxes receivable. These critical estimates are described in Section 10 of the Management's Discussion and Analysis in the ENMAX Corporation 2009 Annual Report and the accompanying Consolidated Financial Statements. There have been no changes in the techniques and models used in preparing and evaluating these estimates that would have a material impact to the financial results.

## 9 RISK MANAGEMENT AND UNCERTAINTIES

ENMAX follows an integrated approach to risk management on a corporate-wide basis. For further information on risks, refer to Section 11 of the Management's Discussion and Analysis in the ENMAX Corporation 2009 Annual Report and the accompanying consolidated financial statements.

## 10 TRANSACTIONS WITH RELATED PARTIES

ENMAX's related-party transactions comprise both revenues from and expenditures to The City. In the three months ended March 31, 2010, transactions with The City amounted to \$24.8 million in revenue, compared with \$24.9 million in the same period in 2009. The significant components include contract sales of electricity, provision of non-regulated power distribution services and billing and customer care services relating to The City's utilities departments. In the three months ended March 31, 2010, total expenditures for goods and services received from The City were \$26.4 million compared with \$35.8 million in the same period in 2009. Most of these expenditures were for local access fees for the use of The City's rights-of-way.

## 11 OUTLOOK

The discussion in this section is qualified by the caution regarding forward-looking statements at the beginning of the MD&A.

Low electricity and gas prices experienced over the recent term are expected to continue to have a negative impact on ENMAX's operating margins during 2010. Electricity prices are forecasted to increase about 10% over the balance of the year while natural gas prices are expected to maintain current low levels. This is expected to keep contract prices modestly lower than 2009. It is unlikely that one-time gains for regulatory decisions, foreign exchange exposures and financial instruments that were experienced in 2009 will recur in 2010. Additional electricity volumes from Crossfield and incremental volumes from the Battle River PPA will provide incremental margins. Maintenance capital requirements are still expected to be high in 2010 due to required investment to replace aging infrastructure, handle additional load requirements and service a growing generating asset base. These capital expenditures are to be funded by asset sales including the British Columbia asset sale, ACFA debt for regulated spending and a variety of other funding sources.

## **12 ADDITIONAL INFORMATION**

ENMAX welcomes questions from stakeholders. Additional information relating to ENMAX can be found at [enmax.com](http://enmax.com).

Please direct financial inquiries to:

Gary Holden  
President and Chief Executive Officer  
(403) 514-3050

David Halford, CA  
Executive Vice President, Finance and Chief Financial Officer  
(403) 514-3000

Please direct media inquiries to:

Ian Todd  
Vice President, Government and Media Relations  
(403) 514-2196

You can choose any retailer listed at [www.ucahelps.gov.ab.ca](http://www.ucahelps.gov.ab.ca) or at 310-4822. Electricity delivery to your home or business is not affected by your choice of retailer.

## CONSOLIDATED BALANCE SHEETS

As at	March 31, 2010 <i>(unaudited)</i>	December 31, 2009 <i>(audited)</i>
<i>(millions of dollars)</i>		
<b>ASSETS</b>		
Cash and cash equivalents (note 3)	\$ 34.8	\$ 55.7
Accounts receivable (notes 3 and 5)	446.3	512.3
Income taxes receivable	33.2	59.6
Future income tax asset	3.2	3.1
Other current assets (note 3 and 4)	114.2	99.8
Assets held for sale (note 6)	2.4	2.3
	<u>634.1</u>	<u>732.8</u>
Property, plant and equipment	2,133.3	2,054.5
Power purchase arrangements (note 7)	555.8	504.7
Intangible assets	123.8	128.7
Goodwill	16.0	16.0
Employee future benefits (note 8)	17.5	18.2
Future income tax asset	88.7	89.2
Other long-term assets (notes 3 and 4)	62.0	81.0
Assets held for sale (note 5)	123.6	119.2
	<u>1,233.3</u>	<u>1,233.3</u>
<b>TOTAL ASSETS</b>	<b>\$ 3,754.8</b>	<b>\$ 3,744.3</b>
<b>LIABILITIES</b>		
Short-term debt (note 9)	\$ 91.7	\$ 18.2
Accounts payable and accrued liabilities (note 3)	275.3	326.8
Dividend payable	46.4	-
Income taxes payable	28.5	49.3
Future income tax liability	11.1	2.9
Current portion of long-term debt (note 3)	47.0	46.1
Other current liabilities	90.4	85.4
Liabilities held for sale (note 6)	16.8	19.2
	<u>607.2</u>	<u>547.9</u>
Long-term debt (note 3)	1,262.8	1,273.7
Future income tax liability	84.2	94.8
Other long-term liabilities (note 3)	71.2	70.1
Liabilities held for sale (note 6)	14.1	13.3
	<u>1,432.3</u>	<u>1,451.9</u>
<b>SHAREHOLDER'S EQUITY</b>		
Share capital	280.1	280.1
Retained earnings	1,473.9	1,487.4
Accumulated other comprehensive loss (note 10)	(38.7)	(23.0)
	<u>1,715.3</u>	<u>1,744.5</u>
Commitments and contingencies (note 11)		
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$ 3,754.8</b>	<b>\$ 3,744.3</b>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Three months ended (unaudited)	March 31, 2010	March 31, 2009
<i>(millions of dollars)</i>		
<b>REVENUE (note 12)</b>		
Electricity	\$ 375.1	\$ 439.3
Natural gas	121.3	129.7
Transmission and distribution	88.5	99.7
Contractual services	20.2	20.1
Other	3.7	11.4
<b>TOTAL REVENUE</b>	<b>608.8</b>	<b>700.2</b>
<b>COST OF SERVICES PROVIDED (note 12)</b>		
Electricity	276.7	327.8
Natural gas	120.3	129.9
Local access fees and grid charges	43.5	46.7
Contractual services	12.4	12.4
Operations, maintenance and administration (note 12)	48.3	59.2
<b>TOTAL COST OF SERVICES PROVIDED</b>	<b>501.2</b>	<b>576.0</b>
	<b>107.6</b>	<b>124.2</b>
Amortization	37.9	33.0
Interest	14.6	12.9
Income taxes (note 13)	6.3	12.6
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>	<b>48.8</b>	<b>65.7</b>
Net loss from discontinued operations (note 6)	0.5	0.5
<b>NET EARNINGS</b>	<b>48.3</b>	<b>65.2</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>		
Unrealized gains (losses) on available for sale financial assets arising during the period includes future income tax expense of \$nil (2009 - \$0.4 expense)	0.1	(0.9)
Unrealized losses on derivatives designated as cash flow hedges, includes future income tax expense of \$3.0 (2009 - \$0.4 benefit)	(24.9)	(43.3)
Realized losses on derivatives designated as cash flow hedges in prior periods transferred to net earnings in the current period, includes future income tax benefit of \$2.3 (2009 - \$2.6 expense)	9.1	16.5
Other comprehensive loss, net of tax	(15.7)	(27.7)
<b>COMPREHENSIVE INCOME</b>	<b>\$ 32.6</b>	<b>\$ 37.5</b>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

<i>(unaudited)</i>	Share capital	Retained earnings	Accumulated other comprehensive income	Total
<i>(millions of dollars)</i>				
<b>BALANCE, JANUARY 1, 2009</b>	<b>\$ 280.1</b>	<b>\$ 1,328.3</b>	<b>\$ (11.9)</b>	<b>\$ 1,596.5</b>
Transition adjustment resulting from adopting new accounting standard	-	8.2	-	8.2
Net earnings	-	65.2	-	65.2
Dividends	-	(55.0)	-	(55.0)
Other comprehensive loss	-	-	(27.7)	(27.7)
<b>BALANCE, MARCH 31, 2009</b>	<b>280.1</b>	<b>1,346.7</b>	<b>(39.6)</b>	<b>1,587.2</b>
Comprehensive income for the remainder of 2009	-	140.7	16.6	157.3
<b>BALANCE, DECEMBER 31, 2009</b>	<b>280.1</b>	<b>1,487.4</b>	<b>(23.0)</b>	<b>1,744.5</b>
Net earnings	-	48.3	-	48.3
Dividends	-	(61.8)	-	(61.8)
Other comprehensive loss	-	-	(15.7)	(15.7)
<b>BALANCE, MARCH 31, 2010</b>	<b>\$ 280.1</b>	<b>\$ 1,473.9</b>	<b>\$ (38.7)</b>	<b>\$ 1,715.3</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended <i>(unaudited)</i>	March 31, 2010	March 31, 2009
<i>(millions of dollars)</i>		
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 48.3	\$ 65.2
Items not involving cash:		
Amortization	37.9	33.0
Future income taxes	1.8	5.4
Change in unrealized market value of financial contracts	(7.6)	(6.7)
Other	3.5	6.1
	<u>83.9</u>	<u>103.0</u>
Change in non-cash working capital	(13.7)	(109.4)
Employee future benefits	(1.7)	(3.2)
	<u>68.5</u>	<u>(9.6)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(85.9)	(98.6)
Additions to power purchase arrangements	(64.0)	(48.1)
Other long-term assets	3.0	0.7
Refund of customer guarantee deposits	(1.0)	(1.2)
Contributions in aid of construction	9.7	27.8
	<u>(138.2)</u>	<u>(119.4)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of short-term debt	(321.2)	(609.0)
Proceeds of short-term debt	394.7	754.6
Repayment of long-term debt	(10.1)	(13.0)
Dividend paid	(15.5)	(13.8)
Other long-term liabilities	0.9	(3.3)
	<u>48.8</u>	<u>115.5</u>
Decrease in cash and cash equivalents	(20.9)	(13.5)
Cash and cash equivalents, beginning of period	55.7	35.6
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 34.8</u>	<u>\$ 22.1</u>
Supplementary information:		
Interest paid	\$ 8.8	\$ 9.0
Income taxes paid	\$ 3.6	\$ 33.7
Cash and cash equivalents consist of:		
Cash	\$ 27.8	\$ 22.1
Short-term investments	\$ 7.0	\$ -

See accompanying notes to consolidated financial statements.

## Notes to Consolidated Financial Statements (Unaudited)

### 1. Significant Accounting Policies

The interim consolidated financial statements of ENMAX Corporation (ENMAX or the Corporation) have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The accounting policies and presentation applied are consistent with those outlined in the Corporation's audited annual financial statements for the year ended December 31, 2009. These interim consolidated financial statements do not include all disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements included in ENMAX's 2009 Annual Report. Amounts are stated in millions of Canadian dollars, except as otherwise noted.

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

### 2. Future Accounting Changes

#### *International Financial Reporting Standards*

On February 13, 2008, the AcSB formally confirmed full convergence of Canadian accounting standards with IFRS, as issued by the (IASB), would be required by 2011 with appropriate comparative information for the previous year. The Corporation will be required to report using IFRS effective for interim and annual financial statements relating to fiscal years beginning January 1, 2011, including comparative periods for 2010. Under IFRS, there is significantly more disclosure than currently required under Canadian GAAP. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies.

The CICA has issued amendments to standards in addition to new standards and abstracts that will be required to be adopted under Canadian GAAP for fiscal periods beginning on January 1, 2011. These include: EIC-175 "Multiple Deliverable Revenue Arrangements", Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements", Section 1602 "Non-controlling interests" and amendments to Sections 1625, 3251, and 3855. As the Corporation will begin to report using IFRS during 2011 and has chosen not to early adopt these changes, amendments to Canadian GAAP applicable do not impact the Corporation.

### 3. Financial Instruments, Hedges and Risk Management

#### *Risk analysis and control*

ENMAX manages its exposure to energy risk on a portfolio basis, which includes asset positions arising from its interests in generation facilities, liability positions arising from its commitments to its customers and transacting positions arising from its hedging activities. ENMAX uses its best estimates to determine the fair value of its positions, generally based on a mark-to-market methodology. These estimates consider various factors including closing exchange and over-the-counter (OTC) price quotations and other factors. 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.

#### *Sensitivity analysis on market risks*

The following analysis represents the effect of market risks (interest rate risks, foreign exchange risk, commodity price risk and equity price risk) on ENMAX Energy's results as those risks apply to derivative financial instruments. This analysis does not reflect the impact these market risks would have on the business exposures underlying those derivative instruments that are designated as hedges. Non-derivative financial instruments are recorded at cost. These carrying amounts are not affected by changes in market variables, whereas carrying amounts of derivative financial instruments are affected by market variables.

The following table reflects the sensitivity in the fair value of outstanding derivative instruments to reasonably possible changes in market interest rates, Canadian Dollar to U.S. Dollar exchange rates, Canadian Dollar to Japanese Yen exchange rates, forward prices of natural gas and electricity and market values of equity investments. Market interest rates impact interest rate swaps. Foreign currency exchange rates impact commodity derivatives and foreign currency hedge contracts. Forward prices of natural gas and electricity impact commodity derivatives. Market value of equity investments impacts those instruments carried at fair value.

Certain assumptions have been made in arriving at the sensitivity analysis. These assumptions are as follows:

- The same fair value methodologies have been used as were used to obtain actual fair values in the fair values section of this note.
- Changes in the fair value of derivative instruments that are effective cash flow hedges are recorded in other comprehensive income.
- Changes in the fair value of derivative financial instruments that are not designated as hedges, that are fair value hedges or that are ineffective cash flow hedges are recorded in earnings.
- Foreign currency balances, principal and notional amounts are based on amounts as at March 31, 2010.
- Interest rate sensitivities are based on a combination of the Canadian Dealer Offered Rate (CDOR) and the London Interbank Offered Rate (LIBOR) with an assumption that LIBOR is equal to CDOR plus 0.001%.
- Sensitivities are exclusive of any potential income tax provisions.

### 3. Financial Instruments, Hedges and Risk Management (Continued)

As at (millions of dollars)	March 31, 2010		March 31, 2009	
	Earnings	Other Comprehensive Income	Earnings	Other Comprehensive Income
Interest rates +/- 100 basis points (1% pure rate change)	<b>+/- 1.2</b>	<b>+/- 15.2</b>	+/- 2.7	+/- 17.0
U.S. Dollar to Canadian Dollar exchange rate +/- 10%	<b>+/- 3.7</b>	<b>+/-9.5</b>	+/- 18.6	+/- 17.1
Japanese Yen to Canadian Dollar exchange rate +/-10%	<b>+/- 0.2</b>	-	+/- 0.5	-
Forward price of natural gas +/- 10%	<b>+/- 1.9</b>	<b>+/- 13.2</b>	+/- 0.3	+/- 29.2
Forward price of electricity +/- 10%	<b>+/- 1.7</b>	<b>+/- 9.7</b>	-	+/- 9.0
Equity investment +/- 10%	-	<b>+/- 0.3</b>	-	+/- 0.2

These sensitivities are based on financial instruments carried at fair value, which include derivative contracts. The impact of a change in one factor may be compounded or offset by changes in other factors. This table does not consider the impact of any interrelationship among the factors. These sensitivities are hypothetical and should be used with caution.

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

ENMAX is not exposed to significant interest rate risk and volatility on its long-term debt or its annual interest expense as a result of the issuance of fixed-rate long-term debt and the use of interest rate hedging instruments. However, the fair value of ENMAX's long-term debt and any associated interest rate hedging instruments change as interest rates change, assuming all other variables remain constant. For example, a 1% change in interest rates as at March 31, 2010, would have an effect on fair value of fixed interest rate debt of \$71.9 million (December 31, 2009 - \$72.3 million).

Changes in the value of the Canadian Dollar relative to the U.S. Dollar could impact the Canadian Dollar cost of natural gas, which affects the input cost of ENMAX Energy's natural gas-fired generation capacity, as well as the cost of ENMAX Energy offering fixed price gas contracts to its customers. The foreign exchange impact on these gas purchases is offset, when possible, by foreign exchange contracts. Foreign exchange exposures as a result of procurement contracts have also been mitigated by foreign exchange contracts.

### 3. Financial Instruments, Hedges and Risk Management (Continued)

#### *Credit risk*

The Corporation's maximum financial statement exposure to credit risk is the carrying value of the financial assets, as set out in the table below. This maximum exposure does not reflect losses expected by management nor experienced in the past.

As at (millions of dollars)	<b>March 31, 2010</b>	December 31, 2009
Cash and cash equivalents (1)	<b>34.8</b>	55.7
Accounts receivable (2)	<b>446.3</b>	512.3
Other current assets (3)	<b>114.2</b>	99.8
Other long-term assets (3)	<b>62.0</b>	81.0

#### *(1) Cash and cash equivalents*

Credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed with governments, well-capitalized financial institutions and other counterparties. Continuous reviews are performed to evaluate changes in the credit quality of counterparties.

#### *(2) Accounts receivable*

Charges to income as a result of credit losses for the Corporation during the three-month period ended March 31, 2010 totaled \$2.4 million (March 31, 2009 - \$2.4 million). Management has increased its credit and collections activities to monitor credit risk exposures in light of recent market conditions, and has implemented measures to protect against any incremental losses. In specific situations this includes, but is not limited to, a reduction of credit limits, requests for additional collateral or restriction of new transaction terms.

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

As at (millions of dollars)	<b>March 31, 2010</b>	December 31, 2009
1-30 days past due	<b>16.6</b>	21.0
31-60 days past due	<b>7.0</b>	4.8
61 days past due and over	<b>15.7</b>	14.1
<b>Total past due</b>	<b>39.3</b>	39.9

### 3. Financial Instruments, Hedges and Risk Management (Continued)

As at March 31, 2010, the allowance for doubtful accounts was \$13.0 million. The changes in the allowance were as follows:

<i>(millions of dollars)</i>	<b>Three months ended March 31, 2010</b>	Year ended December 31, 2009
Provision at the beginning of the period	<b>11.4</b>	7.1
Increase to allowance	<b>2.4</b>	6.8
Write-offs	<b>(0.8)</b>	(2.5)
Provision at end of the period	<b>13.0</b>	11.4

The remainder of the accounts receivable balance outstanding at March 31, 2010 is unbilled revenue accruals and as such no provisions have been recorded due to the minimal credit risk as at the balance sheet date.

#### *(3) Other current and other long-term assets*

Other assets include inventory, prepaid expenses, restricted cash, shares in other companies, renewable energy certificates, advances to employees, long-term accounts receivable, deferred costs, as well as hedge instruments and non-hedge derivatives (note 4).

ENMAX Energy 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 paid. The replacement cost of open positions represents unrealized gains, net of any unrealized losses, where ENMAX Energy has a legally enforceable right of offset. ENMAX Energy 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 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 Energy could incur a loss that could have a material impact on its financial results.

If a counterparty were to default and ENMAX Energy were to liquidate all contracts with that entity, the credit loss would include the loss in value of mark-to-market contracts. Also, the amount owed for settled transactions and unbilled deliveries and additional payments, if any, would have to be made to settle unrealized losses on accrual contracts.

### 3. Financial Instruments, Hedges and Risk Management (Continued)

The majority of counterparties enabled for wholesale transactions are rated investment grade (BBB- or higher) by recognized rating agencies, including Standard & Poor's and Dominion Bond Rating Service (DBRS). However, the Corporation has a concentration of counterparty credit risk with an industry-accepted and independently collateralized energy exchange with widespread operations in the Alberta market. The majority (59%) of total credit exposure at March 31, 2010 was with this unrated entity (December 31, 2009 – 31%). ENMAX Energy believes there is minimal risk of default from this entity, however, mitigating trading strategies have been implemented when possible to reduce exposures.

#### Liquidity risk

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

As at (millions of dollars)	March 31, 2010	December 31, 2009
2010	513.2	516.8
2011	112.9	118.0
2012	112.1	115.2
2013	109.9	112.0
2014	349.4	351.0
Thereafter	1,144.4	1,147.6

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

As at (millions of dollars)	March 31, 2010	December 31, 2009
2010	77.2	68.5
2011	14.6	24.4
2012	12.5	8.3
2013	4.8	3.6
2014	2.2	1.7
Thereafter	11.4	6.3

The preceding tables on this page do not include any contractual maturities for ENMAX's financial liabilities as it relates to the assets held for sale (note 6).

### 3. Financial Instruments, Hedges and Risk Management (Continued)

Guarantees are provided by the Corporation to third parties on behalf of certain consolidated subsidiaries for obligations under contracts that facilitate physical and financial transactions using various derivatives. The guarantees provided as at March 31, 2010 were for a maximum of \$615.3 million (December 31, 2009 - \$630.2 million). The fair value of the trading and hedging positions under contracts with a net liability at March 31, 2010, under the guarantees, was \$74.1 million (December 31, 2009 - \$59.3 million). The liabilities for these amounts are included in the consolidated balance sheet under 'Other current liabilities'.

The Corporation has also provided guarantees on behalf of certain consolidated subsidiaries for obligations to perform and make payments under various other contracts. The amount guaranteed under these contracts at March 31, 2010, was a maximum of \$335.7 million (December 31, 2009 - \$346.7 million).

The Corporation was in compliance with financial covenants as of March 31, 2010, with the exception of the covenants on the non-recourse financing of the Furry Creek subsidiary. The outstanding long-term debt balance at the balance sheet date for Furry Creek is \$12.5 million. ENMAX has sufficient cash on hand at the balance sheet date to extinguish all non-recourse debt related to the breached covenant. The covenants on the Corporation's remaining \$1,321.5 million in debt have not been breached.

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

Cash, restricted 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.

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. When such information was not available, future payments of interest and principal were discounted at estimated interest rates that were made available to ENMAX for comparable credit-rated entities to the Corporation.

### 3. Financial Instruments, Hedges and Risk Management (Continued)

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

As at <i>(millions of dollars)</i>	March 31, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (1), consisting of:				
Debtures, with remaining terms of:				
Less than 5 years	45.5	48.3	48.0	51.0
6 - 10 years	88.8	103.8	90.7	99.6
11 - 15 years	110.8	117.0	114.7	122.5
16 - 20 years	26.9	22.4	26.9	28.3
21 - 25 years	236.6	253.2	236.6	247.4
Private debtures				
Series 1 (6.15%)	296.9	331.5	296.9	322.3
Series 2 (5.85%)	248.6	274.6	248.5	270.5
Non-recourse term financing (Kettles and CEC)	250.0	261.7	251.8	262.0
Promissory note	5.7	5.5	5.7	5.4
	<b>1,309.8</b>	<b>1,418.0</b>	1,319.8	1,409.0

(1) Includes current portion of \$47.0 million (December 31, 2009 – \$46.1 million). Maturity dates range from May 2010 to September 2034.

#### *Derivative assets and liabilities*

Financial derivative instruments are recorded on the consolidated balance sheet at fair value. 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 consolidated balance sheet as per the table below:

As at <i>(millions of dollars)</i>	March 31, 2010		December 31, 2009	
	Hedge Instruments	Non-Hedge Derivatives	Hedge Instruments	Non-Hedge Derivatives
<b>Assets</b>				
Other current assets	39.9	29.7	40.5	14.6
Other long-term assets	22.8	24.8	23.4	38.0
<b>Liabilities</b>				
Other current liabilities	65.3	11.9	54.5	14.0
Other long-term liabilities	26.5	19.0	23.6	20.7

### 3. Financial Instruments, Hedges and Risk Management (Continued)

Cash flow hedges are used to manage the variability of cash flows resulting from the purchase and sale of electricity and natural gas as well as foreign exchange exposure. For cash flow hedges, which are described in greater detail in the market risk section above, changes in the fair value of the effective portion of the hedging derivative are accumulated in other comprehensive income and recognized in net earnings during the periods when the variability in cash flows of the hedged item is realized. In the first quarter of 2010, gains of \$0.5 million (2009 - \$1.8 million loss) were recognized in income as a reflection of the ineffectiveness of the relevant 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 the three months ended March 31, 2010, there were no such amounts recorded in net earnings (2009 - \$nil).

The Corporation estimates that of the \$38.7 million of losses reported in accumulated other comprehensive income as at March 31, 2010, \$25.4 million is expected to be realized within the next 12 months at market prices in effect at the time of settlement.

Non-hedge derivatives are classified as held-for-trading and recognized at fair market value with changes in fair market value being recorded through net earnings. In the three months ended March 31, 2010, losses of \$1.5 million (2009 - \$0.8 million gain) were recorded in net earnings.

#### *Fair value*

Fair value of financial instruments is determined by reference to quoted bid or asking price, as appropriate, in active markets at reporting dates. In the absence of an active market, ENMAX Energy determines fair value by using valuation techniques that refer to observable market data or estimated market prices. 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 Energy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III), as applicable.

### 3. Financial Instruments, Hedges and Risk Management (Continued)

The fair values of the Corporation's financial assets and liabilities measured at fair value are:

<b>As at March 31, 2010</b>	<b>Fair Value <sup>(1)</sup></b>				<b>Total carrying value <sup>(2)</sup></b>
<i>(millions of dollars)</i>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>	
Financial assets / (liabilities) measured at fair value					
Energy trading forward contracts	<b>(33.8)</b>	<b>5.6</b>	<b>(2.1)</b>	<b>(30.3)</b>	<b>(30.3)</b>
Foreign currency forward contracts	-	<b>39.3</b>	-	<b>39.3</b>	<b>39.3</b>
Interest rate swap	-	<b>(14.5)</b>	-	<b>(14.5)</b>	<b>(14.5)</b>
<b>Net risk management assets (liabilities)</b>	<b>(33.8)</b>	<b>30.4</b>	<b>(2.1)</b>	<b>(5.5)</b>	<b>(5.5)</b>

<b>As at December 31, 2009</b>	<b>Fair Value <sup>(1)</sup></b>				<b>Total carrying value <sup>(2)</sup></b>
<i>(millions of dollars)</i>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>	
Financial assets / (liabilities) measured at fair value					
Energy trading forward contracts	(27.2)	16.5	(5.1)	(15.8)	(15.8)
Foreign currency forward contracts	-	(11.5)	-	(11.5)	(11.5)
Interest rate swap	-	16.3	-	16.3	16.3
<b>Net risk management assets (liabilities)</b>	<b>(27.2)</b>	<b>21.3</b>	<b>(5.1)</b>	<b>(11.0)</b>	<b>(11.0)</b>

(1) Excludes financial assets and liabilities where carrying value approximates fair value due to the liquid nature of the asset or liability (cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities).

(2) Total carrying value is included in other current assets, other long-term assets, other current liabilities, and other long-term liabilities.

### 3. Financial Instruments, Hedges and Risk Management (Continued)

The following table summarizes the key factors impacting the change in the fair value of ENMAX Energy's Level III net risk management assets and liabilities separately by source of valuation.

<i>(millions of dollars)</i>	Hedges
Net risk management assets as at December 31, 2009	<b>(5.1)</b>
Changes attributable to:	
Commodity price changes	-
New contracts entered	-
Contracts settled	<b>3.0</b>
<b>Net risk management assets at March 31, 2010</b>	<b>(2.1)</b>
Total change in fair value included in Other Comprehensive Income	-
Total change in fair value included in pre-tax earnings	<b>3.0</b>

The fair value of ENMAX Energy'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 March 31, 2010 and December 31, 2009. The following contracts-for-differences were outstanding at the end of the period:

As at	March 31, 2010	December 31, 2009
<b>Notional Quantity</b>		
Electricity sales	<b>3,773 GW</b>	3,578 GW
Natural gas sales	<b>2,247 TJ</b>	4,077 TJ
Electricity purchases	<b>1,972 GW</b>	1,863 GW
Natural gas purchases	<b>21,750 TJ</b>	27,966 TJ

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

At March 31, 2010, on the basis of electricity and natural gas prices at that date, the estimated unrecorded fair value of these economically hedged contracts, excluding PPA sales, would be a negative mark-to-market adjustment amounting to \$30.9 million (December 31, 2009 – negative adjustment of \$25.7 million). This amount does not reflect the fact that these contracts will settle at prices in effect at the time of expiration.

#### 4. Other Assets and Liabilities

As at (millions of dollars)	March 31, 2010	December 31, 2009
<b>Other current assets</b>		
Prepaid expenses	43.6	44.1
Hedge instruments	39.9	40.5
Non-hedge derivatives	29.7	14.6
Other	1.0	0.6
	<b>114.2</b>	<b>99.8</b>
<b>Other long-term assets</b>		
Non-hedge derivatives	24.8	38.0
Hedge instruments	22.8	23.4
Restricted cash	5.4	6.6
Shares in other companies	4.3	7.6
Deferred costs	3.2	4.0
Other	1.5	1.4
	<b>62.0</b>	<b>81.0</b>
<b>Other current liabilities</b>		
Hedge instruments	65.3	54.5
Non-hedge derivative	11.9	14.0
Deposits	11.8	12.8
Deferred revenue	1.4	4.1
	<b>90.4</b>	<b>85.4</b>
<b>Other long-term liabilities</b>		
Hedge instruments	26.5	23.6
Non-hedge derivative	19.0	20.7
Long-term payables	18.8	21.7
Deferred revenue	6.7	4.0
Other	0.2	0.1
	<b>71.2</b>	<b>70.1</b>

## 5. Financial Statement Effects of Rate Regulation

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

As at (millions of dollars)	March 31, 2010	December 31, 2009
<b>Regulatory assets</b>		
Accounts receivable: purchased power variances (1)	<b>29.7</b>	33.6
Accounts receivable: regulatory decision (2)	<b>4.2</b>	8.1
Distribution assets: inter-company profit on underground residential development (3)	<b>33.4</b>	33.3
<b>Total regulatory assets</b>	<b>67.3</b>	75.0

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 variances*

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. ENMAX Power recognizes purchased power cost variances as a regulatory asset or liability, based on the expectation that amounts held from one year to the next for rate-setting purposes will be approved for collection from, or refund to, future customers. The regulatory asset represents the excess of actual over forecast purchased power costs. In the absence of rate regulation, Canadian GAAP would require that actual purchased power costs be recognized as an expense when incurred. In this case, operating results for the three months ended March 31, 2010 would have been \$3.9 million lower (2009 - \$1.9 million higher). The regulatory asset is included in accounts receivable.

### *(2) Regulatory decision*

In May 2007, ENMAX Power applied to the Alberta Utilities Commission ("AUC") to have rates set under a formula-based ratemaking (FBR) approach. On March 25, 2009, the regulator approved the application with adjustments, retroactive to January 1, 2009. ENMAX Power recorded \$16.6 million of transmission and distribution receivables reflecting the preliminary estimate of the decision. Management awaits the AUC's final decision to determine the impact of the decision on its results. In accordance with the Interim Compliance Decision, ENMAX Power commenced collection of this receivable on July 1, 2009, with \$12.4 being collected as at March 31, 2010. Subsequent to March 31, 2010, this receivable will continue to be collected on a monthly basis and will be fully collected by July 2010.

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

### *(3) Inter-company profit on underground residential development*

Distribution assets for the regulated operations of ENMAX Power include intercompany profit relating to construction work performed by an ENMAX subsidiary. Such profit is deemed for regulatory purposes to be realized to the extent that the transfer price is recognized for rate-making purposes by the regulator and included in the capital cost. In the absence of rate regulation, Canadian GAAP would require that intercompany profits be eliminated upon consolidation. The impact on current period earnings for the three months ended March 31, 2010 would be a reduction of \$0.1 million (2009 – \$0.3 million), representing the profit on these services. The balances for property, plant and equipment and retained earnings at March 31, 2010 would further be reduced by \$33.4 million (December 31, 2009 – \$33.3 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 ENMAX Power to absorb cost variances in a particular year. Similarly, there is a risk that the regulator may disallow a portion of certain costs incurred in the current period for recovery through future rates, or disagree with the proposed recovery period.

### *Other items affected by rate regulation*

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

Gains and losses on the disposal and retirement of regulated depreciable assets are deferred and amortized over the estimated remaining service life of similar assets, through a charge to accumulated amortization equal to the net book value of the disposed or retired asset. In the absence of rate regulation, under Canadian GAAP, the difference between the proceeds and net book value would be charged or credited to earnings in the period the asset is disposed of or retired. The amount deferred from current period earnings for the three months ended March 31, 2010 was \$3.2 million (2009 – \$1.1 million), representing the loss on disposals and retirements of regulated assets.

## 6. Assets Held for Sale

In 2009, ENMAX Energy began soliciting interest from potential purchasers of assets located in British Columbia in order to focus on the core Alberta marketplace. Negotiations for the sale of these assets are underway and as such, the assets and liabilities of this disposal group have been reclassified to assets held for sale and liabilities held for sale on the consolidated balance sheet. Operating results related to these assets and liabilities have been included in net loss from discontinued operations on the consolidated statements of earnings and comprehensive income. Comparative periods for the ENMAX Energy segment have been restated. Net loss from discontinued operations comprises the following:

Three months ended (millions of dollars)	<b>March 31, 2010</b>	March 31, 2009
<b>REVENUE</b>		
Electricity	<b>0.9</b>	0.7
<b>TOTAL REVENUE</b>	<b>0.9</b>	0.7
<b>COST OF SERVICES PROVIDED</b>		
OM&A	<b>1.0</b>	0.5
<b>COST OF SERVICES PROVIDED</b>	<b>1.0</b>	0.5
	<b>(0.1)</b>	0.2
Amortization	-	0.3
Interest	<b>0.6</b>	0.4
Income taxes	<b>(0.2)</b>	-
<b>NET LOSS FROM DISCONTINUED OPERATIONS</b>	<b>(0.5)</b>	(0.5)

## 6. Assets Held for Sale (continued)

The assets and liabilities of the asset group held for sale comprise of the following:

As at (millions of dollars)	March 31, 2010	December 31, 2009
<b>ASSETS</b>		
Cash and cash equivalents	1.4	0.9
Accounts receivable	0.9	1.4
Other current assets	0.1	-
	<b>2.4</b>	<b>2.3</b>
Property, plant and equipment	118.2	113.7
Intangible assets	3.3	3.3
Other long-term assets	2.1	2.2
<b>TOTAL ASSETS</b>	<b>126.0</b>	<b>121.5</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	4.0	6.3
Current portion of long-term debt	12.8	12.9
	<b>16.8</b>	<b>19.2</b>
Long-term debt	11.3	11.3
Other long-term liabilities	2.8	2.0
<b>TOTAL LIABILITIES</b>	<b>30.9</b>	<b>32.5</b>

## 7. Power Purchase Agreements

On January 1, 2010, ENMAX Energy purchased an additional 15% interest in the Battle River Power Purchase Arrangement (PPA) for \$64.0 million. As of January 1, 2010, ENMAX Energy owns a 100% interest in the PPA.

## 8. Employee Future Benefits

The Corporation established a registered pension plan on January 1, 2001, to provide future pension benefits for its employees. The registered pension plan covers substantially all employees and includes both defined benefit and defined contribution provisions. The Corporation also sponsors a supplemental pension plan providing an additional pension to members whose benefits are limited by maximum pension rules under the Income Tax Act. In addition, the Corporation provides employees with other post-retirement benefits including extended health and dental benefits beyond those provided by government-sponsored plans, life insurance and a lump sum allowance payable at retirement.

The total benefit cost recorded in the consolidated statements of income for the three months ended March 31, 2010, are \$4.4 million (2009 – \$4.3 million).

## 9. Short-Term Debt

As at March 31, 2010, the Corporation has unsecured credit facilities amounting to \$750.0 million (December 31, 2009 - \$750.0 million) to fund general operating requirements and to provide liquidity support for commercial paper and commodity marketing programs. Combined, all of the facilities encompass \$500.0 million in bilateral facilities and \$250.0 million of syndicated credit facilities. As at March 31, 2010, \$47.8 million (December 31, 2009 - \$69.8 million) of operating facilities and \$151.3 million (December 31, 2009 - \$167.7 million) of syndicated facilities were used in support of outstanding letters of credit.

Short-term financing is comprised of commercial paper, banker's acceptances and bank overdrafts which are guaranteed by the Corporation's credit facilities. At March 31, 2010, the Corporation had \$91.7 million outstanding at a weighted average rate of 0.38% (December 31, 2009 - \$18.2 million at a weighted average rate of 1.21%).

## 10. Accumulated Other Comprehensive Loss

<i>As at (millions of dollars)</i>	<b>March 31, 2010</b>	December 31, 2009
Unrealized losses on available-for-sale financial assets	<b>(1.6)</b>	(1.7)
Unrealized losses on derivatives designated as cash flow hedges	<b>(37.1)</b>	(21.3)
Accumulated other comprehensive losses, including a future income tax expense of \$7.1 million (2009 - expense of \$7.8 million)	<b>(38.7)</b>	(23.0)

## 11. Commitments and Contingencies

### *Property, plant and equipment*

The Corporation and/or its subsidiaries have signed contracts for major capital expenditures totaling \$174.2 million, including cancellation costs.

### *Obligations under other agreements*

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

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

ENMAX Energy 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.

ENMAX Energy commits to long-term service arrangements on certain generating facilities.

The aggregate payments for these obligations total \$2,717.0 million.

## 11. Commitments and Contingencies (Continued)

### *Regulatory*

ENMAX Power, 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 this quarter. The PPA Owners and ENMAX often 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 ENMAX Energy's favour, ENMAX Energy does not believe that the outcome of these disputes will have a material adverse affect on the financial position of ENMAX Energy.

### *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 operating results or financial position of the Corporation.

### *Income tax*

Alberta Finance, Tax and Revenue Administration (Alberta Finance) is responsible for assessing the income tax returns filed under the payment in lieu of taxes (PILOT) regulation of the Alberta Electric Utilities Act (EUA) which became effective January 1, 2001.

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

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

## 11. Commitments and Contingencies (Continued)

From June 2005 through March 2010, ENMAX Energy received Notices of Reassessment from Alberta Finance in respect of the taxation years 2001 through 2005. ENMAX Energy does not agree with the reassessments and has commenced the necessary steps to defend its position through the formal appeals process. However, ENMAX Energy voluntarily remitted certain amounts to minimize interest and penalties until the issues are resolved. These amounts are recorded as income taxes receivable as at March 31, 2010, and December 31, 2009. ENMAX Energy has received refunds in 2008 and 2009 relating to taxation years 2001 and 2002 taxation years, including a further reassessment of its 2002 taxation year on February 13, 2009, resulting in an additional refund of \$2.4 million including interest. ENMAX Energy expects this process to be successful and will evaluate all options should the appeals process result in an unfavourable outcome. The amount of a possible adjustment, which could have a material impact on net earnings, cannot be reasonably estimated at this time.

### *Environmental*

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

For the three-month period ended March 31, 2010, the consolidated financial statements include a charge to earnings in the amount of \$6.9 million (2009 - \$4.4 million), included in costs of electricity services provided, relating to estimated compliance costs under the provincial greenhouse gas (GHG) regulations for ENMAX Energy's interests in coal and natural gas-fired generation facilities through its PPAs and owned assets. Compliance payments are due to the plant owners by June 30 of the year following the compliance. ENMAX Energy has taken steps, including acquiring qualified offset credits from both its wind generation assets and purchases on the wholesale market, to substantially mitigate impacts of the GHG regulations.

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

### *Letters of credit*

In the normal course of operations, letters of credit are issued to facilitate the extension of sufficient credit for counterparties having credit exposure to the Corporation or its subsidiaries. The Corporation has issued letters of credit amounting to \$199.1 million at March 31, 2010 (December 31, 2009 – \$237.5 million).

## 11. Commitments and Contingencies (Continued)

### *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.

## 12. Segmented Information

	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
	2010	2009	2010	2009	2010	2009	2010	2009
Three months ended March 31 - (millions of dollars)								
<b>REVENUE</b>								
Electricity	\$ 408.7	\$ 483.9	\$ 39.5	\$ 57.3	\$ (73.1)	\$ (101.9)	\$ 375.1	\$ 439.3
Natural gas	121.3	129.7	-	-	-	-	121.3	129.7
Transmission and distribution	-	-	88.5	99.7	-	-	88.5	99.7
Contractual services	11.8	10.9	14.1	16.2	(5.7)	(7.0)	20.2	20.1
Other	3.7	12.0	0.1	0.2	(0.1)	(0.8)	3.7	11.4
<b>TOTAL REVENUE</b>	<b>545.5</b>	<b>636.5</b>	<b>142.2</b>	<b>173.4</b>	<b>(78.9)</b>	<b>(109.7)</b>	<b>608.8</b>	<b>700.2</b>
<b>COST OF SERVICES PROVIDED</b>								
Electricity	313.4	375.4	36.3	54.3	(73.0)	(101.9)	276.7	327.8
Natural gas	120.3	129.9	-	-	-	-	120.3	129.9
Local access fees and grid charges	-	-	43.5	46.7	-	-	43.5	46.7
Contractual services	1.3	1.3	11.5	13.4	(0.4)	(2.3)	12.4	12.4
Operations, maintenance and administration	31.7	42.9	24.1	23.5	(7.5)	(7.2)	48.3	59.2
<b>TOTAL COST OF SERVICES PROVIDED</b>	<b>466.7</b>	<b>549.5</b>	<b>115.4</b>	<b>137.9</b>	<b>(80.9)</b>	<b>(111.4)</b>	<b>501.2</b>	<b>576.0</b>
	<b>78.8</b>	<b>87.0</b>	<b>26.8</b>	<b>35.5</b>	<b>2.0</b>	<b>1.7</b>	<b>107.6</b>	<b>124.2</b>
Amortization	25.8	21.9	11.9	10.2	0.2	0.9	37.9	33.0
<b>EARNINGS BEFORE INTEREST AND INCOME TAXES</b>	<b>\$ 53.0</b>	<b>\$ 65.1</b>	<b>\$ 14.9</b>	<b>\$ 25.3</b>	<b>\$ 1.8</b>	<b>\$ 0.8</b>	<b>69.7</b>	<b>91.2</b>
Interest							14.6	12.9
Income taxes							6.3	12.6
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>							<b>48.8</b>	<b>65.7</b>
Net loss from discontinued operations							0.5	0.5
<b>NET EARNINGS</b>							<b>\$ 48.3</b>	<b>\$ 65.2</b>
<b>GOODWILL</b>	<b>16.0</b>	16.0	-	-	-	-	<b>16.0</b>	16.0
<b>CAPITAL ADDITIONS</b>	<b>119.5</b>	92.2	<b>30.3</b>	53.9	<b>0.1</b>	0.6	<b>149.9</b>	146.7

## Segmented Total Assets

As at (millions of dollars)	March 31, 2010	December 31, 2009
ENMAX Energy	2,546.6	2,525.5
ENMAX Power	1,064.7	1,068.7
Corporate and eliminations	143.5	150.1
	<b>3,754.8</b>	<b>3,744.3</b>

**13. Income taxes**

Three months ended <i>(millions of dollars)</i>	<b>March 31, 2010</b>	March 31, 2009
Current	<b>8.9</b>	7.2
Future	<b>(2.6)</b>	5.4
	<b>6.3</b>	12.6