2011

Q3 interim report.

ENMAX Corporation
Three & nine months ended
September 30, 2011

HIGHLIGHTS

(millions of Canadian dollars, unless otherwise noted)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
Total revenues	**788.2**	552.0	**2,251.1**	1,748.2
Operating margin [1]	**144.4**	150.1	**466.5**	476.8
Earnings before interest and income taxes (EBIT) [1]	**48.5**	48.2	**181.1**	199.6
Net earnings	**41.9**	29.7	**141.8**	135.3
Return on equity [2]			**10.0%**	10.0%
Return on assets [3]			**7.8%**	7.7%
Total assets			**4,243.5**	3,826.4
Total shareholder's equity			**1,912.3**	1,788.4
Electricity sold (gigawatt hours (GWh))	**5,247**	4,896	**15,871**	14,444
Natural gas sold (terajoules (TJ))	**4,109**	4,482	**30,565**	24,279
Distribution volumes (GWh)	**2,282**	2,258	**6,908**	6,709

(1) Non-GAAP financial measure. See discussion that follows in the Management's Discussion & Analysis (MD&A).
(2) Return on equity is equal to the rolling prior 12-month net earnings divided by average Shareholder's equity for the same 12-month period.
(3) Return on assets is equal to the rolling prior 12-month net earnings before after-tax interest charges divided by average total assets (adjusted for capital assets under construction and current liabilities) for the same 12-month period.

Summary financial information

(millions of Canadian dollars, unless otherwise noted)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
EBIT [1]	**48.5**	48.2	**181.1**	199.6
Net earnings before discontinued operations	**42.1**	33.1	**138.6**	140.0
Capital assets [2]			**3,230.8**	2,874.8
Total debt [3]			**1,606.4**	1,445.5
Total capitalization [4]			**3,518.7**	3,233.9
Long-term debt to total capitalization ratio [5]			**43.8%**	44.7%
Funds generated from operations [1]	**83.8**	83.1	**287.2**	272.9
Cash used by investing activities	**137.7**	51.6	**336.4**	281.8
Cash provided / (used) by financing activities	**40.4**	(26.5)	**135.1**	58.4

(1) Non-GAAP financial measure.
(2) Capital assets include property, plant and equipment (PPE), power purchase arrangements and intangible assets.
(3) Total debt includes short-term financing and long-term debt.
(4) Total capitalization is equal to total debt plus Shareholder's equity.
(5) Long-term debt to total capitalization is equal to total long-term debt divided by total capitalization.

Summary of key operating statistics

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
Generation volume (GWh)	**2,832**	2,857	**9,092**	8,671
Market heat rate – flat average (GJ/MWh)	**27.29**	10.65	**21.49**	13.40
Average wholesale market spark spread ($/MWh) [1]	**$66.95**	$8.89	**$48.16**	$21.10
Electricity sales volumes (GWh)	**5,247**	4,896	**15,871**	14,444
Average flat pool price ($/MWh)	**$94.71**	$35.69	**$76.72**	$52.38

(1) Assuming an average combined cycle gas turbine (CCGT) heat rate of 8 GJ per MWh.

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, and reserves the right to change, at any time at its sole discretion, the practice of updating annual targets and guidance.

Factors that could cause actual results to differ materially include, but are not limited to:

- competitive factors and pricing pressures, including the supply side and demand side of the Alberta power market and the volatile fluctuations in the pricing of natural gas in the North American market;
- regulatory developments as they relate to transmission and distribution rate-making and the impact of deregulation in the industry;
- human resources, including possible labour disruptions;
- financing and debt requirements, including ability to carry out refinancing activities;
- tax matters, including acceleration or deferral of required cash payments, realization of timing differences and potential reassessments by tax authorities;
- litigation and legal matters;
- business continuity events (including man-made and natural threats);
- economic growth and fluctuations as they relate to the natural resource-based Alberta economy;
- change in customers’ wants and needs due to evolving technologies and a movement to more environmentally sensitive ways of living; and
- other risk factors discussed herein and listed from time to time in ENMAX’s reports and other public disclosure documents.

MANAGEMENT'S DISCUSSON AND ANALYSIS (MD&A)

This MD&A, dated November 1, 2011, is a review of the results of operations of ENMAX for the three and nine months ended September 30, 2011, compared with the same period in 2010, and of the Corporation's financial condition and future prospects. This MD&A should be read in conjunction with the three and nine month ended interim financial statements and the MD&A included in ENMAX's 2010 Financial Report. This discussion contains forward-looking information that is qualified by reference to and should be read together with, the caution 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 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, the Corporation has 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.

The Corporation has chosen to defer the adoption of IFRS as permitted by the Accounting Standards Board (AcSB) amendment and will be reporting interim and annual consolidated financial statements in IFRS, including comparative periods, beginning January 1, 2012.

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1 OVERALL FINANCIAL PERFORMANCE

Selected Consolidated Financial Information

(millions of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
Total revenue	**788.2**	552.0	**2,251.1**	1,748.2
Operating margin [(1)]	**144.4**	150.1	**466.5**	476.8
EBIT [(1)]	**48.5**	48.2	**181.1**	199.6
Net earnings before discontinued operations	**42.1**	33.1	**138.6**	140.0
Net earnings	**41.9**	29.7	**141.8**	135.3
Total assets			**4,243.5**	3,826.4
Total long-term financial liabilities[(2)]			**1,597.9**	1,510.5
Funds generated from operations [(1)]	**83.8**	83.1	**287.2**	272.9

(1) Non-GAAP financial measure. See discussion that follows in Section 4: Non-GAAP Financial Measures.
(2) Total long-term financial liabilities include all of the Corporation's long-term liabilities excluding future income taxes.

ENMAX's consolidated net earnings for the three months ended September 30, 2011, have increased $12.2 million to $41.9 million compared with $29.7 million for the three months ended September 30, 2010. For the nine months ended September 30, 2011, net earnings have increased $6.5 million to $141.8 million compared with $135.3 million for the same period in 2010. This increase was driven primarily by higher natural gas margins, transmission and distribution margins, contractual services and other margins; and lower amortization, interest and tax costs. These favourable variances were offset by lower electricity margins and higher operations, maintenance and administration (OM&A) expenses on a year-to-date basis.

ENMAX's results of operations are not necessarily indicative of future performance due to fluctuating commodity prices and the performance and retirement of existing and addition of new generation facilities. Further details on specific operations can be found in Section 2: Business Segment Results. A reconciliation of earnings before interest and income taxes (EBIT) for the three and nine months ended September 30, 2011, as compared with the same periods in 2010 is as follows:

(millions of dollars)	Three Months Ended	Nine Months Ended
EBIT for the period ended September 30, 2010	48.2	199.6
Increased / (decreased) margins attributable to:		
Electricity	(12.5)	(25.7)
Natural gas	1.5	5.3
Transmission and distribution	2.7	3.6
Contractual services and other	2.6	6.5
(Increased) / decreased expenses:		
OM&A	2.3	(9.7)
Amortization	3.7	1.5
EBIT for the period ended September 30, 2011	**48.5**	**181.1**

Electricity margins for the three months ended September 30, 2011, decreased $12.5 million to $83.7 million from $96.2 million in the three months ended September 30, 2010. For the nine months ended September 30, 2011, electricity margins decreased $25.7 million to $279.6 million from $305.3 million in the same period in 2010. While average pool prices are higher than the prior year, forward contracts in both the retail and wholesale markets were realized at lower prices. In addition, higher power purchase arrangement (PPA) costs were experienced and the increased margins due to price spikes seen in the second quarter of 2010 did not recur. These factors have been partially offset by higher volumes due primarily to new customer sign-ups and strong electricity prices in the first quarter.

Natural gas margins increased $1.5 million for the three months ended September 30, 2011, to $0.3 million from a loss of $1.2 million in the same period in 2010. For the nine months ended September 30, 2011, natural gas margins increased $5.3 million to $7.9 million from $2.6 million in the same period in 2010. This increase is a result of higher year-to-date margins and increased sales volumes as a result of new site acquisitions across all lines of business. The impact of this volume increase was partially offset by downward pressure on gas prices experienced in the first quarter and the turn back of excess volumes acquired under fixed price contracts at lower market prices.

For the three months ended September 30, 2011, transmission and distribution margins increased $2.7 million to $46.8 million from the $44.1 million of earnings recorded in the same period in 2010. For the nine months ended September 30, 2011, transmission and distribution margins increased $3.6 million to $137.9 million from $134.3 million in the same period in 2010. This increase was due primarily to revenues related to rate increases and the timing of system access fees. This was partially offset by the non-recurrence of the collection of a prior period rate adjustment in 2010.

For the three months ended September 30, 2011, margins from contractual services and other sources increased $2.6 million to $13.6 million from the $11.0 million recorded in the same three months of 2010. For the nine months ended September 30, 2011, contractual services and other margins increased $6.5 million to $41.1 million from $34.6 million in the same period in 2010. The increase in margins was mainly due to unrealized foreign exchange gains on a purchase agreement denominated in U.S. dollars and higher activity levels in Calgary light rail transit (LRT) projects and underground residential development.

OM&A costs for the three months ended September 30, 2011, decreased $2.3 million to $55.5 million from $57.8 million for the same quarter in 2010. For the nine months ended September 30, 2011, OM&A costs increased $9.7 million to $163.0 million from $153.3 million in the same period in 2010. The increase in OM&A in the nine month period was primarily attributable to severance amounts paid in the first quarter, general inflationary salary increases, increased pension costs and increased advertising spending. These unfavourable variances have been partially offset by a decline in asset write-offs, lower bad debts, an insurance reimbursement and an increase in billing fee recoveries. The reduction in OM&A costs in the quarter was mainly due to higher billing fee recoveries.

Amortization expense for the three months ended September 30, 2011, decreased $3.7 million to $40.4 million from $44.1 million for the same period in 2010. For the nine months ended September 30, 2011, amortization expense decreased $1.5 million to $122.4 million from $123.9 million in the same period in 2010. The decreased charges were the result of a 2010 write down of IT assets no longer in use.

Other Net Earnings Items

For the three months ended September 30, 2011, interest expense decreased $4.8 million to $13.0 million from $17.8 million for the same period in 2010. Interest expense decreased $6.7 million to $39.4 million from $46.1 million for the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010. The decrease was primarily due to an increase in the capitalization of interest related to capital projects. This decrease was partially offset by interest on new debt acquired during the past twelve months.

Income tax recovery for the quarter ended September 30, 2011, increased $3.9 million to $6.6 million from a recovery of $2.7 million in the same period in 2010. For the nine months ended September 30, 2011, income tax expense decreased $10.4 million to $3.1 million from $13.5 million for the same period in 2010. This decline was primarily due to lower taxable income in addition to a reduction in the corporate tax rate for 2011.

Losses from discontinued operations for the three months ended September 30, 2011, decreased $3.2 million to a loss of $0.2 million from a $3.4 million loss in the same three months of 2010. For the nine months ended September 30, 2011, earnings from discontinued operations increased $7.9 million to $3.2 million from a $4.7 million loss for the same period in 2010. The loss in the quarter represents additional closing costs incurred on the first quarter disposal of all of the British Columbia assets. Year-to-date earnings from discontinued operations include a $2.4 million gain on disposal of the British Columbia assets.

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 rate and foreign exchange exposures. For the three months ended September 30, 2011, other comprehensive income totalled losses of $15.8 million compared with losses of $5.6 million for the same period in 2010. For the nine months ended September 30. 2011, other comprehensive income totalled losses of $19.1 million compared with losses of $29.6 million for the same period in 2010. The losses in 2011 primarily reflect unfavourable fair value changes on electricity and interest rate swap positions from the conclusion of the previous year partially offset by favourable fair value changes on natural gas positions and favourable settled hedges on both electricity and natural gas.

2 BUSINESS SEGMENT RESULTS

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

EBIT

(millions of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
ENMAX Energy	**27.0**	33.4	**133.3**	144.3
ENMAX Power	**19.8**	13.4	**49.8**	49.6
Corporate & intersegment eliminations	**1.7**	1.4	**(2.0)**	5.7
EBIT	**48.5**	48.2	**181.1**	199.6

ENMAX Energy

Business Update

ENMAX Energy combines fuel procurement, generation of electricity, wholesale market trading and retail sales into an integrated model. This segment operates or has exclusive access to approximately 2,067 MW of electricity generation that is used to supply retail customer demand.

During the third quarter of 2011, ENMAX Energy completed the preliminary site preparation for the construction of the Shepard Energy Centre. Construction of this 800 MW facility is underway with the facility expected to be operational in 2015.

Key Performance Indicators

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
Generation volume (GWh)	**2,832**	2,857	**9,092**	8,671
Market heat rate – flat average (GJ/MWh)	**27.29**	10.65	**21.49**	13.40
Average wholesale market spark spread ($/MWh) [(1)]	**$66.95**	$8.89	**$48.16**	$21.10
Average selling prices ($/MWh)	**$88.30**	$59.89	**$77.58**	$64.36
Electricity sold (GWh)	**5,247**	4,896	**15,871**	14,444
Natural gas sold (TJ)	**4,109**	4,482	**30,565**	24,279
Average flat pool price ($/MWh)	**$94.71**	$35.69	**$76.72**	$52.38
Average natural gas price ($/GJ)	**$3.47**	$3.35	**$3.57**	$3.91

(1) Assuming an average CCGT heat rate of 8 GJ per MWh.

Higher pool prices and relatively flat natural gas prices create higher heat rates and spark spreads in the third quarter of 2011 as compared to the prior year. This is a reverse of what was experienced in the second quarter, with the resulting higher year-to-date pool price and lower natural gas price more than offsetting the second quarter dip and resulting in an increase in market heat rate and spark spread year-to-date. As ENMAX Energy contracts most of its requirement from fixed price retail and wholesale contracts this swing in heat rates and spark spreads does not translate into earnings for the current quarter.

ENMAX Energy sold, under contract, 5,247 GWh of electricity to customers in the three months ended September 30, 2011, compared with 4,896 GWh in the same period of 2010. For the nine months ended September 30, 2011, ENMAX Energy sold, under contract, 15,871 GWh of electricity to customers compared with 14,444 GWh in the same period of 2010. The change in volume sold is due primarily to growth in the industrial, commercial and institutional customer portfolios.

ENMAX Energy's natural gas customers purchased 4,109 TJ in the three months ended September 30, 2011, compared with 4,482 TJ in the same period in 2010. For the nine months ended September 30, 2011, ENMAX Energy sold 30,565 TJ of natural gas to customers compared with 24,279 TJ in the same period of 2010. The growth in volume for the nine months ended September 30, 2011 is the result of an increase in variable customer base including the addition of a large institutional customer. However, there was a decrease in the third quarter volumes compared to the prior year as a result of lower usage due to warmer temperatures.

Financial Results

ENMAX Energy recorded EBIT of $27.0 million and $133.3 million for the three and nine months ended September 30, 2011, respectively, compared with $33.4 million and $144.3 million, respectively, in the same periods in 2010. A reconciliation of EBIT for the periods ended September 30, 2011, as compared with the same periods in 2010 is as follows:

(millions of dollars)	**Three Months Ended**	**Nine Months Ended**
EBIT for the period ended September 30, 2010	33.4	144.3
Increased / (decreased) margins attributable to:		
Electricity	(11.2)	(24.2)
Natural gas	1.5	5.3
Contractual services and other	-	10.6
(Increased) / decreased expenses:		
OM&A	1.8	(4.2)
Amortization	1.5	1.5
EBIT for the period ended September 30, 2011	**27.0**	**133.3**

Electricity margins for the three months ended September 30, 2011, decreased $11.2 million to $82.0 million compared with the $93.2 million recorded in the same three months of 2010. Electricity margins from operations for the nine months ended September 30, 2011, decreased $24.2 million to $272.4 million compared with the $296.6 million recorded in the same period of 2010. While average pool prices are higher than the prior year, forward contracts in both the retail and wholesale markets were realized at lower prices. In addition, higher PPA costs were experienced and the increased margins due to price spikes seen in the second quarter of 2010 did not recur. These margin decreases were partially offset by higher volumes of electricity sold, primarily in the industrial, commercial and institutional segment.

Natural gas margins were $0.3 million for the three months ended September 30, 2011, compared with a $1.2 million loss for the same period in the prior year. Natural gas margins were $7.9 million for the nine months ended September 30, 2011, compared with $2.6 million for the first nine months of 2010. This favourable year-to-date margin increase is due to an increase in sales volumes as a result of customer growth across all lines of business in addition to higher volumes from existing customers contributed to the higher margins, offset partially by downward pressure on gas prices experienced in the first quarter and the turn back of excess volumes acquired under fixed price contracts at lower market prices. The decrease in the third quarter volumes compared to the prior year is a result of lower usage as a result of warmer fall temperatures.

Contractual services margin and other revenues did not change in the three months ended September 30, 2011, from the $13.8 million recorded in the same period in 2010. Contractual services margin and other revenues increased $10.6 million in the nine months ended September 30, 2011, to $51.4 million compared to $40.8 million in the nine months ended September 30, 2010. The increase was primarily due to first quarter realized and unrealized gains on a purchase agreement denominated in a foreign currency and growth in the Corporation's advanced data communication division.

OM&A costs decreased $1.8 million in the three months ended September 30, 2011, to $41.4 million compared to $43.2 million in the same period in 2010. OM&A costs increased $4.2 million in the nine months ended September 30, 2011, to $115.8 million compared to $111.6 million in the nine months ended September 30, 2010. The increase in the nine month period was primarily attributable to severance amounts paid in the first quarter, general inflationary salary increases, increased pension costs, staffing increases for the operation and management of the developing generation business and increased advertising spending. These cost increases were partially offset during the quarter by a decline in asset write-offs, an increase in billing fee recoveries and lower bad debts. In the quarter, OM&A costs also declined due to the non-recurrence of 2010 contractor costs related to operating procedure development in the generation business.

Amortization expense decreased $1.5 million in the three months ended September 30, 2011, to $27.7 million compared to $29.2 million in the same period in 2010. Amortization expense decreased $1.5 million in the nine months ended September 30, 2011, to $82.6 million compared to $84.1 million in the nine months ended September 30, 2011. This decrease was due to a 2010 write down of IT assets no longer in use.

ENMAX Power

Business Update

ENMAX Power owns, operates and maintains transmission and distribution assets in the Calgary service area. As well, it has the responsibility to provide electricity for its customers who have elected to stay with the regulated rate option service (RRO). ENMAX Power also has some non-regulated businesses and provides engineering, procurement, construction and maintenance services.

Distribution capital projects which either commenced or continued in the nine months ended September 30, 2011, resulted in $25.4 million being incurred for residential and non-residential development and $5.7 million for system infrastructure. Capital work also was completed on asset replacement and modification projects with $12.4 million being incurred during the nine months ended September 30, 2011, to meet industry standards and safety codes and for distribution automation. Investments of $17.6 million were made in Alberta Electric System Operator (AESO) required capital projects during the nine month period ended September 30, 2011.

During the first nine months of 2011, ENMAX Power commenced and continued work on major transmission projects which will help meet load growth within Calgary, as well as to replace aging infrastructure. The projects include multiple cable replacement projects, the 69 kilovolt (kV) south conversion project, interconnections to new generating facilities, new substations as well as substation upgrades to handle the additional transmission requirements. Capital investment in these transmission projects in the nine months ended September 30, 2011, totalled $30.4 million.

ENMAX Power operates under a capital structure regulated by the Alberta Utilities Commission (AUC) of 59% debt to 41% equity for the distribution business and 63% debt to 37% equity in the transmission business.

Key Performance Indicators

The permitted ROE under the formula based ratemaking (FBR) framework is 9.0%. This key measure for ENMAX Power's regulated transmission and distribution businesses is only filed annually and as such is not tracked on a quarterly interim basis.

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
Electricity sold through the Calgary service area RRO (GWh)	**507**	546	**1,665**	1,722
Distribution volumes (GWh)	**2,282**	2,258	**6,908**	6,709
Distribution system circuit lines (km)	**7,683**	7,550	**7,683**	7,550
Transmission system lines (km)	**273**	266	**273**	266

RRO electricity volumes sold decreased to 507 GWh in the three months ended September 30, 2011, compared with 546 GWh in the same period in 2010. For the nine months ended September 30, 2011, RRO electricity volumes sold decreased to 1,665 GWh compared with 1,722 GWh in the same period in 2010. The decline in volumes sold is primarily a result of customers switching from the RRO option to competitive options.

Total electricity delivered in the Calgary service area increased in the third quarter of 2011 from the same period in the prior year with electricity volumes delivered during the three months ended September 30, 2011, at 2,282 GWh compared with 2,258 GWh in the same period in 2010. For the nine months ended September 30, 2011, total electricity delivered in the Calgary service area increased from the same period in the prior year with electricity volumes delivered of 6,908 GWh compared with 6,709 GWh in the same period in 2010. This increase was primarily due to growth within the Calgary service area as the number of serviced sites in Calgary continues to grow.

Financial Results

ENMAX Power's financial results are driven by tariffs approved by the AUC for the regulated transmission, distribution and RRO businesses, as well as earnings from its non-regulated power services business. The regulated segment accounted for 86.1% and 87.7%, respectively, of ENMAX Power's total revenue in the three and nine months ended September 30, 2011, compared with 90.0% and 90.6%, respectively, in the same periods in 2010.

ENMAX Power recorded EBIT of $19.8 million and $49.8 million for the three and nine months ended September 30, 2011, respectively, compared with $13.4 million and $49.6 million, respectively, in the same periods in 2010. A reconciliation of EBIT for the periods ended September 30, 2011, as compared with the same periods in 2010 is as follows:

(millions of dollars)	**Three Months Ended**	**Nine Months Ended**
EBIT for the period ended September 30, 2010	13.4	49.6
Increased / (decreased) margins attributable to:		
Electricity	(1.3)	(1.5)
Transmission and distribution	2.7	3.6
Contractual services and other	2.3	2.7
(Increased) / decreased expenses:		
OM&A	(0.1)	(5.5)
Amortization	2.8	0.9
EBIT for the period ended September 30, 2011	**19.8**	**49.8**

Electricity margins from RRO customers decreased $1.3 million to $1.8 million for the three months ended September 30, 2011, compared with $3.1 million in the same period in 2010. For the nine months ended September 30, 2011, electricity margins from RRO customers decreased $1.5 million to $7.6 million, compared with $9.1 million for the nine months ended September 30, 2010. This decrease was primarily the result of lower volumes.

Transmission and distribution margins are comprised of amounts charged for wires services, net of electrical grid charges and local access fees. Transmission and distribution margins increased $2.7 million to $46.8 million for the three months ended September 30, 2011, compared with $44.1 million in the same period in 2010. Transmission and distribution margins increased $3.6 million to $137.9 million for the nine months ended September 30, 2011, compared with $134.3 million for the nine months ended September 30, 2010. This increase was due primarily to increased revenues due to related rate increases and timing of recognition of system access fees. This was partially offset by the non-recurrence of the collection of a prior period rate adjustment in the second quarter of 2010.

For the third quarter ended September 30, 2011, margins for contractual services and other increased $2.3 million to $6.9 million compared with $4.6 million in the third quarter last year. For the nine months ended September 30, 2011, margins for contractual services and other increased $2.7 million to $14.8 million compared with $12.1 million for the nine months ended September 30, 2010. The increased margins were driven primarily by continued work related to the LRT expansion and underground residential development.

OM&A expenses for the three and nine months ended September 30, 2011 were $23.7 million and $72.4 million, respectively, compared with $23.6 million and $66.9 million, respectively, in the same period in 2010. The increase in OM&A was driven primarily by an increase in pension costs, general inflationary salary increases and severance amounts paid in the first quarter. These increases were offset partially by a reduction in RRO bad debt expenses, insurance reimbursement and increased billing recoveries due to a regulatory decision.

Amortization for the three months ended September 30, 2011, totalled $12.0 million, compared with $14.8 million in the same period in 2010. For the nine months ended September 30, 2011, amortization totalled $38.1 million compared with $39.0 million in the same period in 2010. The decreased charges were the result of a 2010 write down of IT assets no longer in use and a change in amortization rates.

ENMAX Corporate (including intersegment eliminations)

Key Performance Indicators

	Three Months Ended September 30		Nine Months Ended September 30	
(As at and for the period ended September 30)	**2011**	2010	**2011**	2010
OM&A per employee [1]	**$32,274**	$34,791	**$94,819**	$92,356
Employees [1]	**1,719**	1,659	**1,719**	1,659

Key performance indicators are at a consolidated level.

(1) Employee count is on the full-time equivalent basis.

OM&A per employee has slightly decreased from the prior quarter due primarily to an increase in employee headcount and a reduction of non-salary related OM&A costs in the quarter. OM&A per employee for the nine months ended 2011 has increased due to higher employee costs related to inflationary salary increases and pension costs, as well as one-time severance costs incurred in the first quarter. Consistent OM&A per employee ensures operational efficiency and helps to improve profitability. This is in line with one of the Corporation's strategies of providing safe, reliable and cost-effective services to our customers.

Financial Results

ENMAX Corporate provides shared services and financing to ENMAX Power and ENMAX Energy. During the three and nine months ended September 30, 2011, EBIT for ENMAX Corporate was a gain of $1.7 million and a loss of $2.0 million, respectively, as compared with gains of $1.4 million and $5.7 million, respectively, in the same periods in the prior year. The decrease in earnings was due to lower interest being charged to operating segments.

3 SELECTED QUARTERLY FINANCIAL DATA

	2011			2010				2009	
	Third	**Second**	**First**	Fourth	Third	Second	First	Fourth	Third
(millions of dollars, except operating statistics)									
Total revenue	**788.2**	**647.3**	**815.6**	656.0	552.0	587.4	608.8	600.2	500.8
Operating margin(1)	**144.4**	**166.0**	**156.1**	167.5	150.1	170.8	155.9	156.7	129.0
EBIT (1)	**48.5**	**68.7**	**63.9**	59.6	48.2	83.2	68.2	55.9	53.8
Net earnings before discontinued operations	**42.1**	**50.6**	**45.9**	41.8	33.1	59.4	47.5	38.5	41.2
Net earnings	**41.9**	**50.1**	**49.8**	42.5	29.7	58.6	47.0	39.0	40.8
Funds generated from operations (1)	**83.8**	**98.5**	**104.9**	74.0	83.1	105.9	83.9	132.5	67.4
Cash used in investing activities	**137.7**	**102.9**	**95.8**	53.8	51.6	93.0	137.2	145.0	81.0
Cash provided by (used in) financing activities	**40.4**	**52.2**	**42.5**	(33.2)	(26.5)	36.1	48.8	(15.2)	(35.2)

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

Electricity volumes sold and electricity volumes distributed to industrial and institutional customers are not normally seasonal in nature. Volumes are predominantly cyclical on a 24-hour period. Residential volumes sold and distributed do peak in the winter resulting in higher revenues during winter months. Volume requirements of commercial customers peak in the summer months with higher demand for air conditioning; this however is offset by a lower demand in the residential market. Over longer periods of time volumes can fluctuate with general economic activity and population growth.

Natural gas volumes and prices are correlated with the time of year as a result of weather patterns. Natural gas consumption and prices will increase with colder weather seen in the winter. As well, natural gas prices can rise in extreme hot weather in the summer as peak electricity demand results in increased gas-fired generation. Revenue levels tend to decline in the shoulder seasons due to lower natural gas prices and volumes during that part of the calendar year. With the cool spring in 2011, volumes continued at higher levels into the shoulder season. This was partially offset by a warm fall which resulted in a decline in natural gas volumes.

While there are other variables that may impact the seasonality of operating margin, EBITDA, net earnings and funds generated from operations, the bulk of the Corporation’s business does not experience material cyclical activities.

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 GAAP and may not be comparable to similar measures presented by other companies. The purpose of these financial measures and their reconciliation to GAAP financial measures are shown below. These non-GAAP measures are consistent with the measures used in the previous year, with the exception of EBIT, which has been added to measure operating profits less the accounting-based cost of capital assets.

Operating margin

	Three Months Ended September 30		Nine Months Ended September 30	
(millions of dollars)	**2011**	2010	**2011**	2010
Electricity margins	**83.7**	96.2	**279.6**	305.3
Natural gas margins	**0.3**	(1.2)	**7.9**	2.6
Transmission and distribution margins	**46.8**	44.1	**137.9**	134.3
Contractual services margins[1] and other revenue	**13.6**	11.0	**41.1**	34.6
Operating margin (non-GAAP financial measure)	**144.4**	150.1	**466.5**	476.8
Deduct: OM&A, Amortization, Interest and Income taxes	**102.3**	117.0	**327.9**	336.8
Net earnings from continuing operations (GAAP financial measure)	**42.1**	33.1	**138.6**	140.0

(1) Contractual services margins includes earnings from Envision's advanced data communications division, distributed generation, home services, meter reading and data management services for non-Calgary municipalities, water meter reading, pole and duct rentals, service locates, streetlight repairs, LRT monitoring, mapping record management, engineering, procurement, construction and maintenance services, utility trenching, construction and maintenance of LRT systems and billing services,

Operating margin is 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. Operating margin better reflects the profitability of the Corporation's business than revenue levels alone.

EBITDA

(millions of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
Adjusted EBITDA (non-GAAP financial measure)	**88.7**	88.9	**306.7**	318.8
Deduct: EBITDA from discontinued operations	**(0.2)**	(3.4)	**3.2**	(4.7)
Standardized EBITDA	**88.9**	92.3	**303.5**	323.5
Deduct: Amortization	**40.4**	44.1	**122.4**	123.9
Interest	**13.0**	17.8	**39.4**	46.1
Income taxes	**(6.6)**	(2.7)	**3.1**	13.5
Net earnings from continuing operations (GAAP financial measure)	**42.1**	33.1	**138.6**	140.0

EBITDA 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. EBITDA is used to measure certain debt coverage ratios.

EBIT

(millions of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
EBIT (non-GAAP financial measure)	**48.5**	48.2	**181.1**	199.6
Deduct: Interest	**13.0**	17.8	**39.4**	46.1
Income taxes	**(6.6)**	(2.7)	**3.1**	13.5
Net earnings from continuing operations (GAAP financial measure)	**42.1**	33.1	**138.6**	140.0

EBIT 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 including the costs of amortization however without consideration as to how those activities are financed or how the results are taxed in various business jurisdictions.

Funds generated from operations

(millions of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
Funds generated from operations (non-GAAP financial measure)	**83.8**	83.1	**287.2**	272.9
Changes in non-cash working capital	**(48.6)**	75.0	**(110.3)**	5.0
Employee future benefits	**(1.3)**	(1.6)	**(4.9)**	(4.3)
Cash provided by operating activities (GAAP financial measure)	**33.9**	156.5	**172.0**	273.6

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

(millions of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
Total interest cost (non-GAAP financial measure)	**21.6**	20.7	**61.7**	58.4
Ineffective portion of interest rate swaps	**0.3**	0.1	**(0.2)**	(0.1)
Capitalized interest	**(9.9)**	(4.9)	**(24.4)**	(16.0)
Other non-interest financing costs	**1.0**	1.9	**2.3**	3.8
Interest expense (GAAP financial measure)	**13.0**	17.8	**39.4**	46.1

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:

(millions of dollars, except % change)	September 30, 2011	December 31, 2010	$ Change	% Change	Explanation for change
ASSETS					
Cash and cash equivalents	**36.5**	65.8	(29.3)	(45%)	See Section 6: Liquidity and capital resources.
Accounts receivable	**667.0**	499.4	167.6	34%	Higher revenues due to higher pool prices
Income tax receivable/payable [(1)]	**32.1**	(0.9)	33.0	3,667%	Lower taxable earnings have resulted in accrued tax recoveries.
Other current assets	**78.9**	103.2	(24.3)	(24%)	Change in the fair value of short-term derivatives and unrealized hedging assets
Property, plant and equipment	**2,637.1**	2,273.6	363.5	16%	Capital expenditures, net of amortization
Power purchase arrangements	**486.8**	517.0	(30.2)	(6%)	Amortization on Keephills and Battle River PPAs offset by capital expenditures related to mercury regulations on each facility
Intangible assets	**106.9**	113.2	(6.3)	(6%)	Intangible assets, net of amortization
Other long-term assets	**47.7**	28.0	19.7	70%	Change in the fair value of long-term derivatives and increased restricted cash

(millions of dollars, except % change)	September 30, 2011	December 31, 2010	$ Change	% Change	Explanation for change
LIABILITIES AND SHAREHOLDER'S EQUITY					
Short-term debt	**65.1**	-	65.1	100%	Due to timing of cash requirements
Accounts payable and accrued liabilities	**414.5**	327.7	86.8	26%	Increase in construction related payables and higher pool prices
Dividend payable	**13.9**	-	13.9	100%	Dividend declared in March to be paid in four equal payments over the course of the year.
Other current liabilities	**84.7**	77.6	7.1	9%	Increase in deposits and deferred revenue
Long-term debt [2]	**1,541.3**	1,427.7	113.6	8%	Proceeds of new Alberta Capital Finance Authority (ACFA) financing, net of regularly scheduled payments made.
Other long-term liabilities	**96.2**	58.4	37.8	65%	Change in the fair value of long-term derivatives and unrealized hedging assets.
Asset retirement obligations	**13.6**	7.1	6.5	92%	Change of estimates used to determine obligations.

(1) Net of receivable and payable amounts.

(2) Includes current and long-term amounts.

6 LIQUIDITY AND CAPITAL RESOURCES

Capitalization

(millions of dollars)	September 30, 2011	December 31, 2010
Total debt [1]	**1,606.4**	1,427.7
Shareholder's equity		
Share capital	**280.1**	280.1
Retained earnings	**1,689.6**	1,603.4
Accumulated other comprehensive loss	**(57.4)**	(38.3)
Total shareholder's equity	**1,912.3**	1,845.2
Total capitalization (total debt plus shareholder's equity)	**3,518.7**	3,272.9

(1) Includes the current portion of long-term debt of $53.2 million (December 31, 2010 - $50.0 million) and short-term financing of $65.1 million (December 31, 2010 - $nil). Maturity dates range from October 2011 to September 2036. Comparative period excludes debt on assets held for sale.

The details of share capital are as follows:

As at September 30, 2011 and December 31, 2010 (millions of dollars, except share amounts)	**Number of Shares**	**Amount**
Authorized:		
Unlimited number of common shares		
Issued and outstanding:		
Issued on incorporation (one dollar)	1	-
Issued on transfer of net assets from Calgary Electric System (CES)	1	278.2
Issued on transfer of billing and customer care assets from The City of Calgary (The City) in 2001	1	1.9
	3	280.1

The details of total liquidity and capital reserves are as follows:

(millions of dollars)	**September 30, 2011**	**December 31, 2010**
Committed and available bank credit facilities	**900.0**	750.0
Letters of credit issued:		
Power pool purchases	**170.7**	88.1
Energy trading	**26.0**	50.0
Regulatory commitments	**65.8**	74.4
Asset commitments	**16.7**	5.6
PPAs	**67.3**	65.8
	346.5	283.9
Remaining available bank facilities	**553.5**	466.1
Cash on hand	**36.5**	65.8
Total liquidity and capital reserves	**590.0**	531.9

The increase in total liquidity and capital reserves over the past nine month period can be attributed to increases in the credit facilities partially offset by increased collateral requirements due to power pool purchases.

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

As at *(millions of dollars)*	September 30, 2011	December 31, 2010
Long-term debt, [1] consisting of:		
ACFA debentures, with remaining terms of:		
Less than 5 years	**59.5**	69.1
5 – 10 years	**148.1**	48.8
11 – 15 years	**-**	106.9
16 – 20 years	**61.2**	38.8
21 – 25 years	**481.5**	368.0
Private debentures		
Series 1, remaining term of 7 years, bullet maturity on June 19, 2018	**297.4**	297.1
Series 2, remaining term of 3 years, bullet maturity on April 8, 2014	**249.1**	248.8
Non-recourse term financing (Kettles and Calgary Energy Centre (CEC)), remaining term of 6 and 16 years, respectively	**239.2**	244.7
Promissory note, remaining term of 16 years	**5.3**	5.5
	1,541.3	1,427.7

(1) Includes current portion of long-term debt of $53.2 million (December 31, 2010 - $50.0 million). Maturity dates range from October 2011 to September 2036. Comparative period excludes debt on assets held for sale.

The Corporation has the following contractual obligations which will impact the Corporation's financial condition in the future:

Payments Due by Period

Contractual Obligations *(millions of dollars)*	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Total debt	1,606.4	118.3	111.5	314.0	1,062.6
Capital lease obligations	17.7	0.2	0.3	0.2	17.0
Operating leases	70.5	18.4	22.4	11.6	18.1
Purchase obligations [1]	2,283.0	340.9	495.3	328.0	1,118.8
Asset retirement obligations	13.6	-	-	-	13.6
Other long-term obligations [2]	96.2	-	75.3	13.9	7.0
Total contractual obligations	4,087.4	477.8	704.8	667.7	2,237.1

(1) Purchase obligation means an agreement to purchase goods or services that is enforceable and legally binding on ENMAX that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction.

(2) Other long-term obligations means other long-term liabilities reflected on the Corporation's balance sheet.

ENMAX pays The City annual dividends equal to the minimum of 30% of the prior year's net earnings or $30 million, plus any additional one-time special dividends declared. Dividends for a fiscal year are established in the first quarter of the same fiscal year. The payment and level of future dividends on the common shares will be impacted by such factors as financial performance and liquidity requirements.

Coverage ratios

	September 30, 2011	December 31, 2010
Long-term debt to total capitalization [1]	**43.8%**	43.6%
EBITDA to total interest [2]	**4.9X**	5.4X
Total debt to total capitalization [3]	**45.7%**	43.6%

(1) *As at period end, long-term debt (including current portion) to total capitalization is equal to long-term debt divided by total debt plus Shareholder's equity. If cash was netted against the debt, the ratio as at September 30, 2011, would be 42.8% (December 31, 2010 – 41.6%).*

(2) *EBITDA to total interest is equal to standardized EBITDA divided by gross interest cost (non-GAAP financial measures) calculated on a twelve month rolling basis.*

(3) *If cash was netted against the debt, the ratio as at September 30, 2011, would be 44.6% (December 31, 2010 – 41.6%).*

Capital strategy

The Corporation funds its business with a view to maintaining a conservative capital structure in line with its strategy of maintaining a stable, investment grade credit rating. While the Corporation has set long-term target ratios for debt to total capitalization at a maximum of 45% and EBITDA to total interest coverage ratios at 5 times or better, very low electricity prices, high capital expenditures associated with significant construction projects or other factors could result in the Corporation not reaching its targets for short periods of time. Targets are managed using a long-term view and set at more conservative levels than actual debt covenants. Standard & Poor's has assigned a BBB+ rating with a stable outlook. Dominion Bond Rating Services has issued its credit rating of A (low) for unsecured debentures. These ratings provide 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 September 30, 2011, the Corporation is in compliance with its financial covenants related to debt classified as long-term debt on the balance sheet.

As at September 30, 2011, ENMAX classified $nil of non-recourse financing as liabilities held for sale related to the British Columbia assets sold (December 31, 2010 - $12.2 million).

Cash provided by operating activities

Funds generated from operations for the three and nine months ended September 30, 2011, were $83.8 million and $287.2 million, respectively, compared with $83.1 million and $272.9 million, respectively, in the same periods in 2010. The increase in funds generated for the third quarter was primarily due to higher operating earnings experienced. On a year-to-date basis, funds generated from operations have increased as a result of higher net earnings and an increase in future income taxes which are offset by the lower realization of financial contracts.

Cash provided by operating activities for the three and nine months ended September 30, 2011, was $33.9 million and $172.0 million, respectively, compared with $156.5 million and $273.6 million, respectively, in the same periods last year. The decrease in cash flow from operations in the third quarter was driven by a significant swing in working capital requirements. This was primarily due to a larger increase in accounts receivable in the third quarter due to higher commodity prices and volumes. These higher revenues are collected in the month following the payments made for the purchase of power supplied to customers. This was partially offset by an increase in capital expenditures in accounts payable due to progress payments on construction projects.

Investing activities

Capital spending was $133.4 million and $439.6 million, respectively, in the three and nine months ended September 30, 2011, which represents an increase of $76.6 million and an increase of $124.1 million, respectively, over the same periods last year. Capital projects for the three and nine months ended September 30, 2011, included a $35.1 million and $87.1 million, respectively, investment in the transmission and distribution network in Calgary and surrounding area, $95.0 million and $345.6 million, respectively, in construction costs related to Calgary area generation projects and $3.0 million and $4.6 million, respectively, in information technology expansion. The investment in the transmission and distribution network in Calgary allows ENMAX Power to meet one of the Corporation's core strategies of continuing to provide safe, reliable and cost-effective transmission and distribution services to the city of Calgary while meeting the challenges of a growing and expanding city. The investment in the Calgary area generation projects allows ENMAX Energy to move towards the Corporation's core strategy of serving its growing customer base with a generation portfolio that emits fewer greenhouse gases than in the past and leading the development of a more efficient utility model. The investment in information technology will allow ENMAX to continue to comply with regulations and effectively operate the business, in line with the Corporation's strategy to maintain the reliability and cost-effectiveness of the Corporation's technology infrastructure while meeting the challenges of obsolescence and growth.

During the three and nine months ended September 30, 2011, the Corporation received $nil and $102.0 million of cash, respectively, net of cash disposed of, from the sale of the British Columbia assets. These funds were used to fund current capital spending activities.

Financing activities

ENMAX repaid $9.0 million and $32.6 million, respectively, of long-term debt in regularly scheduled principal payments during the three and nine months ended September 30, 2011, compared with $9.3 million and $30.3 million, respectively, in the same periods in 2010. These repayments were sourced through operating activities. ENMAX also disposed of $nil and $11.6 million, respectively, of long-term debt during the three and nine months ended September 30, 2011, as part of the sale of Furry Creek.

On March 9, 2011, the Corporation declared a dividend of $55.6 million payable to The City. The first three quarterly instalments of the dividend have been paid, and the remaining instalment will be paid before the end of 2011.

On June 15, 2011, the Corporation obtained $145.9 million of financing from The City through arrangements with the ACFA to fund ongoing investment relating to the regulated transmission and distribution network in Calgary and the surrounding area.

Due to higher pool prices, the timing of payments to the pool and collection of the related revenue from customers, ENMAX had $65.1 million of outstanding Commercial Paper as at September 30, 2011. This amount was repaid shortly after quarter end.

The Corporation has 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 September 30, 2011, was a maximum of $1,493.0 million, compared to $708.7 million as at December 31, 2010. The increase was a result of construction activities at the Shepard Energy Center.

At September 30, 2011, cash and cash equivalents amounted to $36.5 million, compared with $65.8 million at December 31, 2010.

7 FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards (IFRS)

On February 13, 2008, the Accounting Standards Board of Canada (AcSB) confirmed the changeover from 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. On September 30, 2010, the AcSB issued an amendment to this directive which allows entities that have activities subject to rate regulation to delay adoption of IFRS until January 1, 2012. The Corporation chose to take this option and will apply IFRS in reporting interim and annual consolidated financial statements, including comparative periods, beginning January 1, 2012. While IFRS uses a conceptual framework similar to GAAP, there will be differences in accounting policies.

The Corporation is on track with its IFRS conversion plan. The discussion that follows describes specific adjustments which will impact the Corporation on transition and reflects expectations based on information available at the reporting date. The discussion of accounting policy selections and IFRS 1 exemptions are preliminary and circumstances may change prior to the changeover date which may cause the Corporation to select different accounting policies and/or IFRS 1 exemptions.

Policy Area	Description of IFRS Change	Status and Significant Impacts
Rate Regulated Activities	There is a potential financial impact if regulated assets and liabilities are not able to be recognized under IFRS.	Positions are being developed to support regulated assets and liabilities under other IFRS standards.
Property Plant and Equipment (PP&E)	• Under IFRS, major overhauls are capitalized and subsequently amortized over the life until the next scheduled major overhaul.	• The capitalization of major overhauls will result in a reduction to property, plant and equipment as at January 1, 2011. The associated quarterly impacts are insignificant.
	• An IFRS 1 election will be used to lock in the capital overhead recognized in historical regulated PP&E. However, IFRS does not allow for the capitalization of regulatory approved overhead and inter-company profits so the amounts will be reduced after transition.	• The change in the capital overhead rate will not have an impact on the transition to IFRS; however, it will result in a write off of capitalized overhead on a quarterly basis to the income statement. This amount will not be recovered through rates as the rate adjustment is being proposed for IFRS years of 2012 and go forward. As ENMAX Power Corporation is a non-taxable entity, there is no tax effect of this adjustment.

Policy Area	Description of IFRS Change	Status and Significant Impacts
Transfers of Assets from Customers	IFRIC 18 requires that transfers of assets from customers be treated as revenue, either a one-time revenue or deferred revenue unlike Canadian GAAP where these amounts were treated as contra PPE assets and were amortized.	The result is an increase in PPE and deferred revenue liabilities on transition. This has no impact on opening retained earnings. The amortization period of these contributions remains consistent with the life of the asset; however, the amortization is recorded as revenue instead of an offset to the amortization of the asset. The impact will result in an increase in revenue and an increase in amortization of the same amount.
Asset Retirement Obligations	Under IFRS, the discount rate used for determining an asset retirement obligation is the risk-free rate. This is different than the credit risk adjusted rate used for GAAP.	The change in discount rate will result is an increase to both the Corporation's liabilities and PPE on transition. This has no impact on opening retained earnings.
Employee Benefits	IFRS 1 allows a first-time adopter to reset to zero all cumulative actuarial gains and losses at the date of transition to IFRS. If this exemption is used, it must be used for all employee benefit plans. This election allows first-time adopters the ability to start their accounting under IFRS with a "clean state" as it pertains to actuarial gains and losses. This election reduces future costs related to the amortization of these losses.	The Corporation will reset its cumulative actuarial gains and losses on transition. This election will reduce future costs related to the amortization of these losses.

Changing standards

New standards issued in 2011 include the amendments to Employee Benefits and Financial Statement Presentation as well as new standards on Fair Value Measurement, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities. The Corporation expects to early adopt these new standards on transition to IFRS and impacts are being identified.

Information technology and data systems

Modifications have been implemented to extend the transition date from January 1, 2010; to January 1, 2011. Data conversion continued in the third quarter.

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. Accounting policies have been developed to ensure appropriate implementation and interpretation of accounting rules and complex situations are addressed 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 revenue recognition, allowance for doubtful accounts, amortization expense, asset impairment, asset retirement obligations, provisions for income taxes, employee future benefits and financial instruments. The estimates and assumptions made in these areas can be highly uncertain at the time the estimate or assumption is made. Different or changing estimates and assumptions could potentially have a material impact on ENMAX's financial position or results of operations. These critical estimates are described in ENMAX's 2010 Financial Report in Section 9 of the Management's Discussion and Analysis and in Note 2 in the Notes to Consolidated Financial Statements.

During the second quarter of 2011, the Corporation completed a reassessment of its asset retirement obligations. The Corporation's asset retirement obligations relate to costs associated with the removal and decommissioning of its fibre optic network, certain electricity generating assets and proportionate share of jointly owned assets. For each of the Corporation's obligations, the assumptions used in the calculations were reassessed which included the discount rate, time-frame, inflation rate and dollar amount of the future obligation. The new assumptions were applied prospectively and resulted in a $6.4 million increase in fixed assets and asset retirement liability.

9 RISK MANAGEMENT AND UNCERTAINTIES

ENMAX's approach to risk management addresses risk exposures across all of the Corporation's business activities and risk types. After consultation with the Board, management developed and implemented an Enterprise Risk Management (ERM) program in 2008 to identify, analyze, evaluate, treat and communicate the Corporation's risk exposures in a manner consistent with ENMAX's business objectives and risk appetite. For further information on risks, refer to Section 10 of Management's Discussion and Analysis in ENMAX's 2010 Financial Report.

10 FINANCIAL INSTRUMENTS

Energy Trading Derivatives

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 September 30, 2011, and December 31, 2010. The following contracts-for-differences were outstanding at the end of the period:

	September 30, 2011	December 31, 2010
Notional Quantities		
Electricity sales (GW)	2,859	2,153
Natural gas sales (TJ)	164	654
Electricity purchases (GW)	1,257	1,707
Natural gas purchases (TJ)	15,235	10,981

At September 30, 2011, on the basis of electricity and natural gas prices at that date, the estimated cost of settling these contracts at the balance sheet date, excluding PPA sales, would be a negative mark-to-market adjustment amounting to $45.3 million (December 31, 2010 – $33.8 million). This amount does not reflect the fact that these contracts will settle at prices in effect in the future.

Refer to Note 5 in the Notes to the Consolidated Financial Statements for further information on financial instruments.

11 CLIMATE CHANGE AND THE ENVIRONMENT

Environmental Liabilities

The Corporation's environmental liabilities consist of greenhouse gas (GHG) liabilities. These obligations relate to electricity generated from both of the Corporation's PPAs and CEC. These items have been reflected as liabilities in the consolidated financial statements as at September 30, 2011. The Corporation will continue to abide by current and future environmental regulations.

There are currently no outstanding lawsuits against the Corporation for environmental matters. There are no other known environmental liabilities at this point in time or foreseen in the future.

Asset Retirement Obligations

At September 30, 2011, the Corporation has asset retirement obligations relating to the following project generating assets: McBride Lake, Taber, Crossfield, Kettles Hill and CEC. The Corporation also has an asset retirement obligation relating to the Envision business unit for its advanced data communication assets.

The expected remediation liability and timing for each asset is disclosed in the table below:

(millions of dollars)	Amount	Date
McBride Lake	47.8	September 2057
Taber	32.4	December 2057
Kettles Hill	26.2	May 2071
Crossfield	10.4	December 2048
CEC	29.6	March 2043
Envision	0.5	June 2021

Financial and Operational Effects of Environmental Protection Requirements

Starting January 1, 2011, the provincial Mercury Emissions from Coal-Fired Power Plants Regulation mandated that coal-fired power plants capture 70% of mercury being emitted into the atmosphere. Mercury abatement equipment was installed and tested in 2010 at the PPA plants, and the majority of capital expenditures were incurred in 2010. Capital expenditures relating to this equipment in the three and nine months ended was $nil million and $9.3 million, respectively. Further capital expenditures may be required in 2011, and there will be ongoing operating costs. The Corporation is in negotiations with the PPA facility owners as to the portion of the costs that are attributable to ENMAX.

12 TRANSACTIONS WITH RELATED PARTIES

ENMAX’s related-party transactions comprise both revenues from and expenditures to The City. The City is the sole shareholder of the Corporation. In the three and nine months ended September 30, 2011, transactions with The City amounted to $21.3 million and $72.8 million in revenue, respectively, compared with $19.3 million and $67.3 million, respectively, in the same periods in 2010. 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 and nine months ended September 30, 2011, total expenditures for goods and services received from The City were $33.1 million and $94.0 million, respectively, compared with $29.1 million and $79.8 million, respectively, in the same periods in 2010. Most of these expenditures were for local access fees for the use of The City’s rights-of-way the cost of which is passed through by ENMAX directly to transmission and distribution customers. The measurement basis used in determining the above values is fair market value; that is, the measurement basis is the same as would be used for a third party arm’s length transaction.

13 OUTLOOK

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

The financial results forecasted for 2011 are based on certain assumptions about factors that are outside of the control of the Corporation. Actual results that differ from these assumptions could have a significant impact on expected results. The key assumptions that could significantly impact forecast earnings are commodity prices, residential and small business volumes, unplanned outages at generating facilities, settlement of contingencies, regulatory changes and project execution on the Corporation's large capital projects.

The Corporation expects to see average electricity prices moderate in the last quarter of 2011 as compared to the average for the first nine month. The Corporation expects that natural gas prices will remain at a relatively stable low level.

The Corporation is spending significant effort in the management of its OM&A costs. While additional costs are expected to result from inflation increases on labour and salary costs and increased costs of the Corporation's defined benefit pension, the Corporation is actively taking steps to mitigate these increases through productivity improvements and general cost reduction efforts.

As a result of the impacts from the above, ENMAX expects that net earnings for 2011 will be consistent with the net earnings levels seen in 2010. This level of earnings and the related operating cash flow is expected to provide a considerable amount of the financing required for the Corporation's 2011 development plans.

14 ADDITIONAL INFORMATION

ENMAX welcomes questions from stakeholders. Additional information relating to ENMAX can be found at enmax.com.

Please direct financial inquiries to:

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The latest prices and packages are listed on our website at enmax.com or by calling toll-free across Alberta at 403-310-2010. You can choose any retailer listed at www.ucahelps.gov.ab.ca or at 403-310-4822. Electricity delivery to your home or business is not affected by your choice of retailer.

Consolidated Balance Sheet

AS AT *(millions of dollars)*		**September 30** **2011** *(unaudited)*		December 31 2010
ASSETS				
Cash and cash equivalents	**$**	**36.5**	$	65.8
Accounts receivable (notes 5 and 13)		**667.0**		499.4
Income taxes receivable		**38.3**		34.7
Future income tax asset		**8.5**		7.1
Other current assets (notes 5 and 6)		**78.9**		103.2
Assets held for sale (note 7)		**-**		110.9
		829.2		821.1
Property, plant and equipment		**2,637.1**		2,273.6
Power purchase arrangements		**486.8**		517.0
Intangible assets		**106.9**		113.2
Goodwill		**16.0**		16.0
Employee future benefits (note 8)		**19.6**		22.8
Future income tax asset		**100.2**		91.2
Other long-term assets (notes 5 and 6)		**47.7**		28.0
TOTAL ASSETS	**$**	**4,243.5**	$	3,882.9
LIABILITIES				
Short-term debt (notes 5 and 9)		**65.1**		-
Accounts payable and accrued liabilities (notes 5 and 13)		**414.5**		327.7
Dividend payable		**13.9**		-
Income taxes payable		**6.2**		35.6
Future income tax liability		**0.2**		8.8
Current portion of long-term debt (note 5)		**53.2**		50.0
Other current liabilities (notes 5 and 6)		**84.7**		77.6
Liabilities held for sale (note 7)		**-**		15.0
		637.8		514.7
Long-term debt (note 5)		**1,488.1**		1,377.7
Future income tax liability		**95.5**		79.8
Other long-term liabilities (notes 5 and 6)		**96.2**		58.4
Asset retirement obligations (notes 3 and 10)		**13.6**		7.1
		2,331.2		2,037.7
SHAREHOLDER'S EQUITY				
Share capital		**280.1**		280.1
Retained earnings		**1,689.6**		1,603.4
Accumulated other comprehensive loss (note 11)		**(57.4)**		(38.3)
		1,912.3		1,845.2
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**$**	**4,243.5**	$	3,882.9

Commitments and contingencies (note 12)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

(unaudited) *(millions of dollars)*	**Three months ended September 30** **2011**	 2010	**Nine months ended September 30** **2011**	 2010
REVENUE (note 4)				
Electricity	**$ 601.3**	$ 389.5	**$ 1,596.9**	$ 1,184.1
Natural gas	**44.5**	41.7	**240.4**	222.4
Transmission and distribution	**105.7**	94.9	**309.3**	268.1
Contractual services	**35.2**	24.3	**94.4**	67.0
Other	**1.5**	1.6	**10.1**	6.6
TOTAL REVENUE	**788.2**	552.0	**2,251.1**	1,748.2
COST OF SERVICES PROVIDED (note 4)				
Electricity	**517.6**	293.3	**1,317.3**	878.8
Natural gas	**44.2**	42.9	**232.5**	219.8
Local access fees and grid charges	**58.9**	50.8	**171.4**	133.8
Contractual services	**23.1**	14.9	**63.4**	39.0
Operations, maintenance and administration	**55.5**	57.8	**163.0**	153.3
TOTAL COST OF SERVICES PROVIDED	**699.3**	459.7	**1,947.6**	1,424.7
	88.9	92.3	**303.5**	323.5
Amortization	**40.4**	44.1	**122.4**	123.9
Interest	**13.0**	17.8	**39.4**	46.1
Current income taxes	**(9.5)**	2.4	**(3.9)**	19.6
Future income taxes	**2.9**	(5.1)	**7.0**	(6.1)
NET EARNINGS FROM CONTINUING OPERATIONS	**42.1**	33.1	**138.6**	140.0
Net earnings (loss) from discontinued operations, net of tax (note 7)	**(0.2)**	(3.4)	**3.2**	(4.7)
NET EARNINGS	**41.9**	29.7	**141.8**	135.3
OTHER COMPREHENSIVE LOSS, NET OF TAX				
Unrealized gains (losses) on available for sale financial assets arising during the period, includes future income tax of $nil and $nil for the three and nine month periods, respectively (2010 - $0.2 benefit and $nil)	**-**	0.2	**(1.5)**	(0.5)
Realized losses (gains) on available for sale financial assets arising during the period, includes future income tax of $nil and $nil for the three and nine month periods, respectively (2010 - $0.2 expense and $0.2 expense)	**-**	(0.2)	**2.5**	1.0
Unrealized losses on derivatives designated as cash flow hedges, includes future income tax benefit of $6.6 and $13.9 for the three and nine month periods, respectively (2010 - $0.1 expense and $6.3 benefit)	**(24.5)**	(14.8)	**(35.9)**	(63.1)
Realized gains on derivatives designated as cash flow hedges in prior periods transferred to net earnings in the current period, includes future income tax expense of $2.1 and $3.6 for the three and nine month periods, respectively (2010 - $0.2 expense and $0.1 expense)	**8.7**	9.2	**15.8**	33.0
Other comprehensive loss, net of tax	**(15.8)**	(5.6)	**(19.1)**	(29.6)
COMPREHENSIVE INCOME	**$ 26.1**	$ 24.1	**$ 122.7**	$ 105.7

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholder's Equity

(unaudited) *(millions of dollars)*	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
BALANCE, JANUARY 1, 2010	**$ 280.1**	**$ 1,487.4**	**$ (23.0)**	**$ 1,744.5**
Net earnings	-	47.0	-	47.0
Dividends declared	-	(61.8)	-	(61.8)
Other comprehensive loss including future income tax expense of $0.7	-	-	(15.7)	(15.7)
BALANCE, MARCH 31, 2010	**280.1**	**1,472.6**	**(38.7)**	**1,714.0**
Net earnings	-	58.6	-	58.6
Other comprehensive loss including future income tax benefit of $7.0	-	-	(8.3)	(8.3)
BALANCE, JUNE 30, 2010	**280.1**	**1,531.2**	**(47.0)**	**1,764.3**
Net earnings	-	29.7	-	29.7
Other comprehensive loss including future tax expense of $0.3	-	-	(5.6)	**(5.6)**
BALANCE, SEPTEMBER 30, 2010	**280.1**	**1,560.9**	**(52.6)**	**1,788.4**
Comprehensive income for the remainder of 2010	-	42.5	14.3	56.8
BALANCE, DECEMBER 31, 2010	**280.1**	**1,603.4**	**(38.3)**	**1,845.2**
Net earnings	-	49.8	-	49.8
Dividends declared	-	(55.6)	-	(55.6)
Other comprehensive loss including future tax benefit of $4.5	-	-	(1.1)	(1.1)
BALANCE, MARCH 31, 2011	**280.1**	**1,597.6**	**(39.4)**	**1,838.3**
Net earnings	-	50.1	-	50.1
Other comprehensive loss including future tax benefit of $1.3	-	-	(2.2)	**(2.2)**
BALANCE, JUNE 30, 2011	**280.1**	**1,647.7**	**(41.6)**	**1,886.2**
Net earnings	-	41.9	-	41.9
Other comprehensive loss including future tax benefit of $4.5	-	-	(15.8)	(15.8)
BALANCE, SEPTEMBER 30, 2011	**$ 280.1**	**$ 1,689.6**	**$ (57.4)**	**$ 1,912.3**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(unaudited) *(millions of dollars)*	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net earnings	**$ 41.9**	$ 29.7	**$ 141.8**	$ 135.3
Items not involving cash:				
Loss (gain) on disposal of assets held for sale	**0.2**	-	**(2.4)**	**-**
Amortization	**40.4**	44.1	**122.4**	123.9
Future income taxes	**2.9**	(5.1)	**7.0**	(6.1)
Change in unrealized market value of financial contracts (note 5)	**(7.5)**	13.2	**(1.4)**	6.9
Other	**5.9**	1.2	**19.8**	12.9
	83.8	83.1	**287.2**	272.9
Change in non-cash working capital	**(48.6)**	75.0	**(110.3)**	5.0
Employee future benefits	**(1.3)**	(1.6)	**(4.9)**	(4.3)
	33.9	156.5	**172.0**	273.6
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(133.4)**	(56.8)	**(430.3)**	(251.5)
Net proceeds from disposal of assets held for sale	**-**	-	**102.0**	-
Additions to power purchase arrangements	**-**	-	**(9.3)**	(64.0)
Other long-term assets	**(4.3)**	(2.0)	**(6.4)**	5.6
Contributions in aid of construction	**-**	7.2	**7.6**	28.1
	(137.7)	**(51.6)**	**(336.4)**	**(281.8)**
FINANCING ACTIVITIES				
Repayment of short-term debt	**-**	**-**	**(359.5)**	(790.4)
Proceeds of short-term debt	**65.1**	-	**424.6**	772.2
Proceeds of long-term debt	**-**	-	**145.9**	156.0
Repayment of long-term debt	**(9.0)**	(9.3)	**(32.6)**	(30.3)
Dividend paid	**(13.9)**	(15.5)	**(41.7)**	(46.4)
Other long-term liabilities	**(1.8)**	(1.7)	**(1.6)**	(2.7)
	40.4	(26.5)	**135.1**	58.4
Increase (decrease) in cash and cash equivalents	**(63.4)**	78.4	**(29.3)**	50.2
Cash and cash equivalents, beginning of period	**99.9**	27.5	**65.8**	55.7
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 36.5**	$ 105.9	**$ 36.5**	$ 105.9
Supplementary information:				
Interest paid	**$ 11.1**	$ 8.5	**$ 47.4**	$ 46.6
Income taxes paid	**10.4**	16.7	**29.3**	21.6
Cash and cash equivalents consist of:				
Cash	**$ 36.5**	$ 105.9	**$ 36.5**	$ 105.9

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
(Unaudited)

1. Significant accounting policies

The interim consolidated financial statements of ENMAX Corporation and its subsidiaries (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, 2010.

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 2010 Financial 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 (IFRS)

On February 13, 2008, the Accounting Standards Board of Canada (AcSB) confirmed that the changeover from GAAP to IFRS, as issued by the International Accounting Standards Board (IASB), will be effective for fiscal years beginning on or after January 1, 2011. On September 30, 2010, the AcSB issued an amendment to this directive which allows entities that have activities subject to rate regulation an option to delay adoption of IFRS until January 1, 2012. The Corporation has chosen to take this option and will apply IFRS in reporting interim and annual consolidated financial statements, including comparative periods, beginning January 1, 2012. While IFRS uses a conceptual framework similar to GAAP, there will be differences in accounting policies. The Corporation continues to assess these differences.

3. Change in accounting estimate

Asset retirement obligation

During the second quarter of 2011, the Corporation completed a reassessment of its asset retirement obligations. The Corporation's asset retirement obligations relate to costs associated with the removal and decommissioning of its fibre optic network, certain electricity generating assets and proportionate share of jointly owned assets. For each of the Corporation's obligations, the assumptions used in the calculations were reassessed which included the time-frame, inflation rate and dollar amount of the future obligation. These changes in estimates were applied prospectively and resulted in a $6.4 million increase in fixed assets and asset retirement obligations.

4. Segmented information

Three months ended September 30 - *(millions of dollars)*	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
REVENUE								
Electricity	**653.0**	412.6	**52.4**	44.2	**(104.1)**	(67.3)	**601.3**	389.5
Natural gas	**44.5**	41.7	**-**	-	**-**	-	**44.5**	41.7
Transmission and distribution	**-**	-	**105.7**	94.9	**-**	-	**105.7**	94.9
Contractual services	**12.5**	12.6	**28.7**	18.1	**(6.0)**	(6.4)	**35.2**	24.3
Other	**2.1**	2.3	**0.7**	0.4	**(1.3)**	(1.1)	**1.5**	1.6
TOTAL REVENUE	**712.1**	469.2	**187.5**	157.6	**(111.4)**	(74.8)	**788.2**	552.0
COST OF SERVICES PROVIDED								
Electricity	**571.0**	319.4	**50.6**	41.1	**(104.0)**	(67.2)	**517.6**	293.3
Natural gas	**44.2**	42.9	**-**	-	**-**	-	**44.2**	42.9
Local access fees and grid charges	**-**	-	**58.9**	50.8	**-**	-	**58.9**	50.8
Contractual services	**0.8**	1.1	**22.5**	13.9	**(0.2)**	(0.1)	**23.1**	14.9
Operations, maintenance and administration	**41.4**	43.2	**23.7**	23.6	**(9.6)**	(9.0)	**55.5**	57.8
TOTAL COST OF SERVICES PROVIDED	**657.4**	406.6	**155.7**	129.4	**(113.8)**	(76.3)	**699.3**	459.7
	54.7	62.6	**31.8**	28.2	**2.4**	1.5	**88.9**	92.3
Amortization	**27.7**	29.2	**12.0**	14.8	**0.7**	0.1	**40.4**	44.1
EARNINGS BEFORE INTEREST AND INCOME TAXES	**27.0**	33.4	**19.8**	13.4	**1.7**	1.4	**48.5**	48.2
Interest							**13.0**	17.8
Income taxes							**(6.6)**	(2.7)
NET EARNINGS FROM CONTINUING OPERATIONS							**42.1**	33.1
Net loss from discontinued operations							**(0.2)**	(3.4)
NET EARNINGS							**41.9**	29.7
GOODWILL	**16.0**	16.0	**-**	-	**-**	-	**16.0**	16.0
CAPITAL ADDITIONS	**94.8**	28.1	**36.1**	23.1	**2.5**	(1.6)	**133.4**	49.6

4. Segmented information (continued)

Nine months ended September 30 - *(millions of dollars)*	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
REVENUE								
Electricity	**1,739.1**	1,273.6	**149.9**	119.7	**(292.1)**	(209.2)	**1,596.9**	1,184.1
Natural gas	**240.4**	222.4	**-**	-	**-**	-	**240.4**	222.4
Transmission and distribution	**-**	-	**309.3**	268.1	**-**	-	**309.3**	268.1
Contractual services	**39.3**	37.0	**73.5**	48.3	**(18.4)**	(18.3)	**94.4**	67.0
Other	**15.7**	7.2	**1.8**	0.8	**(7.4)**	(1.4)	**10.1**	6.6
TOTAL REVENUE	**2,034.5**	1,540.2	**534.5**	436.9	**(317.9)**	(228.9)	**2,251.1**	1,748.2
COST OF SERVICES PROVIDED								
Electricity	**1,466.7**	977.0	**142.3**	110.6	**(291.7)**	(208.8)	**1,317.3**	878.8
Natural gas	**232.5**	219.8	**-**	-	**-**	-	**232.5**	219.8
Local access fees and grid charges	**-**	-	**171.4**	133.8	**-**	-	**171.4**	133.8
Contractual services	**3.6**	3.4	**60.5**	37.0	**(0.7)**	(1.4)	**63.4**	39.0
Operations, maintenance and administration	**115.8**	111.6	**72.4**	66.9	**(25.2)**	(25.2)	**163.0**	153.3
TOTAL COST OF SERVICES PROVIDED	**1,818.6**	1,311.8	**446.6**	348.3	**(317.6)**	(235.4)	**1,947.6**	1,424.7
	215.9	228.4	**87.9**	88.6	**(0.3)**	6.5	**303.5**	323.5
Amortization	**82.6**	84.1	**38.1**	39.0	**1.7**	0.8	**122.4**	123.9
EARNINGS (LOSS) BEFORE INTEREST AND INCOME TAXES	**133.3**	144.3	**49.8**	49.6	**(2.0)**	5.7	**181.1**	199.6
Interest							**39.4**	46.1
Income taxes							**3.1**	13.5
NET EARNINGS FROM CONTINUING OPERATIONS							**138.6**	140.0
Net gain (loss) from discontinued operations							**3.2**	(4.7)
NET EARNINGS							**141.8**	135.3
GOODWILL	**16.0**	16.0	**-**	-	**-**	-	**16.0**	16.0
CAPITAL ADDITIONS	**340.0**	222.8	**90.2**	66.1	**1.8**	(1.5)	**432.0**	287.4

Segmented Total Assets

As at *(millions of dollars)*	**September 30, 2011**	December 31, 2010
ENMAX Energy	**2,923.6**	2,635.2
ENMAX Power	**1,267.2**	1,157.7
Corporate and eliminations	**52.7**	90.0
	4,243.5	3,882.9

5. 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.

Sensitivity analysis on market risks

The analysis below represents the effect of market risks (interest rate risk, foreign currency exchange risk, commodity price risk and equity price risk) on the Corporation's results as those risks apply to derivative financial instruments. Non-derivative financial instruments are recorded at cost. The carrying amounts of non-derivative financial instruments 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 of the fair value of outstanding derivative instruments to reasonably possible changes in the markets of derivative financial instruments. Market interest rates impact interest rate swaps. Foreign currency exchange rates impact commodity derivatives and foreign currency hedge and long-term foreign currency denominated 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.
- Foreign currency balances, principal and notional amounts are based on amounts as at September 30, 2011.
- 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 impacts.

As at *(millions of dollars)*	**September 30, 2011**		September 30, 2010	
	Earnings	**Other Comprehensive Income**	Earnings	Other Comprehensive Income
Interest rates increased 100 basis points (1% pure rate change)	**+ 0.5**	**+ 15.0**	+ 0.6	+ 15.4
Canadian dollar strengthens compared with the U.S. dollar by 10%	**+ 0.9**	**+ 3.2**	- 2.3	+ 7.8
Canadian dollar strengthens compared with the Japanese Yen by 10%	**- 0.5**	**-**	- 0.8	-
Forward price of natural gas increases by 10%	**-**	**+ 8.7**	- 0.8	- 10.3
Forward price of electricity increases by 10%	**+ 4.8**	**- 16.8**	+ 2.9	- 7.2
Equity investment increased by 10%	**-**	**-**	-	+ 0.3

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 not necessarily indicative of actual future results and should be used with caution.

Foreign exchange and interest rate risk

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

ENMAX is not exposed to interest rate risk and volatility 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 September 30, 2011, would have an effect on fair value of fixed interest rate debt of $80.4 million (December 31, 2010 - $82.6 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 the Corporation's natural gas fired generation capacity, as well as; the cost to the Corporation of 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.

Credit risk

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

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

As at *(millions of dollars)*	**September 30, 2011**	December 31, 2010
Cash and cash equivalents *(1)*	**36.5**	65.8
Accounts receivable *(2)*	**667.0**	499.4
Other current assets *(3)*	**78.9**	103.2
Other long-term assets *(3)*	**47.7**	28.0

(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

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

Charges to income as a result of credit losses for the Corporation during the three and nine month periods ended September 30, 2011, totalled \$3.3 and \$5.4 million, respectively (September 30, 2010 - \$3.4 and \$5.9 million, respectively).

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

As at *(millions of dollars)*	**September 30, 2011**	December 31, 2010
1-30 days past due	**13.6**	13.0
31-60 days past due	**3.6**	3.4
61 days past due and over	**10.3**	13.3
Total past due	**27.5**	29.7

5. Financial instruments, hedges and risk management (continued)

As at September 30, 2011, the allowance for doubtful accounts was $7.9 million. The changes in the allowance were as follows:

(millions of dollars)	**Nine months ended September 30, 2011**	Year ended December 31, 2010
Provision at the beginning of the period	**9.5**	11.4
Increase to allowance	**5.4**	8.4
Recoveries and write-offs	**(7.0)**	(10.3)
Provision at end of the period	**7.9**	9.5

The remainder of the accounts receivable balance outstanding at September 30, 2011, consists of 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 long-term assets

ENMAX measures wholesale credit risk as the replacement cost for open energy commodity and derivative transactions (both mark-to-market and accrual) adjusted for amounts owed to or due from counterparties for settled transactions and all other amounts owing but not yet due. The replacement cost of open positions represents unrealized gains, net of any unrealized losses, where the Corporation has a legally enforceable right of offset and intends to settle on a net basis. ENMAX monitors and manages the credit risk of wholesale operations through credit policies and procedures which include an established credit approval process, daily monitoring of counterparty credit limits and the use of credit mitigation measures such as margin, collateral, letters of credit and/or prepayment arrangements.

Due to the possibility of extreme volatility in the prices of energy commodities and derivatives, the market value of contractual positions with individual counterparties could exceed established credit limits or collateral provided by those counterparties. If such a counterparty were to fail to perform its obligations under its contract (for example, fail to provide adequate assurances or credit support), ENMAX could incur a loss that could have a material impact on its financial results.

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

The majority of counterparties enabled for wholesale transactions are rated investment grade (BBB- or higher) by recognized rating agencies.

Liquidity risk

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

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

As at *(millions of dollars)*	**September 30, 2011**	December 31, 2010
2011	**481.0**	436.8
2012	**127.3**	120.6
2013	**125.2**	118.8
2014	**365.5**	359.3
2015	**105.5**	98.9
Thereafter	**1,444.0**	1,252.3

The following table details the remaining contractual maturities for ENMAX's derivative financial liabilities:

As at *(millions of dollars)*	**September 30, 2011**	December 31, 2010
2011	**66.1**	67.6
2012	**23.1**	16.9
2013	**13.6**	5.8
2014	**6.6**	1.7
2015	**7.5**	0.8
Thereafter	**13.9**	-

In addition, 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 September 30, 2011, were for a maximum of $584.4 million (December 31, 2010 - $593.2 million). The fair value of the trading and hedging positions under contracts with a net liability at September 30, 2011, under the guarantees, was $54.8 million (December 31, 2010 - $68.5 million). The liabilities for these trading and hedging positions are included in the consolidated balance sheet under "Accounts payable and accrued liabilities" and "Other 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 September 30, 2011, was a maximum of $1,493.0 million (December 31, 2010 - $708.7 million).

The principal financial covenants in ENMAX's credit facilities and debentures are interest coverage and debt to capitalization. As at September 30, 2011, the Corporation is in compliance with its financial covenants related to debt classified as long-term debt on the balance sheet.

Non-derivative financial assets and liabilities

Cash, cash equivalents and restricted cash are recorded at fair market value. Fair values for accounts receivable, short-term debt, accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature.

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.

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

As at	**September 30, 2011**		December 31, 2010	
(millions of dollars)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Long-term debt [1] consisting of:				
ACFA debentures, with remaining terms of:				
Less than 5 years	**59.5**	**66.0**	69.1	75.1
6 – 10 years	**148.1**	**171.0**	48.8	59.0
11 – 15 years	**-**	**-**	106.9	115.3
16 – 20 years	**61.2**	**61.7**	38.8	35.6
21 – 25 years	**481.5**	**555.9**	368.0	403.1
Private debentures				
Series 1 (6.15%)	**297.4**	**346.2**	297.1	330.3
Series 2 (5.85%)	**249.1**	**273.7**	248.8	271.2
Non-recourse term financing (Kettles and CEC)	**239.2**	**222.9**	244.7	254.5
Promissory note	**5.3**	**5.5**	5.5	5.4
	1,541.3	**1,702.9**	1,427.7	1,549.5

(1) Includes current portion of $53.2 million (December 31, 2010 – $50.0 million). Maturity dates range from October 2011 to June 2036.

Derivative assets and liabilities

Financial derivative instruments are recorded on the consolidated balance sheet at fair value. As at September 30, 2011, 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	**September 30, 2011**		December 31, 2010	
(millions of dollars)	**Hedge Instruments**	**Non-Hedge Derivatives**	Hedge Instruments	Non-Hedge Derivatives
Assets				
Current	**6.8**	**20.9**	16.4	45.6
Non-current	**5.4**	**21.3**	5.8	6.7
Liabilities				
Current	**39.5**	**20.8**	41.8	19.6
Non-current	**40.3**	**30.2**	17.1	14.2

Cash flow hedges are used to manage the variability of cash flows resulting from the purchase and sale of electricity and natural gas, fluctuations in interest rates 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 third quarter of 2011, there was a $nil impact (September 30, 2010 - $0.1 million loss) 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 and nine months ended September 30, 2011, there was $nil and a loss of $0.3 million, respectively, recorded in net earnings ($nil in both three and nine month periods of 2010) related to hedges that no longer qualify for hedge accounting.

The Corporation estimates that of the $57.4 million of losses reported in accumulated other comprehensive income as at September 30, 2011, $32.7 million is expected to be realized within the next 12 months at market prices in effect at the time of settlement. These losses will offset the inherent gains in the underlying hedged exposures.

Foreign exchange exposures on the Corporation's futures margin trading account and certain foreign denominated purchase contracts are managed through economic hedges. For these hedges, the changes in the fair value of the hedge derivatives are recognized directly in earnings. During the three and nine months ended September 30, 2011, a net loss of $1.5 million (2010 - $1.3 million gain) and $0.7 million (2010 - $0.5 million gain), respectively has been recognized.

Non-hedged 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 and nine months ended September 30, 2011, losses of $22.5 million (2010 - $43.6 million loss) and $0.6 million (2010 – $17.9 million loss), respectively, were recorded in net earnings.

Fair value

As at September 30, 2011, the fair values of the Corporation's financial assets and liabilities measured at fair value are:

	Fair Value [1]			
(millions of dollars)	**Level I**	**Level II**	**Level III**	**Total carrying value**
Financial assets / (liabilities) measured at fair value:				
Energy trading forward contracts	**(16.4)**	**(28.0)**	**(6.1)**	**(50.5)**
Foreign currency forward contracts	**-**	**13.1**	**-**	**13.1**
Interest rate swap	**-**	**(39.0)**	**-**	**(39.0)**
Net risk management assets (liabilities)	**(16.4)**	**(53.9)**	**(6.1)**	**(76.4)**

[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).

As at December 31, 2010, the fair values of the Corporation's financial assets and liabilities measured at fair value are:

	Fair Value [1]			
(millions of dollars)	Level I	Level II	Level III	Total carrying value
Financial assets / (liabilities) measured at fair value				
Energy trading forward contracts	(27.6)	(7.1)	2.2	(32.5)
Foreign currency forward contracts	-	34.0	-	34.0
Interest rate swap	-	(19.7)	-	(19.7)
Net risk management assets (liabilities)	(27.6)	7.2	2.2	(18.2)

[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).

5. Financial instruments, hedges and risk management (continued)

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

(millions of dollars)	
Net risk management assets as at December 31, 2010	**2.2**
Changes attributable to:	
Commodity price changes	**(5.4)**
New contracts entered	**(2.1)**
Transfers out of Level III	**(0.8)**
Net risk management liabilities at September 30, 2011	**(6.1)**
Total change in fair value included in other comprehensive income	**(8.3)**
Total change in fair value included in pre-tax earnings	**-**

The assumptions around Level III have not changed since December 31, 2010.

6. Other assets and liabilities

As at *(millions of dollars)*	**September 30, 2011**	December 31, 2010
Other current assets		
Prepaid expenses	**43.7**	40.3
Hedge instruments	**6.8**	16.4
Non-hedge derivatives	**20.9**	45.6
Inventory	**7.5**	0.9
	78.9	103.2
Other long-term assets		
Hedge instruments	**5.4**	5.8
Non-hedge derivatives	**21.3**	6.7
Restricted cash	**12.7**	5.2
Shares in other companies	**0.4**	3.8
Deferred costs	**4.5**	3.8
Other	**3.4**	2.7
	47.7	28.0

6. Other assets and liabilities (continued)

Other current liabilities		
Hedge instruments	**39.5**	41.8
Non-hedge derivative	**20.8**	19.6
Deposits	**17.7**	13.2
Deferred revenue	**6.7**	3.0
	84.7	77.6
Other long-term liabilities		
Hedge instruments	**40.3**	17.1
Non-hedge derivative	**30.2**	14.2
Long-term payables	**9.9**	15.5
Deferred revenue	**15.8**	11.6
	96.2	58.4

7. Assets held for sale

The sale of the remaining British Columbia assets, which consisted of the Clowhom and Furry Creek hydro facilities, closed on February 8 and February 14, 2011, respectively. As such, the assets and liabilities of this disposal group have been removed from the consolidated balance sheet as at the closing date. Operating results and the results of the sales transactions related to these assets and liabilities have been included in earnings (loss) from discontinued operations, net of tax on the consolidated statements of income and comprehensive income. The gain on sale from Clowhom was $0.3 million and for Furry Creek was $2.1 million for the nine months ended September 30, 2011.

7. Assets held for sale (continued)

Net earnings (loss) from discontinued operations, net of tax is comprised of the following:

	Three months ended		Nine months ended	
(millions of dollars)	**September 30, 2011**	September 30, 2010	**September 30, 2011**	September 30, 2010
REVENUE				
Electricity	-	2.8	**0.3**	5.7
Other revenue	**-**	0.3	**1.6**	0.3
TOTAL REVENUE	**-**	3.1	**1.9**	6.0
COST OF SERVICES PROVIDED				
Electricity	**-**	0.1	**-**	0.2
OM&A	**-**	0.8	**1.0**	2.2
Construction costs not capitalized	**-**	5.4	**-**	6.9
COST OF SERVICES PROVIDED	**-**	6.3	**1.0**	9.3
Gain (loss) on sale	**(0.2)**	-	**2.4**	-
Amortization	**-**	-	**-**	0.1
Interest	**-**	0.4	**0.1**	1.4
Income taxes	**-**	(0.2)	**-**	(0.1)
NET (LOSS) EARNINGS FROM DISCONTINUED OPERATIONS	**(0.2)**	(3.4)	**3.2**	(4.7)

7. Assets held for sale (continued)

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

(millions of dollars)	**September 30, 2011**	**December 31, 2010**
ASSETS		
Cash and cash equivalents	-	1.6
Accounts receivable	-	0.3
Property plant and equipment	-	107.2
Intangible assets	-	1.2
Other long-term assets	-	0.6
TOTAL ASSETS	-	110.9
LIABILITIES		
Accounts payable and accrued liabilities	-	0.1
Current portion of long-term debt	-	0.6
Long-term debt	-	11.6
Future income tax liability	-	1.1
Other long-term liabilities	-	1.6
TOTAL LIABILITIES	-	15.0

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 either defined benefit or defined contribution provisions. The defined benefit plan membership is restricted to employees covered by certain labour contracts. 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 employee benefit cost recorded in the consolidated financial statements of income and comprehensive income for the three and nine months ended September 30, 2011, are $4.4 million (2010 - $3.6 million) and $13.8 million (2010 - $11.3 million), respectively.

9. Short-term debt

As at September 30, 2011, the Corporation has unsecured credit facilities amounting to $900.0 million (December 31, 2010 - $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 $650.0 million in bilateral operating facilities and $250.0 million of syndicated credit facilities. As at September 30, 2011, $314.6 million (December 31, 2010 – $233.3 million) of operating facilities and $31.9 million (December 31, 2010 – $50.6 million) of syndicated facilities were used in support of outstanding letters of credit.

Short-term debt is comprised of commercial paper, bank overdrafts and bankers' acceptances which are guaranteed under the Corporation's credit facilities. At September 30, 2011, the Corporation had $65.1 million outstanding at an average rate of 0.61% (December 31, 2010 - $nil).

10. Asset retirement obligation

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

At September 30, 2011, the Corporation has asset retirement obligations relating to the following project generating assets: McBride Lake, Taber, Crossfield, Kettles Hill and CEC. The Corporation also has an asset retirement obligation relating to the Envision business unit for its advanced data communication assets. The accretion expense on these assets is included in the amortization line item on the income statement. The change in the carrying amount of the asset retirement obligations is disclosed in the table below:

(millions of dollars)	
Balance, December 31, 2010	7.1
Liabilities incurred in the current period	-
Accretion expense	0.5
Revisions in estimates	6.0
Balance, September 30, 2011	13.6

The expected remediation liability and timing for each asset is disclosed in the table below, based on a credit adjusted risk-free discount rate of 6.0% and a rate of inflation of 2.1%:

(millions of dollars)	Amount	Date
McBride Lake	47.8	September 2057
Taber	32.4	December 2057
Kettles Hill	26.2	May 2071
Crossfield	10.4	December 2048
CEC	29.6	March 2043
Envision	0.5	June 2021

The Corporation has an obligation to decommission its electricity transmission and distribution assets in Alberta. Due to the timing and cost of such future decommissioning activities being unknown, these costs are not reasonably estimated. Accordingly, the Corporation is unable to estimate the fair value of this asset retirement obligation and has not recorded this in the consolidated financial statements. The obligation will be recorded when sufficient information is available to reasonably estimate the settlement date and the cost and method of settlement.

11. Accumulated other comprehensive income

As at *(millions of dollars)*	**September 30, 2011**	December 31, 2010
Unrealized losses on available-for-sale financial assets (net of tax)	**(0.2)**	(1.2)
Unrealized losses on derivatives designated as cash flow hedges (net of tax)	**(57.2)**	(37.1)
Accumulated other comprehensive losses, net of a future income tax benefit of $10.3 million (December 31, 2010 - benefit of $6.8 million)	**(57.4)**	(38.3)

12. Commitments and contingencies

Property, plant and equipment

As at September 30, 2011, the Corporation and its subsidiaries have committed contracts for future major capital expenditures totalling $84.1 million, including cancellation costs.

Obligations under other agreements

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

12. Commitments and contingencies (continued)

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

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

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

The aggregated payments for these obligations under other agreements total $2,287.0 million.

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.

Environmental

For the three and nine month periods ended September 30, 2011, the consolidated financial statements include a charge to earnings in the amount of $7.1 million (2010 - $5.8 million) and $21.5 million (2010 - $17.1 million), respectively, 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 mitigate impacts of the GHG regulations.

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 $346.5 million at September 30, 2011 (December 31, 2010 – $283.9 million).

13. 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 GAAP for non-regulated operations. ENMAX has recorded the following regulatory assets and liabilities:

As at *(millions of dollars)*	**September 30, 2011**	December 31, 2010
Regulatory assets		
Accounts receivable: purchased power variances (1)	**81.2**	36.0
Distribution assets: inter-company profit on underground residential development (2)	**37.1**	35.5
Other regulatory assets (3)	**12.0**	10.4
Total regulatory assets	**130.3**	81.9
Other regulatory liabilities (4)	**0.6**	1.9

The following describes each of the circumstances in which rate regulation affects the accounting for a transaction or event. Regulatory assets represent future revenues associated with certain costs, incurred in the current period or in prior periods, which are expected to be recovered from customers in future periods through the rate setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that are expected to be returned to customers as a result of the rate setting process.

(1) Purchased power 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 refunded to, future customers. The regulatory asset represents the excess of actual over forecast purchased power costs. In the absence of rate regulation, GAAP would require that actual purchased power costs be recognized as an expense when incurred. In this case, operating results for the three and nine months ended September 30, 2011, would have been $29.1 million lower (2010 - $4.6 million lower) and $45.2 million lower (2010 - $2.9 million lower), respectively. The regulatory asset at September 30, 2011, is $81.2 million (December 31, 2010 - $36.0 million) included in accounts receivable.

(2) 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, GAAP would require that intercompany profits be eliminated upon consolidation. The impact on current period earnings for the three and nine months ended September 30, 2011, would be a reduction of $0.5 million (2010 – $0.8 million) and a reduction of $1.6 million (2010 - $1.4 million), respectively, representing the profit on these services. The balances for PPE and retained earnings at September 30, 2011, would further be reduced by $37.1 million (December 31, 2010 – $35.5 million).

(3) Other regulatory assets

Other regulatory assets primarily relate to AUC flow-through items and other costs that will be collected from customers via future rates.

(4) Other regulatory liabilities

Other regulatory liabilities primarily relates to items that will be refunded to customers via future rates.

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

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 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 and nine months ended September 30, 2011, was $0.2 million (2010 – $1.0 million gain) and $7.4 million (2010 - $10.6 million loss), respectively, representing the losses on disposals and retirements of regulated assets.

14. Related party transactions

ENMAX's related-party transactions comprise both revenues from and expenditures to The City. The City is the sole shareholder of the Corporation. In the three and nine months ended September 30, 2011, transactions with The City amounted to $21.3 million and $72.8 million in revenue, respectively, compared with $19.3 million and $67.3 million, respectively, in the same periods in 2010. 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 and nine months ended September 30, 2011, total expenditures for goods and services received from The City were $33.1 million and $94.0 million, respectively, compared with $29.1 million and $79.8 million, respectively, in the same periods in 2010. Most of these expenditures were for local access fees for the use of The City's rights-of-way the cost of which is passed through by ENMAX directly to transmission and distribution customers. The measurement basis used in determining the above values is fair market value; that is, the measurement basis is the same as would be used for a third party arm's length transaction.

In addition, on June 15, 2011, the Corporation obtained $145.9 million of financing from The City through arrangements with the ACFA to fund ongoing investment relating to the regulated transmission and distribution network in Calgary and the surrounding area. This brings the total debt owed to The City to $750.6 million at September 30, 2011 ($631.7 million at December 31, 2010). Interest paid on this debt for the three and nine months ended September 30, 2011, was $3.3 million and $18.2 million, respectively ($3.7 million and $16.0 million, respectively in the same periods of 2010). Principle payments of $26.9 million were made during the nine months ended September 30, 2011 ($25.3 million for the same period in 2010).