2012

Q1 Interim Report

ENMAX CORPORATION
THREE MONTHS ENDED MARCH 31, 2012

HIGHLIGHTS

As at and for the three months ended March 31 *(millions of dollars, unless otherwise noted)*	**2012**	2011
Earnings before interest, income tax, depreciation and amortization (EBITDA) (1)	**121.3**	104.5
Net earnings	**62.6**	49.8
Return on assets (2)	**8.4%**	8.3%
Total recordable injury frequency (TRIF)	**0.82**	2.77

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

Summary of other key financial information

As at and for the three months ended March 31 *(millions of dollars, unless otherwise noted)*	**2012**	2011
Total revenues	**842.0**	815.6
Operating margin (1)	**180.9**	156.1
Earnings before interest and income taxes (EBIT) (1)	**79.4**	63.9
Capital assets (2)	**3,394.7**	3,064.5
Total assets	**4,325.4**	3,904.9
Long-term debt (3)	**1,514.1**	1,417.3
Total shareholder's equity	**1,966.1**	1,838.3
Total capitalization (4)	**3,480.2**	3,255.6
Long-term debt to total capitalization ratio (5)	**43.5%**	43.5%
Return on equity (ROE) (6)	**10.4%**	10.2%
Funds generated from operations (1)	**109.6**	104.9
Cash used by investing activities	**113.3**	95.8
Cash provided by (used in) financing activities	**(12.9)**	42.5

(1) Non-GAAP financial measure. See discussion that follows in the MD&A.
(2) Capital assets include property, plant and equipment (PPE), power purchase arrangements (PPAs) and intangible assets.
(3) Long-term debt includes current and long-term portions.
(4) Total capitalization is equal to long-term debt plus shareholder's equity.
(5) Long-term debt to total capitalization is equal to long-term debt, including current portions, divided by total capitalization.
(6) Return on equity is equal to net earnings for the last 12 month rolling period divided by average shareholder's equity for the last 12 month rolling period.

Summary of other key operating statistics

As at and for the three months ended March 31	**2012**	2011
Market heat rate – flat average (gigajoule (GJ)/ megawatt hours (MWh))	**29.01**	23.47
Average wholesale market spark spread ($/MWh) (1)	**$43.28**	$55.22
Average flat pool price ($/MWh)	**$59.76**	$83.78
Average natural gas price ($/GJ)	**$2.06**	$3.57
Generation volume (gigawatt hours (GWh))	**3,090**	3,078
Electricity sold (GWh)	**5,460**	5,475
Energy delivered (GWh)	**2,399**	2,369
Natural gas sold (Terajoule (TJ))	**17,954**	18,882
System average interruption duration index (SAIDI) (2)	**0.04**	0.05
System average interruption frequency index (SAIFI) (3)	**0.10**	0.06
Customer satisfaction (4)	**80%**	71%

(1) Assuming an average combined cycle gas turbine (CCGT) heat rate of 8 GJ per MWh.
(2) SAIDI equals the total duration of a sustained interruption per average customer during a predefined period of time. A sustained interruption is an interruption in duration greater than or equal to one minute.
(3) SAIFI equals how often the average customer experiences a sustained interruption over a predefined period of time. A sustained interruption is an interruption in duration greater than or equal to one minute.
(4) Monthly weighted average of customers rating their interaction with ENMAX Encompass "Very Satisfied" per the customer interaction survey process with SQM.

CAUTION TO READER

This document contains statements about future events and financial and operating results of ENMAX Corporation (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 Interim Report, 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 Interim Report. 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 Interim Report. Intended, planned, anticipated, believed, estimated or expected and other forward-looking statements included in this Interim Report herein should not be unduly relied upon. These statements speak only as of the date of this Interim Report. 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. Targets for 2012 are described in the Management Discussion & Analysis (MD&A) Section 13: Outlook. This Interim Report should be read in conjunction with ENMAX's 2011 Financial Report.

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

- generation asset retirements and replacements;
- competitive factors and pricing pressures, including electricity supply and demand in the Alberta power market and fluctuations in the pricing of natural gas in the North American market;
- the availability of our generation assets to produce power;
- 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;
- weather and climate;
- 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.

For further information, see the MD&A Section 10 included in the 2011 Financial Report.

MANAGEMENT'S DISCUSSON AND ANALYSIS (MD&A)

This MD&A, dated May 9, 2012, is a review of the results of operations of ENMAX for the three months ended March 31, 2012, compared with the same period in 2011, and of the Corporation's financial condition and future prospects. This discussion contains forward-looking information that is qualified by reference to and should be read in light of, the caution to reader previously mentioned. This MD&A should be read in conjunction with ENMAX's 2011 Financial Report.

ENMAX's consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). 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, 2013.

The Consolidated Financial Statements and MD&A were reviewed by ENMAX's Audit and Finance Committee and approved by ENMAX's Board of Directors (the Board). All amounts are in Canadian dollars unless otherwise specified.

The Corporation reports on certain non-GAAP financial measures such as operating margin and funds from operations that are used by management to evaluate performance of business units and segments. Because non-GAAP financial measures do not have a standardized meaning, 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.

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1 OVERALL FINANCIAL PERFORMANCE

Selected Consolidated Financial Information

For the three months ended March 31 *(millions of dollars, unless otherwise noted)*	**2012**	2011
Total revenue	**842.0**	815.6
Electricity sold (GWh)	**5,460**	5,475
Operating margin (1)	**180.9**	156.1
EBIT (1)	**79.4**	63.9
EBITDA (1)	**121.3**	104.5
Net earnings	**62.6**	49.8

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

ENMAX's consolidated net earnings for the three months ended March 31, 2012, have increased to $62.6 million compared with $49.8 million for the three months ended March 31, 2011. This increase was driven primarily by higher operating margins and lower interest charges. These favourable variances were offset partially by higher operations, maintenance and administration (OM&A) due to growth in the business, amortization and tax costs.

ENMAX's results of operations are not necessarily indicative of future performance due to fluctuating commodity prices, the performance and retirement of existing generation facilities, and the addition of new generation facilities. Further details on specific operations can be found in Section 2: Business Segment Results.

A reconciliation of EBIT for the three months ended March 31, 2012, as compared with the same period in 2011 is as follows:

(millions of dollars)	
EBIT for the period ended March 31, 2011	63.9
Increased margins attributable to:	
Electricity	16.8
Natural gas	3.3
Transmission and distribution	2.7
Contractual services and other	2.0
Increased expenses:	
OM&A	(8.0)
Amortization	(1.3)
EBIT for the period ended March 31, 2012	**79.4**

Electricity margins for the three months ended March 31, 2012, increased $16.8 million to $108.1 million from $91.3 million in the three months ended March 31, 2011. The increasing margins were driven primarily by higher realized sales prices, lower PPA costs, higher sales volumes in the competitive business and lower cost of natural gas used by the gas-fired generating assets. These favourable items were partially offset by lower volumes generated by the gas-fired assets during the quarter and lower sales volumes for the regulated rate option (RRO).

Natural gas margins increased $3.3 million to $7.4 million for the three months ended March 31, 2012, from $4.1 million in the same period in 2011. This increase is due primarily to lower realized natural gas costs and an increase in gas transaction fees. This favourable impact is partially offset by lower volumes sold.

For the three months ended March 31, 2012, transmission and distribution margins increased $2.7 million to $48.2 million over the $45.5 million recorded in the same period in 2011. This increase was due primarily to higher approved rates in both the transmission and distribution businesses.

For the three months ended March 31, 2012, margins from contractual services and other revenues increased $2.0 million to $17.2 million from the $15.2 million recorded in the first three months of 2011. The increase in margins was mainly due to higher activity levels in Calgary light rail transit (LRT) projects and underground residential development. This was partially offset by the 2011 unrealized foreign exchange gains on a purchase agreement denominated in US dollars that did not recur in 2012.

OM&A costs for the three months ended March 31, 2012, increased $8.0 million to $59.6 million from $51.6 million for the first quarter in 2011. The increase in OM&A costs was driven primarily by an increase in staffing costs and unrealized foreign exchange losses primarily related to forward foreign exchange contracts. These unfavourable variances have been partially offset by severance costs incurred in 2011 which did not recur in 2012.

Amortization expense for the three months ended March 31, 2012, increased $1.3 million to $41.9 million from $40.6 million for the same period in 2011. The increased charges were primarily the result of an increase in the asset base.

Other Net Earnings Items

For the three months ended March 31, 2012, interest expense decreased $3.3 million to $10.4 million from $13.7 million for the same period in 2011. The decrease was primarily due to an increase in the capitalization of interest related to capital projects.

Income tax expense for the quarter ended March 31, 2012, increased $2.1 million to $6.4 million from $4.3 million in the same period in 2011. This increase was primarily due to higher income in taxable entities offset partially by a reduction of the corporate tax rate for 2012.

Other Comprehensive Income

Other comprehensive income illustrates the Corporation's earnings under the assumption of full income recognition of gains and losses on the market value of 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 March 31, 2012, other comprehensive income (OCI) totalled earnings of $15.8 million compared with a loss of $1.1 million for the same period in 2011. The OCI in the first three months of 2012 primarily reflects the favorable fair value changes in electricity positions from the conclusion of the previous year and settlement of electricity and gas positions. This was partially offset by unrealized losses on gas positions during the quarter.

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

For the three months ended March 31 *(millions of dollars)*	**2012**	2011
ENMAX Energy	**59.7**	52.3
ENMAX Power	**18.9**	14.8
Corporate & intersegment eliminations	**0.8**	(3.2)
EBIT	**79.4**	63.9

ENMAX Energy

ENMAX Energy produces or has exclusive access to 2,067 MW of electricity generation to supply customer demand. ENMAX Energy has acquired low-cost, reliable electricity from the Keephills and Battle River coal-fired facilities through PPAs. This is complemented by 420 MW of natural gas-fired generation to meet demand through the natural gas-fired Calgary Energy Centre (CEC) and Crossfield Energy Centre (Crossfield) assets. It is one of Alberta's largest investors in renewable energy with 50% ownership of McBride Lake Wind Farm (McBride), with an additional toll for the remaining 50%, and 100% ownership of the Taber and Kettles Hill Wind Farms (Taber and Kettles).

Business Update

During the first quarter of 2012, ENMAX Energy received the Alberta Environment & Water (AEW) approval for the Bonnybrook Cogeneration Facility (Bonnybrook). Construction continued on the 800 MW Shepard Energy Centre (Shepard) located in Calgary. During the quarter, $75.8 million was invested in Calgary area generation projects.

Key business drivers

For the three months ended March 31	**2012**	2011
Market heat rate – flat average (GJ/MWh)	**29.01**	23.47
Average wholesale market spark spread ($/MWh) (1)	**$43.28**	$55.22
Average flat pool price ($/MWh)	**$59.76**	$83.78
Average natural gas price ($/GJ)	**$2.06**	$3.57
Generation volume (GWh)	**3,090**	3,078
Electricity sold (GWh)	**4,928**	4,841
Natural gas sold (TJ)	**17,954**	18,882
Customer satisfaction (2)	**80%**	71%

(1) Assuming an average CCGT heat rate of 8 GJ per MWh.
(2) Monthly weighted average of customers rating their interaction with ENMAX Encompass "Very Satisfied" per the customer interaction survey process with SQM.

ENMAX Energy sold 4,928 GWh of electricity to customers in the three months ended March 31, 2012, compared with 4,841 GWh in the same period of 2011. The increase in volume sold is due primarily to an expanding customer base in the residential customer market.

ENMAX Energy's natural gas customers purchased 17,954 TJ in the three months ended March 31, 2012, compared with 18,882 TJ in the same period in 2011. The decline in volume sold is due primarily to the warmer weather which has reduced demand. This decline is partially offset by volume growth due to an increase in customer base in the residential market.

Financial Results

ENMAX Energy recorded EBIT of $59.7 million for the three months ended March 31, 2012, compared with $52.3 million in the same period in 2011.

A reconciliation of EBIT for the first quarter ended March 31, 2012, as compared with the same period in 2011 is as follows:

(millions of dollars)	
EBIT for the three months ended March 31, 2011	52.3
Increased / (decreased) margins attributable to:	
Electricity	18.6
Natural gas	3.3
Contractual services and other	(5.6)
Increased expenses:	
OM&A	(8.4)
Amortization	(0.5)
EBIT for the three months ended March 31, 2012	**59.7**

Electricity margins from operations for the three months ended March 31, 2012, increased $18.6 million to $106.6 million compared with the $88.0 million recorded in the first three months of 2011. The increasing margins were driven primarily by higher realized retail sales prices, lower PPA costs, higher sales volumes and lower cost of natural gas used for the gas-fired generating assets. These favourable items were partially offset by lower volumes generated by the gas-fired assets during the quarter due to outages and reduced capacity.

Natural gas margins were $7.4 million for the three months ended March 31, 2012, compared with $4.1 million for the same period in the prior year. This increase is due primarily to lower realized natural gas costs and an increase in gas transaction fees. This favourable impact is partially offset by lower volumes sold.

Contractual services margin and other revenues decreased $5.6 million in the three months ended March 31, 2012, compared to the same period in 2011. This decrease was primarily due to realized and unrealized gains on a purchase agreement denominated in a foreign currency recorded in 2011 which did not recur in 2012. This was partially offset by increased earnings in the fibre optics business line.

OM&A costs increased $8.4 million in the three months ended March 31, 2012, compared to the same period in 2011. This increase was primarily attributable to increased staffing costs related to growth in the business and realized and unrealized losses on purchase agreements denominated in foreign currencies.

Amortization expense for the three months ended March 31, 2012, increased $0.5 million in the three months ended March 31, 2012, compared to the same period in 2011. The increased charges were the result of an increase in net capital additions during the year.

ENMAX Power

ENMAX Power's objective is to maintain the high reliability of its transmission and distribution system while meeting the challenges of growing infrastructure as Calgary expands. Major capital projects will be undertaken over the next five years to accommodate this growth. This includes expenditures to meet load growth associated with providing new customers with access to the electrical distribution system within the city and major transmission projects required to reinforce the existing system and replace aging infrastructure.

Business Update

Transmission and distribution capital projects which either commenced or continued in the three months ended March 31, 2012, resulted in $16.4 million being incurred for residential and non-residential development and $4.9 million for system infrastructure. Capital work also was completed on asset replacement and modification projects with $5.5 million being incurred during the three months ended March 31, 2012 to meet industry standards and safety codes and for distribution automation. Investments of $5.3 million were made in AESO required capital projects during the three-month period ended March 31, 2012. Contributions in aid of construction (CIAC) of $3.6 million were received related to these projects. In addition, $4.1 million was invested in tools and equipment required for the business.

ENMAX Power maintains a capital structure of 59% debt to 41% equity for the distribution business and 63% debt to 37% equity in the transmission business.

Key business drivers

The allowed ROE under the formula based ratemaking (FBR) framework is 8.75%. This key measure for the Corporation's regulated businesses is only filed annually with the Alberta Utilities Commission (AUC) and as such is not tracked on a quarterly interim basis at a year to date level.

As at and for the three months ended March 31	**2012**	2011
Electricity sold through the Calgary service area RRO (GWh)	**533**	634
Distribution volumes (GWh)	**2,399**	2,369
System average interruption duration index (SAIDI) (1)	**0.04**	0.05
System average interruption frequency index (SAIFI) (2)	**0.10**	0.06

(1) Total customer interruption durations divided by the number of customers served.
(2) Total number of customer interruptions divided by the number of customers served.

RRO electricity volumes sold decreased to 533 GWh in the first three months of 2012 compared with 634 GWh in the same period in 2011. Lower demand was seen as a result of customers switching from the RRO option to competitive options as well as milder weather reducing consumption.

Total electricity delivered in the Calgary service area increased for the first quarter of 2012 from the same period in the prior year with electricity volumes delivered during the three months ended March 31, 2011, at 2,399 GWh compared with 2,369 GWh in the same period in 2011. This modest increase was primarily due to an increase in the number of customers served partially offset by milder weather reducing overall consumption.

Financial Results

ENMAX Power's financial results are driven by tariffs approved by the AUC for the regulated transmission, distribution and RRO businesses and by earnings from its non-regulated power services business. The regulated segment accounted for 86.9% of ENMAX Power's total revenue in the first quarter ended March 31, 2012, compared with 89.7% in the same period in 2011 as a result of growth in the non-regulated ENMAX Power Services group.

ENMAX Power recorded EBIT of $18.9 million in the three months ended March 31, 2012, compared with $14.8 million in the same period in the prior year.

A reconciliation of EBIT for the first quarter ended March 31, 2012, as compared with the same period in 2011 is as follows:

(millions of dollars)

EBIT for the three months ended March 31, 2011	14.8
Increased / (decreased) margins attributable to:	
Electricity	(1.8)
Transmission and distribution	2.7
Contractual services and other	3.4
(Increased) / decreased expenses:	
OM&A	0.2
Amortization	(0.4)
EBIT for the three months ended March 31, 2012	**18.9**

Electricity margins from RRO customers decreased $1.8 million to $1.6 million for the three months ended March 31, 2012, compared with $3.4 million in the same period in 2011. This decreased margin was primarily the result of higher electricity costs and a decrease in sales volumes as more customers took advantage of competitive offers.

Transmission and distribution margins consist of amounts charged for wires services, net of electrical grid charges and local access fees. Transmission and distribution margins increased $2.7 million to $48.2 million for the three months ended March 31, 2012, compared with $45.5 million in the same period in 2011. This increase was due primarily to higher rates in both the transmission and distribution businesses.

For the quarter ended March 31, 2012, margins for contractual services and other revenues were $7.0 million compared with $3.6 million in the first quarter last year. The $3.4 million increase in margins was driven primarily by higher activity levels in Calgary LRT projects and underground residential development.

OM&A expenses for the three months ended March 31, 2012, decreased $0.2 million to $24.7 million, compared with $24.9 million in the same period in 2011. This decrease was driven primarily by an increase in administration recoveries, offset by increased staffing costs due primarily to growth in the ENMAX Power workforce to support and plan for the aging workforce in that group and growth in ENMAX Power Services business related to the increased construction work.

Amortization for the three months ended March 31, 2012, totalled $13.2 million, compared with $12.8 million in the same period in 2011. The increased charges were the result of an increase in the asset base from the end of the previous year, reflecting capital maintenance replacement and expansion of the Calgary and area transmission and distribution system. The amortization related to those new assets put into service was mostly offset by older assets concluding their depreciable lives.

ENMAX Corporate (including intersegment eliminations)

ENMAX Corporate provides shared services and financing to ENMAX Power and ENMAX Energy. During the three months ended March 31, 2012, EBIT for ENMAX Corporate was $0.8 million as compared with a loss of $3.2 million in the same period in the prior year. The increase in earnings is due to increased interest being charged to operating segments during the first three months of 2012 as compared to the same period in the prior year.

Key business drivers (presented at a consolidated level)

As at and for the three months ended March 31 *(millions of dollars, unless otherwise noted)*	**2012**	2011
Headcount [2]	**1,765**	1,658
Long-term debt [3]	**1,514.1**	1,417.3
Cash provided by (used in) financing activities [1]	**(12.9)**	42.5

(1) Non-GAAP financial measure. See discussion that follows in Section 4.
(2) Employee count is total employees.
(3) Includes current and long-term portions.

General and administrative costs have increased from the prior year due primarily to an increase in staffing, offset by one-time severance costs incurred in 2011 which did not recur in 2012. Headcount has increased due primarily to growth in the ENMAX Power workforce to support and plan for the aging workforce in that group, an increasing sales force, growth in the generation infrastructure, engineering and commodity management groups for the developing generation business, growth in ENMAX Power Services business related to the increased construction work and growth in corporate services to support the growing business. Long-term debt has increased due primarily to the issuance of debt for the regulated business in 2011, offset by regular repayments of debt. In 2011, funds provided by short-term borrowings, net of repayment of these short-term borrowings, was lower than 2011 which resulted in the change in cash provided by (used in) financing activities.

3 SELECTED QUARTERLY FINANCIAL DATA

	2012	2011				2010		
(millions of dollars, except operating statistics)	**First**	Fourth	Third	Second	First	Fourth	Third	Second
Total revenue	**842.0**	858.0	788.2	647.3	815.6	656.0	552.0	587.4
Operating margin[1]	**180.9**	170.9	144.4	166.0	156.1	167.5	150.1	170.8
EBIT [1]	**79.4**	66.2	48.5	68.7	63.9	62.0	48.2	83.2
Net earnings	**62.6**	42.8	41.9	50.1	49.8	42.5	29.7	58.6
Funds generated from operations[1]	**109.6**	124.3	83.8	98.5	104.9	74.0	83.1	105.9
Cash used in investing activities	**113.3**	121.7	137.7	102.9	95.8	53.5	51.6	93.0
Cash provided by (used in) financing activities	**(12.9)**	65.5	40.4	52.2	42.5	(33.2)	(26.5)	36.1

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

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 extreme 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 these unfavourable trends in natural gas prices and volumes during that part of the calendar year.

Many other variables must be considered regarding the seasonality of operating margin, EBITDA, net earnings and funds generated from operations. Overall, the bulk of the Corporation's business does not experience extreme cyclical activities to be able to identify common variations quarter over quarter.

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 the addition of EBIT, which has been added to measure operating profits less the accounting-based cost of capital assets.

Operating margin

For the three months ended March 31 (*millions of dollars*)	**2012**	2011
Electricity margins	**108.1**	91.3
Natural gas margins	**7.4**	4.1
Transmission and distribution margins	**48.2**	45.5
Contractual services margins (1) and other revenue	**17.2**	15.2
Operating margin (non-GAAP financial measure)	**180.9**	156.1
Deduct: OM&A, amortization, interest and income taxes	**118.3**	110.2
Net earnings from continuing operations (GAAP financial measure)	**62.6**	45.9

(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

For the three months ended March 31 *(millions of dollars)*	**2012**	2011
Adjusted EBITDA (non-GAAP financial measure)	**121.3**	108.4
(Add) / Deduct: EBITDA from discontinued operations	**-**	3.9
Standardized EBITDA	**121.3**	104.5
Deduct: Amortization	**41.9**	40.6
Interest	**10.4**	13.7
Income taxes	**6.4**	4.3
Net earnings from continuing operations (GAAP financial measure)	**62.6**	45.9

EBITDA is a useful measure of business performance as management believes it provides an indication of the cash flow 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 also used to evaluate certain debt coverage ratios.

EBIT

For the three months ended March 31 *(millions of dollars)*	**2012**	2011
EBIT (non-GAAP financial measure)	**79.4**	63.9
Deduct: Interest	**10.4**	13.7
Income taxes	**6.4**	4.3
Net earnings from continuing operations (GAAP financial measure)	**62.6**	45.9

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. It does not consider how those activities are financed or how the results are taxed in various business jurisdictions.

Funds generated from operations

For the three months ended March 31 *(millions of dollars)*	**2012**	2011
Funds generated from operations (non-GAAP financial measure)	**109.6**	104.9
Changes in non-cash working capital	**36.0**	(101.0)
Employee future benefits	**1.0**	(1.2)
Cash provided by operating activities (GAAP financial measure)	**146.6**	2.7

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

For the three months ended March 31 (*millions of dollars*)	**2012**	**2011**
Total interest cost (non-GAAP financial measure)	**21.2**	20.0
Ineffective portion of interest rate swaps	**(0.4)**	(0.4)
Capitalized interest	**(11.0)**	(6.3)
Other non-interest financing costs	**0.6**	0.4
Interest expense (GAAP financial measure)	**10.4**	13.7

Total interest cost is used in determining 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)	March 31, 2012	December 31, 2011	$ Change	% Change	Explanation for change
ASSETS					
Cash and cash equivalents	**55.8**	35.4	20.4	58%	See Section 6: Liquidity and capital resources
Accounts receivable	**584.8**	668.8	(84.0)	(13%)	Lower due to impact of lower pool prices on sales
Property, plant and equipment	**2,827.3**	2,742.4	84.9	3%	Capital expenditures, net of amortization
Power purchase arrangements	**461.8**	473.7	(11.9)	(3%)	Amortization on Keephills and Battle River PPAs
LIABILITIES AND SHAREHOLDER'S EQUITY					
Accounts payable and accrued liabilities	**339.7**	384.5	(44.8)	(12%)	Lower due to impact of lower pool prices on sales
Dividend payable	**42.0**	-	42.0	100%	Dividend declared in March to be paid in four payments over the course of the year
Other current liabilities	**78.8**	90.2	(11.4)	(13%)	Decrease in deposits and fair value of hedging instruments

6 LIQUIDITY AND CAPITAL RESOURCES

Capitalization

As at *(millions of dollars)*	**March 31, 2012**	December 31, 2011
Long-term debt [(1)]	**1,514.1**	1,522.2
Shareholder's equity		
Share capital	**280.1**	280.1
Retained earnings	**1,739.0**	1,732.4
Accumulated other comprehensive loss	**(53.0)**	(68.8)
Total shareholder's equity	**1,966.1**	1,943.7
Total capitalization (long-term debt plus shareholder's equity)	**3,480.2**	3,465.9

(1) Includes the current portion of long-term debt of $54.2 million (December 31, 2011 - $53.7 million). Maturity dates range from August 2012 to June 2036.

The details of share capital are as follows:

As at March 31, 2012 and December 31, 2011 *(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:

As at *(millions of dollars)*	**March 31, 2012**	December 31, 2011
Committed and available bank credit facilities	**900.0**	900.0
Letters of credit issued:		
Power pool purchases	**99.4**	173.6
Energy trading	**31.0**	49.0
Regulatory commitments	**79.3**	80.6
Asset commitments	**16.8**	16.8
PPAs	**67.3**	67.3
	293.8	387.3
Commercial paper and overdraft	**174.9**	166.8
Remaining available bank facilities	**431.3**	345.9
Cash on hand	**55.8**	35.4
Total liquidity and capital reserves	**487.1**	381.3

The increase in total liquidity and capital reserves over the past quarter can be attributed to lower collateral requirements due to a decrease in commodity prices in the late part of the quarter which reduced the level of letters of credit issued for power pool purchases and energy trading.

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

As at *(millions of dollars)*	**March 31, 2012**	December 31, 2011
Long-term debt, (1) consisting of:		
Alberta Capital Financing Authority (ACFA) debentures, with remaining terms of:		
Less than 5 years	**50.1**	50.1
5 – 15 years	**141.1**	147.4
16 – 20 years	**60.0**	60.0
21 – 25 years	**475.4**	475.4
Private debentures		
Series 1, remaining term of 7 years, bullet maturity on June 19, 2018	**297.6**	297.4
Series 2, remaining term of 3 years, bullet maturity on April 8, 2014	**249.3**	249.2
Non-recourse term financing (Kettles and CEC), remaining term of 6 and 16 years, respectively	**235.4**	237.4
Promissory note, remaining term of 16 years	**5.2**	5.3
	1,514.1	1,522.2

(1) Includes current portion of long-term debt of $54.2 million (December 31, 2011 - $53.7 million). Maturity dates range from August 2012 to June 2036.

Payments due by period

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

(millions of dollars)	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Total debt (1)	1,689.0	229.1	346.9	116.8	996.2
Operating leases	14.7	4.5	8.4	1.8	-
Purchase obligations (2)	235.4	118.0	69.3	13.1	35.0
Asset retirement obligations	14.1	-	-	-	14.1
Other long-term obligations (3)	97.8	-	52.6	16.1	29.1
Total contractual obligations	2,051.0	351.6	477.2	147.8	1,074.4

(1) Total debt excludes interest payments.

(2) Purchase obligations 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.

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

ENMAX has historically paid The City annual dividends equal to the minimum of 30% of the prior year's net earnings or $30 million. Dividends for a fiscal year are established in the first quarter of the same fiscal year.

Financial ratios

As at *(millions of dollars)*	**March 31, 2012**	December 31, 2011
Long-term debt to total capitalization (1)	**43.5%**	43.9%
Debt to EBITDA (2)	**3.5X**	3.7X
EBITDA to total interest (2)	**5.1X**	5.0X

(1) As at period end, long-term debt (including current portion) to total capitalization is equal to long-term debt divided by total long-term debt plus shareholder's equity. If cash was netted against the debt, the ratio as at March 31, 2012, would be 41.9% (December 31, 2011 – 42.9%).

(2) Debt to EBITDA is equal to long-term debt (including current portion) divided by EBITDA for the last 12 month rolling period.

(3) EBITDA to total interest is equal to EBITDA for the last 12 month rolling period divided by gross interest cost (non-GAAP financial measures) calculated on a twelve-month rolling basis.

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 long-term debt to total capitalization at a maximum of 45%, a Debt to EBITDA ratio at a maximum of 3.5 times and an EBITDA to total interest coverage ratios at five 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 also affirmed 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 are interest coverage and debt to capitalization. As at March 31, 2012, the Corporation is in compliance with these financial covenants.

Cash provided by operating activities

Funds generated from operations for the three months ended March 31, 2012, were $109.6 million, compared with $104.9 million in the same three months in 2011. The increase in funds generated was primarily due to higher cash generating earnings.

Cash provided by operating activities for the three months ended March 31, 2012, was $146.6 million, compared with $2.7 million in the same three months last year. The increase in cash flow from operations was driven by higher cash generating earnings and improved working capital. The working capital improvement was primarily due to a reduction in accounts receivable due to lower commodity prices and volumes.

Investing activities

Capital investment was $113.6 million in the three months ended March 31, 2012, a decrease from $197.5 million from the same period last year. Capital projects for the three months ended March 31, 2012, included $32.6 million investment in the transmission and distribution network in Calgary and surrounding area, $75.8 million in costs related to Calgary area generation projects, $1.4 million on expenditures relating to environmental regulations on the PPA assets and $3.8 million related to other small capital additions including IT development. The investment in the transmission and distribution network in Calgary allows ENMAX Power to meet one of the Corporation's core strategies, and duty under the Electric Utilities Act, to 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 compared to traditional coal-fired generating facilities. The investment in information technology will allow ENMAX 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.

Financing activities

ENMAX repaid $8.2 million of long-term debt in regularly scheduled principal payments during the three months ended March 31, 2012, compared with $10.4 million in the same three months in 2011. These repayments were sourced through operating activities.

On March 8, 2012, the Corporation declared a dividend of $56.0 million payable to The City in quarterly instalments throughout 2012.

At March 31, 2012, cash and cash equivalents amounted to $55.8 million, compared with $35.4 million at December 31, 2011. ENMAX had $174.9 million of outstanding Commercial Paper as at March 31, 2012, compared with $166.8 million at December 31, 2011.

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. On March 30, 2012, the AcSB issued another amendment which allows entities that have activities subject to rate regulation to delay adoption of IFRS until January 1, 2013. The Corporation has chosen to take this option and will apply IFRS in reporting interim and annual consolidated financial statements beginning January 1, 2013, including comparative 2012 results. While IFRS uses a conceptual framework similar to GAAP, there will be differences in accounting policies.

ENMAX was prepared for transition to IFRS on January 1, 2012, as disclosed in the 2011 Financial Report. The deferral of IFRS for an additional year is expected to have the following impacts on the Corporation's conversion plan:

Area	Description of Project Change	Status and Significant Impacts
Stand-Alone Financial Statements	• ENMAX issues separate financial statements for three of its subsidiaries as required by debt covenants or regulators. • Two of these subsidiaries do not have activities subject to rate regulation and are therefore not able to delay adoption of IFRS.	• The Corporation's lenders agreed to accept 2011 financial statements prepared in accordance with pre-transition GAAP for the entities not able to elect the deferral. The Corporation is in the process of requesting an additional year's waiver. • This allows the Corporation to coordinate transition across the consolidated group.
IFRS 1 Exemptions and Elections	• The new IFRS opening balance sheet date is January 1, 2012.	• The significant IFRS 1 transition adjustments disclosed in the 2011 Financial Report will need to be revised for the new transition date.
Timing	• The project plan has been pushed out one year.	• There are new standards expected to be issued in this deferral period that will need to be adopted during transition.
Rate Regulated Activities	• In issuing the amendment, the AcSB noted that recent discussions of the IASB's future agenda suggest an increased possibility that the IASB may address rate-regulated activities as part of its future agenda and develop interim guidance in the meantime that, in effect, would allow the continuation of accounting practices in accordance with pre-changeover standards in Part V of The CICA Handbook.	• IASB activities are being monitored. It is possible that if the IASB deliberations have not concluded by the end of 2012, the AcSB could allow for further deferral of IFRS.

Information technology and data systems

Modifications are being implemented to extend the transition date from January 1, 2011 to January 1, 2012. Data conversion will be completed in the second quarter of 2012.

Internal control over financial reporting and disclosure controls and procedures

The Corporation continues to evaluate the impacts of IFRS changes on disclosure controls and procedures and internal controls over financial reporting. Required changes to the Corporation's control environment cannot be finalized until IFRS standards and Corporation policies are complete. The Corporation continues to monitor IASB activities and develop reporting requirements to meet new standards. Open discussions continue with the Corporation's external auditors about possible outcomes of new standards and impacts of the deferral.

Financial reporting expertise

Project status reporting is provided to the project steering committee and the Audit and Finance Committee on a quarterly basis. Training of finance and accounting staff is ongoing. The Corporation has actively engaged its external auditors to assess possible positions and policies.

Business activities

The Corporation continues to evaluate the impact of IFRS on its debt covenants, compensation agreements and dividend policy.

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, financial instruments and interest during construction. 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 2011 Financial Report in Section 9 of the Management's Discussion and Analysis and in Note 2 of the Consolidated Financial Statements.

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. To ensure the risk management processes at ENMAX continue to keep pace with the changing needs of the organization, ENMAX made some enhancements to its enterprise risk assessment process during 2011. These enhancements were designed to improve management's ability to identify and manage risk and to ensure that the consideration of risk continues to be a key component of the decision-making process. For further information on risks, refer to Section 10 of MD&A in ENMAX's 2011 Financial Report.

10 FINANCIAL INSTRUMENTS

Energy trading derivatives

Energy trading derivatives are contracts-for-differences that are financial forwards and futures for electricity and gas positions. This does not include electricity and gas contracts that are not considered to be accounting derivatives (normal purchase and sale contracts). The fair value of ENMAX Energy's contracts-for-differences is determined by estimating the amounts that would have to be received or paid to counterparties to terminate the contracts at March 31, 2012 and December 31, 2011. The following contracts-for-differences were outstanding at the end of the period:

As at	**March 31, 2012**	December 31, 2011
Notional Quantities		
Electricity sales (GW)	**3,403**	3,650
Natural gas sales (TJ)	**642**	323
Electricity purchases (GW)	**1,904**	941
Natural gas purchases (TJ)	**14,120**	14,610

At March 31, 2012, on the basis of electricity and natural gas prices at that date, the fair market value of these contracts, amounted to an unrealized negative mark-to-market adjustment of $43.8 million (December 31, 2011 – $61.3 million). This amount does not reflect the fact that these contracts will settle at prices in effect in the future.

Refer to Note 3 of the Consolidated Financial Statements for further information on financial instruments.

11 ASSET RETIREMENT OBLIGATIONS

At March 31, 2012, the Corporation has asset retirement obligations relating to the following generating assets: McBride, Taber, Crossfield, Kettles and CEC. The Corporation also has an asset retirement obligation relating to the Envision business unit for its high-speed fibre-optic assets. The accretion expense on these assets is included in the OM&A line in the statement of income.

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

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 months ended March 31, 2012, transactions with The City amounted to $27.6 million in revenue, compared with $28.9 million in the same period in 2011. The significant components include contract sales of electricity, provision of non-regulated power distribution services and billing and customer care services relating to The City's utilities departments. In the three months ended March 31, 2012, total expenditures for goods and services received from The City were $51.4 million compared with $29.5 million in the same period in 2011. 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 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 to reader at the beginning of the MD&A.

The financial results forecasted for 2012 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 continued variability in electricity prices in 2012 with average prices being lower than those seen in 2011. The Corporation expects that natural gas prices will remain at relatively low levels. Volumes are expected to continue to grow in both electricity and natural gas service lines.

OM&A costs are expected to continue to see pressure as a result of growth in the business, inflationary increases on labour and salary costs and increased costs of the Corporation's defined benefit pension plan. Effort continues to be made to mitigate these increases through productivity improvements and general cost control measures.

As a result of the impacts from the above, ENMAX continues to expect that net earnings for 2012 will be higher than the net earnings levels seen in 2011. 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 2012 development plans.

14 ADDITIONAL INFORMATION

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

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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 310-2010. You can choose any retailer listed at www.ucahelps.alberta.ca or at 310-4822. Electricity delivery to your home or business is not affected by your choice of retailer.

Consolidated Balance Sheets

AS AT *(millions of dollars)*		**March 31, 2012** *(unaudited)*		December 31, 2011
ASSETS				
Cash and cash equivalents	**$**	**55.8**	$	35.4
Accounts receivable (notes 3 and 4)		**584.8**		668.8
Income taxes receivable		**55.7**		53.3
Future income tax asset		**11.4**		13.9
Other current assets (notes 3 and 5)		**54.4**		54.4
		762.1		825.8
Property, plant and equipment		**2,827.3**		2,742.4
Power purchase arrangements		**461.8**		473.7
Intangible assets		**105.6**		106.9
Goodwill		**16.0**		16.0
Employee future benefits (note 6)		**24.1**		25.1
Future income tax asset		**69.7**		74.4
Other long-term assets (notes 3, 4 and 5)		**58.8**		63.5
TOTAL ASSETS	**$**	**4,325.4**	$	4,327.8
LIABILITIES				
Short-term debt (notes 3 and 7)	**$**	**174.9**	$	166.8
Accounts payable and accrued liabilities (note 3)		**339.7**		384.5
Dividend payable		**42.0**		-
Income taxes payable		**4.5**		7.6
Future income tax liability		**0.8**		1.4
Current portion of long-term debt (note 3)		**54.2**		53.7
Other current liabilities (notes 3 and 5)		**78.8**		90.2
		694.9		704.2
Long-term debt (note 3)		**1,459.9**		1,468.5
Future income tax liability		**92.6**		91.9
Other long-term liabilities (notes 3 and 5)		**97.8**		105.6
Asset retirement obligations		**14.1**		13.9
		2,359.3		2,384.1
SHAREHOLDER'S EQUITY				
Share capital		**280.1**		280.1
Retained earnings		**1,739.0**		1,732.4
Accumulated other comprehensive loss (note 8)		**(53.0)**		(68.8)
		1,966.1		1,943.7
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**$**	**4,325.4**	$	4,327.8

Commitments and contingencies (note 9)

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Earnings and Comprehensive Income

THREE MONTHS ENDED *(unaudited)* *(millions of dollars)*		**March 31, 2012**		March 31, 2011
REVENUE (note 2)				
Electricity	**$**	**575.8**	$	541.9
Natural gas		**99.4**		137.8
Transmission and distribution		**123.2**		102.2
Contractual services		**40.4**		27.1
Other		**3.2**		6.6
TOTAL REVENUE		**842.0**		815.6
COST OF SERVICES PROVIDED (note 2)				
Electricity		**467.7**		450.6
Natural gas		**92.0**		133.7
Local access fees and grid charges		**75.0**		56.7
Contractual services		**26.4**		18.5
Operations, maintenance and administration		**59.6**		51.6
TOTAL COST OF SERVICES PROVIDED		**720.7**		711.1
EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAXES		**121.3**		104.5
Amortization		**41.9**		40.6
Interest		**10.4**		13.7
Current income taxes		**5.1**		1.8
Future income taxes		**1.3**		2.5
NET EARNINGS FROM CONTINUING OPERATIONS		**62.6**		45.9
Net earnings from discontinued operations, net of tax (note 10)		**-**		3.9
NET EARNINGS		**62.6**		49.8
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Unrealized losses on available-for-sale financial assets arising during the period, includes future income tax of $nil (2011 - $ nil)		**-**		(0.7)
Unrealized gain (losses) on derivatives designated as cash flow hedges, includes future income tax expense of $4.4 (2011 - $5.4 benefit)		**4.2**		(16.6)
Realized losses on derivatives designated as cash flow hedges in prior periods transferred to net earnings in the current period, includes future income tax benefit of $1.2 (2011 - $0.9 benefit)		**11.6**		16.2
Other comprehensive income (loss), net of tax		**15.8**		(1.1)
COMPREHENSIVE INCOME	**$**	**78.4**	$	48.7

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholder's Equity

(unaudited) *(millions of dollars)*	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
BALANCE, JANUARY 1, 2011	**$ 280.1**	**$ 1,603.4**	**$ (38.3)**	**$ 1,845.2**
Net earnings	-	49.8	-	49.8
Dividends	-	(55.6)	-	(55.6)
Other comprehensive loss including future income tax benefit of $4.5	-	-	(1.1)	(1.1)
BALANCE, MARCH 31, 2011	**280.1**	**1,597.6**	**(39.4)**	**1,838.3**
Comprehensive income (loss) for the remainder of 2011	**-**	134.8	(29.4)	105.4
BALANCE, DECEMBER 31, 2011	**280.1**	**1,732.4**	**(68.8)**	**1,943.7**
Net earnings	-	62.6	-	**62.6**
Dividends	-	(56.0)	-	**(56.0)**
Other comprehensive income including future tax expense of $5.6	-	-	15.8	**15.8**
BALANCE, MARCH 31, 2012	**$ 280.1**	**$ 1,739.0**	**$ (53.0)**	**$ 1,966.1**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

THREE MONTHS ENDED *(unaudited)* *(millions of dollars)*		**March 31, 2012**		March 31, 2011
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net earnings	**$**	**62.6**	$	49.8
Items not involving cash:				
Gain on disposal of assets held for sale		**-**		(3.1)
Amortization		**41.9**		40.6
Future income taxes		**1.3**		2.5
Change in unrealized market value of financial contracts (note 3)		**3.4**		0.5
Other		**0.4**		14.6
		109.6		104.9
Change in non-cash working capital		**36.0**		(101.0)
Employee future benefits		**1.0**		(1.2)
		146.6		2.7
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		**(118.0)**		(191.8)
Net proceeds from disposal of assets held for sale		**-**		102.0
Additions to power purchase arrangements		**(1.4)**		(9.3)
Other long-term assets		**4.2**		(0.3)
Contributions in aid of construction		**1.4**		3.6
Proceeds from receipt of government grants		**0.5**		-
		(113.3)		(95.8)
FINANCING ACTIVITIES				
Repayment of short-term debt		**(797.1)**		(90.0)
Proceeds of short-term debt		**805.2**		154.5
Repayment of long-term debt		**(8.2)**		(10.4)
Dividend paid		**(14.0)**		(13.9)
Other long-term liabilities		**1.2**		2.3
		(12.9)		42.5
Increase (decrease) in cash and cash equivalents		**20.4**		(50.6)
Cash and cash equivalents, beginning of period		**35.4**		65.8
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$**	**55.8**	$	15.2
Supplementary information:				
Interest paid	**$**	**7.6**	$	8.2
Income taxes paid	**$**	**10.3**	$	6.0
Cash and cash equivalents consist of:				
Cash	**$**	**49.8**	$	15.2
Short-term investments	**$**	**6.0**	$	-

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements
(Unaudited)

1. Significant accounting policies

The interim consolidated financial statements of ENMAX Corporation 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, 2011.

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 2011 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. Segmented information

THREE MONTHS ENDED MARCH 31,	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
(millions of dollars)	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
REVENUE								
Electricity	**643.4**	585.9	**67.6**	52.0	**(135.2)**	(96.0)	**575.8**	541.9
Natural gas	**99.4**	137.8	**-**	-	**-**	-	**99.4**	137.8
Transmission and distribution	**-**	-	**123.2**	102.2	**-**	-	**123.2**	102.2
Contractual services	**14.0**	12.7	**31.5**	20.4	**(5.1)**	(6.0)	**40.4**	27.1
Other	**4.3**	10.5	**0.3**	0.8	**(1.4)**	(4.7)	**3.2**	6.6
TOTAL REVENUE	**761.1**	746.9	**222.6**	175.4	**(141.7)**	(106.7)	**842.0**	815.6
COST OF SERVICES PROVIDED								
Electricity	**536.8**	497.9	**66.0**	48.6	**(135.1)**	(95.9)	**467.7**	450.6
Natural gas	**92.0**	133.7	**-**	-	**-**	-	**92.0**	133.7
Local access fees and grid charges	**-**	-	**75.0**	56.7	**-**	-	**75.0**	56.7
Contractual services	**1.9**	1.2	**24.8**	17.6	**(0.3)**	(0.3)	**26.4**	18.5
Operations, maintenance and administration	**42.9**	34.5	**24.7**	24.9	**(8.0)**	(7.8)	**59.6**	51.6
TOTAL COST OF SERVICES PROVIDED	**673.6**	667.3	**190.5**	147.8	**(143.4)**	(104.0)	**720.7**	711.1
EARNINGS BEFORE INTEREST, INCOME TAXES, AMORTIZATION AND NON-CONTROLLING INTEREST	**87.5**	79.6	**32.1**	27.6	**1.7**	(2.7)	**121.3**	104.5
Amortization	**27.8**	27.3	**13.2**	12.8	**0.9**	0.5	**41.9**	40.6
EARNINGS BEFORE INTEREST AND INCOME TAXES	**59.7**	52.3	**18.9**	14.8	**0.8**	(3.2)	**79.4**	63.9
Interest							**10.4**	13.7
Income taxes							**6.4**	4.3
NET EARNINGS FROM CONTINUING OPERATIONS							**62.6**	45.9
Net gain from discontinued operations							**-**	3.9
NET EARNINGS							**62.6**	49.8
GOODWILL	**16.0**	16.0					**16.0**	16.0
CAPITAL ADDITIONS	**79.1**	176.4	**31.4**	23.4	**3.1**	(2.3)	**113.6**	197.5

Segmented Total Assets

As at *(millions of dollars)*	**March 31, 2012**	December 31, 2011
ENMAX Energy	**2,973.0**	2,960.6
ENMAX Power	**1,306.9**	1,323.0
Corporate and eliminations	**45.5**	44.2
	4,325.4	4,327.8

3. Financial instruments, hedges and risk management

Risk analysis and control

ENMAX manages its exposure to market risk (interest rate risk, foreign currency exchange risk, commodity price risk and equity price risk) on a portfolio basis, which includes 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 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 contracts. Forward prices of natural gas and electricity impact commodity derivatives. The market value of equity investments impacts those instruments carried at fair value.

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

- The same fair value methodologies have been used as were used to obtain actual fair values in the fair values section of this note.
- Changes in the fair value of derivative instruments that are effective cash flow hedges are recorded in other comprehensive income.
- Changes in the fair value of derivative instruments that are not designated as hedges, that are fair value hedges or that are ineffective cash flow hedges are recorded in earnings.
- Foreign currency balances, principal and notional amounts are based on amounts as at March 31, 2012, and 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)*	**March 31, 2012**		March 31, 2011	
	Earnings	**Other Comprehensive Income**	Earnings	Other Comprehensive Income
Interest rates increased 100 basis points (1% pure rate change)	**+ 0.5**	**+ 14.4**	+ 0.5	+ 13.6
Canadian dollar strengthens compared with the U.S. dollar by 10%	**- 9.2**	**+ 2.1**	- 9.6	+ 3.8
Canadian dollar strengthens compared with the Japanese Yen by 10%	**- 0.2**	**-**	+ 0.1	-
Forward price of natural gas increases by 10%	**- 0.2**	**+ 5.6**	+ 0.1	+ 6.0
Forward price of electricity increases by 10%	**+ 7.0**	**- 18.5**	+ 2.2	- 10.4
Equity investment increased by 10%	**-**	**-**	-	+ 0.2

These sensitivities are based on financial instruments carried at fair value, which include derivative contracts. The impact of a change in one factor may be compounded or offset by changes in other factors. This table does not consider the impact of any interrelationship among the factors. These sensitivities are 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 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 March 31, 2012, would have an effect on fair value of fixed interest rate debt of $75.2 million (December 31, 2011 - $78.1 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 exposure resulting from procurement contracts has 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)*	**March 31, 2012**	December 31, 2011
Cash and cash equivalents *(1)*	**55.8**	35.4
Accounts receivable *(2)*	**584.8**	668.8
Other current assets *(3)*	**54.4**	54.4
Other long-term assets *(3)*	**58.8**	63.5

(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, 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 nonpayment of a customer's accounts receivable balance, as well as the loss that may be incurred from the resale of energy previously allocated to serve the customer.

Charges to income as a result of credit losses for the Corporation during the three month period ended March 31, 2012, totalled $1.3 million (2011 - $0.1 million gain).

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

As at *(millions of dollars)*	**March 31, 2012**	December 31, 2011
1-30 days past due	**21.6**	15.3
31-60 days past due	**4.4**	3.7
61 days past due and over	**8.8**	10.2
Total past due	**34.8**	29.2

As at March 31, 2012, the allowance for doubtful accounts was $7.8 million. The changes in the allowance were as follows:

(millions of dollars)	**Three months ended March 31, 2012**	Year ended December 31, 2011
Provision at the beginning of the period	**8.8**	9.5
Increase to allowance	**1.3**	7.8
Recoveries and write-offs	**(2.3)**	(8.5)
Provision at end of the period	**7.8**	8.8

The remainder of the accounts receivable balance outstanding at March 31, 2012, consists of unbilled revenue accruals. No provision has been recorded due to the minimal credit risk as at the consolidated 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 current and long-term non-derivative financial liabilities, including both the principal and interest cash flows:

As at *(millions of dollars)*	**March 31, 2012**	December 31, 2011
2012	**691.4**	701.5
2013	**124.8**	124.4
2014	**364.8**	364.4
2015	**97.1**	104.2
2016	**117.2**	117.2
Thereafter	**1,298.0**	1,300.7

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

As at *(millions of dollars)*	**March 31, 2012**	December 31, 2011
2012	**46.8**	85.3
2013	**23.4**	15.9
2014	**12.5**	7.7
2015	**12.5**	9.0
2016	**9.0**	6.0
Thereafter	**19.8**	17.4

The principal financial covenants in ENMAX's credit facilities and debentures are interest coverage and debt to capitalization. As at March 31, 2012, the Corporation is in compliance with its financial covenants related to debt classified as long-term debt on the consolidated 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 are not materially different from 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 *(millions of dollars)*	**March 31, 2012**		December 31, 2011	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Long-term debt [1], consisting of:				
Debentures, with remaining terms of:				
Less than 5 years	**50.1**	**54.6**	50.1	54.7
5 – 15 years	**141.1**	**161.8**	147.4	164.5
16 – 20 years	**60.0**	**59.9**	60.0	67.9
21 – 25 years	**475.4**	**543.2**	475.4	550.2
Private debentures				
Series 1 (6.15%)	**297.6**	**345.4**	297.4	343.6
Series 2 (5.85%)	**249.3**	**270.5**	249.2	269.4
Non-recourse term financing Kettles Hill Wind Farm (Kettles) and CEC	**235.4**	**221.2**	237.4	222.3
Promissory note	**5.2**	**5.4**	5.3	5.3
	1,514.1	**1,662.0**	1,522.2	1,677.9

[1] Includes current portion of $54.2 million (December 31, 2011 – $53.7 million). Maturity dates range from August 2012 to June 2036.

Derivative assets and liabilities

Financial derivative instruments are recorded on the consolidated balance sheet at fair value. As at March 31, 2012, 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 sheets as per the table below:

As at *(millions of dollars)*	**March 31, 2012**		December 31, 2011	
	Hedge Instruments	**Non-Hedge Derivatives**	Hedge Instruments	Non-Hedge Derivatives
Assets				
Current	**7.6**	**16.3**	3.7	18.9
Non-current	**8.8**	**23.0**	8.1	24.2
Liabilities				
Current	**31.9**	**19.1**	42.3	16.8
Non-current	**43.9**	**29.1**	50.4	31.8

Cash flow hedges are used to manage the variability of cash flows resulting from the purchase and sale of electricity and natural gas as well as foreign exchange exposure. For cash flow hedges, changes in the fair value of the effective portion of the hedging derivative are accumulated in other comprehensive income and recognized in net earnings during the periods when the variability in cash flows of the hedged item is realized. In the first quarter of 2012, there was no impact (2011 - nil) recognized in earnings as a reflection of the ineffectiveness of the relevant hedges. Gains and losses on cash flow hedges are reclassified immediately to net earnings when the hedged item is sold or terminated early, or when a hedged anticipated transaction is no longer likely to occur. During the three months ended March 31, 2012, there was no impact to net earnings (2011 - $0.3 million loss) related to hedges that no longer qualify for hedge accounting.

Foreign exchange exposures on the Corporation's futures margin trading account are managed through economic hedges. For these hedges, the change in the fair value of the hedging derivatives and hedged items are recognized directly in earnings. In the first quarter of 2012, a gain of $0.1 million (2011 - $0.1 million gain) has been recognized.

The Corporation estimates that of the $53.0 million of losses reported in accumulated other comprehensive income as at March 31, 2012, $24.3 million is expected to be realized within the next 12 months at market prices in effect at the time of settlement.

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 months ended March 31, 2012, losses of $3.4 million (2011 - $18.0 million loss) were recorded in net earnings.

Fair value

As at March 31, 2012, the Corporation's financial assets and liabilities measured at fair value are:

(millions of dollars)	**Quoted prices in active markets (LEVEL I)**	**Fair value significant other observable inputs (LEVEL II)**	**Significant unobservable inputs (LEVEL III)**	**TOTAL**
Financial assets[1] measured at fair value:				
Energy trading forward contracts	**0.4**	**15.6**	**4.1**	**20.1**
Foreign currency forward contracts	**-**	**15.2**	**-**	**15.2**
Interest rate swap	**-**	**20.4**	**-**	**20.4**
Financial asset total	**0.4**	**51.2**	**4.1**	**55.7**
Financial liabilities[1] measured at fair value:				
Energy trading forward contracts	**15.6**	**37.4**	**10.9**	**63.9**
Foreign currency forward contracts	**-**	**2.7**	**-**	**2.7**
Interest rate swap	**-**	**57.4**	**-**	**57.4**
Financial liabilities total	**15.6**	**97.5**	**10.9**	**124.0**
Net risk management liabilities	**(15.2)**	**(46.3)**	**(6.8)**	**(68.3)**

(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, 2011, the Corporation's financial assets and liabilities measured at fair value are:

(millions of dollars)	**Quoted prices in active markets (LEVEL I)**	**Fair value significant other observable inputs (LEVEL II)**	**Significant unobservable inputs (LEVEL III)**	**TOTAL**
Financial assets[(1)] measured at fair value:				
Energy trading forward contracts	0.4	12.4	4.0	16.8
Foreign currency forward contracts	-	15.1	-	15.1
Interest rate swap	-	23.0	-	23.0
Financial asset total	0.4	50.5	4.0	54.9
Financial liabilities[(1)] measured at fair value:				
Energy trading forward contracts	17.5	46.6	14.1	78.2
Interest rate swap	-	63.1	-	63.1
Financial liabilities total	17.5	109.7	14.1	141.3
Net risk management liabilities	(17.1)	(59.2)	(10.1)	(86.4)

(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).

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 during the period ended March 31, 2012:

(millions of dollars)	
Net risk management assets as at December 31, 2011	**(10.1)**
Changes attributable to:	
Commodity price changes	**2.6**
New contracts entered	**-**
Transfers out of Level III	**0.7**
Net risk management liabilities at March 31, 2012	**(6.8)**
Total change in fair value included in Other Comprehensive Income	**3.3**
Total change in fair value included in pre-tax earnings	**-**

The assumptions and model used to measure the assets and liabilities in Level III have not changed since December 31, 2011.

4. 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)*	**March 31, 2012**	December 31, 2011
Regulatory assets		
Accounts receivable: purchased power variances (1)	**49.9**	69.9
Distribution assets: inter-company profit on underground residential development (2)	**38.7**	39.0
Other regulatory assets (3)	**13.7**	14.1
Total regulatory assets	**102.3**	123.0
Regulatory liabilities		
Other regulatory liabilities (4)	**7.0**	1.2
Total regulatory liabilities	**7.0**	1.2

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 months ended March 31, 2012, would have been $20.0 million higher (2011 - $2.1 million lower). The regulatory asset is 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 months ended March 31, 2012 would be an increase of $0.3 million (2011 – $0.9 million decrease) representing the profit on these services. The balances for property, plant and equipment and retained earnings at March 31, 2012, would further be reduced by $38.7 million (December 31, 2011 – $39.0 million).

(3) Other regulatory assets

Other regulatory assets primarily relate to Alberta Utilities Commission (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 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 months ended March 31, 2012, was $1.5 million (2011 – $6.7 million loss) representing the gain on disposals and retirements of regulated assets.

5. Other assets and liabilities

As at *(millions of dollars)*	**March 31, 2012**	December 31, 2011
Other current assets		
Hedge instruments	**7.6**	3.7
Non-hedge derivatives	**16.3**	18.9
Restricted cash	**22.8**	17.8
Prepaid expenses	**6.2**	12.6
Inventory	**1.5**	1.4
	54.4	54.4

As at *(millions of dollars)*	**March 31, 2012**	December 31, 2011
Other long-term assets		
Hedge instruments	**8.8**	8.1
Non-hedge derivatives	**23.0**	24.2
Restricted cash	**15.1**	14.1
Shares in other companies	**0.4**	0.4
Prepaid expenses	**5.8**	11.7
Other	**5.7**	5.0
	58.8	63.5
Other current liabilities		
Hedge instruments	**31.9**	42.3
Non-hedge derivative	**19.1**	16.8
Deposits	**19.6**	23.0
Deferred revenue	**8.2**	8.1
	78.8	90.2
Other long-term liabilities		
Hedge instruments	**43.9**	50.4
Non-hedge derivative	**29.1**	31.8
Long-term payables	**15.4**	13.8
Deferred revenue	**9.4**	9.6
	97.8	105.6

6. Employee future benefits

The Corporation has a registered pension plan that substantially covers all employees and includes both defined benefit (DB) and defined contribution (DC) provisions. The DB provisions provide a pension based on years of service and highest average earnings over five consecutive years of employment. DB pension benefits under the registered plan will increase annually by 60% of the Consumer Price Index for Alberta. Under the DC provisions, employer contributions are based on the participating members' pensionable earnings and contribution levels.

The Corporation also sponsors a supplemental pension plan providing an additional DB pension based on years of service and highest average earnings (including incentive pay) to both DB and DC members whose benefits are limited by maximum pension rules under the ITA. The supplemental pension plan benefits do not automatically increase. In addition, the Corporation provides employees with post-retirement benefits other than pensions, including extended health and dental benefits beyond those provided by government-sponsored plans, life insurance and a lump-sum allowance payable at retirement, up to age 65.

The total employee benefit cost recorded in the consolidated financial statements of earnings and comprehensive income for the three months ended March 31, 2012, is $4.6 million (2011 - $4.5 million).

7. Short-term debt

The Corporation has unsecured credit facilities amounting to $900.0 million (December 31, 2011 - $900.0 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 operating facilities and $250.0 million of syndicated credit facilities. As at March 31, 2012, $262.0 million (December 31, 2011 – $355.5 million) of operating facilities and $31.9 million (December 31, 2011 – $31.9 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 by the Corporation's credit facilities. At March 31, 2012, the Corporation had $174.9 million in commercial paper at a weighted average rate of 1.10% (December 31, 2011 - $166.8 million at a weighted average rate of 1.11%).

8. Accumulated other comprehensive income

As at *(millions of dollars)*	**March 31, 2012**	December 31, 2011
Unrealized losses on available-for-sale financial assets	**(0.2)**	(0.2)
Unrealized losses on derivatives designated as cash flow hedges	**(52.8)**	(68.6)
Accumulated other comprehensive losses, including a future income tax recovery of $6.6 million (December 31, 2011 - recovery of $12.2 million)	**(53.0)**	(68.8)

9. Commitments and contingencies

Property, plant and equipment

As at March 31, 2012, the Corporation is committed to major capital expenditures over the next five years and thereafter, with minimum annual payments (including cancellation cost) totalling $122.4 million.

Obligations under other agreements

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

The Corporation is obligated to make monthly payments in return for the output from power purchase arrangements (PPAs) and other tolling arrangements, 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 minimum payments under these arrangements total $127.7 million.

Environmental

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

For the three month period ended March 31, 2012, the consolidated financial statements include a charge to earnings in the amount of $5.2 million (2011 - $7.5 million), included in costs of electricity services provided, relating to estimated compliance costs under the provincial greenhouse gas (GHG) regulations for ENMAX Energy's interests in coal and natural gas-fired generation facilities through its PPAs and owned assets. Compliance payments are due to the Province, directly or via plant owners, by June 30 of the year following the compliance year. 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. The Corporation had issued letters of credit amounting to $293.8 million at March 31, 2012 (December 31, 2011 – $387.4 million).

10. Assets held for sale

During 2011, ENMAX completed the sale transactions for certain of its British Columbia (BC) assets including the Clowhom and Furry Creek hydro facilities.

Net earnings from discontinued operations is comprised of the following:

For the three months ended *(millions of dollars)*	**March 31, 2012**	**March 31, 2011**
REVENUE		
Electricity	-	0.3
Other	-	1.6
TOTAL REVENUE	-	1.9
COST OF SERVICES PROVIDED		
Operations, maintenance and administration	-	1.0
COST OF SERVICES PROVIDED	-	1.0
	-	0.9
Gain on sale	-	3.1
Interest	-	(0.1)
NET EARNINGS FROM DISCONTINUED OPERATIONS	-	3.9

11. 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 months ended March 31, 2012, transactions with The City amounted to $27.6 million in revenue, compared with $28.9 million in the same period in 2011. The significant components include contract sales of electricity, provision of non-regulated power distribution services and billing and customer care services relating to The City's utilities departments. In the three months ended March 31, 2012, total expenditures for goods and services received from The City were $51.4 million compared with $29.5 million in the same period in 2011. 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 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.

During 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 $726.7 million at March 31, 2012 ($750.6 million at December 31, 2011). Interest paid on this debt for the three months ended March 31, 2012, was $3.1 million (2011 - $3.3 million). Principal payments of $6.2 million were made during the three months ended March 31, 2012 (2011 - $8.0 million).