2013 | Q1 INTERIM REPORT

ENMAX Corporation | Three Months Ending March 31, 2013

HIGHLIGHTS

As at and for the three months ended March 31 (millions of dollars, unless otherwise noted)	2013	2012
Total revenues	830.2	835.1
Operating margin (1)	167.6	175.0
Adjusted earnings before interest, income tax, depreciation and amortization (EBITDA)(1)	109.7	121.3
Earnings before interest and income taxes (EBIT) (1)	65.0	77.2
Net earnings before discontinued operations	55.1	60.5
Net earnings	58.3	62.6
Return on capital employed(2)	8.8%	8.4%
Return on equity (3)	10.7%	10.4%
Total assets	4,591.8	4,325.4
Long-term debt to total capitalization ratio (4)	42.6%	43.5%
Cash provided by operating activities	77.0	146.6
Total recordable injury frequency (TRIF)	0.82	0.82
Electricity sold to customers (Gigawatts [GW])	5,413	5,460
Energy delivered (GW)	2,416	2,399
System average interruption duration index (SAIDI) (5)	0.13	0.04
System average interruption frequency index (SAIFI) (6)	0.19	0.10
Customer satisfaction (7)	81%	80%

(1) Non-GAAP financial measure. See discussion that follows in the Management's Discussion & Analysis (MD&A).
(2) Return on capital employed is equal to net earnings before after-tax interest charges for the 12 month rolling period divided by average total assets (adjusted for capital assets under construction and current liabilities) for the period.
(3) Return on equity is equal to net earnings for the 12 month rolling period divided by average shareholder's equity for the period.
(4) Long-term debt to total capitalization is equal to total long-term debt, including current portions, divided by the sum of long-term debt and shareholder's equity.
(5) 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.
(6) 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.
(7) Monthly weighted average of customers rating their interaction with ENMAX Encompass "Very Satisfied" per the customer interaction survey process with Service Quality Management.

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 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 2013 are described in the Management's Discussion & Analysis (MD&A) Outlook section. This interim report should be read in conjunction with ENMAX's 2012 Financial Report.

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

- 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 the Corporation's generation assets to produce power;
- regulatory developments as they relate to transmission and distribution rate-making and the impact of deregulation in the industry;
- changes in environmental and other legislation;
- 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 on the Corporation's risks, see the MD&A Risk Management and Uncertainties section included in the 2012 Financial Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This MD&A, dated May 8, 2013, is a review of the results of operations of ENMAX Corporation (ENMAX or the Corporation) for the three months ended March 31, 2013, compared with the same period in 2012, 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 2012 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 International Financial Reporting Standards (IFRS) as permitted by the Accounting Standards Board (the AcSB).

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 its nearest GAAP measure. For the reader's reference, the definition, calculation and reconciliation of consolidated non-GAAP financial measures are provided in the Non-GAAP Financial Measures section.

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OVERALL FINANCIAL PERFORMANCE

SELECTED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended March 31 (millions of dollars, unless otherwise noted)	2013	2012
Total revenue	830.2	835.1
Operating margin [1]	167.6	175.0
EBIT [1]	65.0	77.2
EBITDA [1]	109.7	121.3
Net earnings from continuing operations	55.1	60.5
Net earnings	58.3	62.6
Total assets	4,591.8	4,325.4
Long-term debt	1,600.8	1,514.1
Funds generated from operations [1]	99.7	107.0
Cash provided by operating activities	77.0	146.6

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

ENMAX's consolidated net earnings for the three months ended March 31, 2013 have decreased to $58.3 million compared with $62.6 million for the three months ended March 31, 2012. This decrease was driven primarily by lower operating margins and higher operations, maintenance and administration (OM&A) costs. These unfavourable variances were offset partially by lower interest charges.

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 the Business Segment Results section.

RECONCILIATION OF EBIT FOR THE THREE MONTHS ENDED MARCH 31, 2013 COMPARED WITH THE SAME PERIOD IN 2012

(millions of dollars)	
EBIT for the period ended March 31, 2012	77.2
Increased / (decreased) margins attributable to:	
Electricity	(17.8)
Natural gas	4.2
Transmission and distribution	3.9
Contractual services and other	2.3
Decreased / (Increased) expenses:	
OM&A	(8.8)
Foreign exchange	3.5
Amortization	0.5
EBIT for the period ended March 31, 2013	**65.0**

Electricity margins for the period ended March 31, 2013, decreased $17.8 million to $90.3 million from $108.1 million in the three months ended March 31, 2012. The decreased margins were driven primarily by plant outages associated with Power Purchase Arrangements (PPAs). These unfavourable items were partially offset by the better realized prices on forward contracts and increased sales volumes on fixed price contracts.

Natural gas margins increased $4.2 million to $11.6 million for the three months ended March 31, 2013, from $7.4 million in the same period of 2012. This increase is due to higher realized sales prices and higher volumes sold. This favourable impact was partially offset by the higher cost of natural gas supply.

For the three months ended March 31, 2013, transmission and distribution margins increased $3.9 million to $52.1 million over the $48.2 million recorded in the same period in 2012. This increase was due to the impact of higher approved rates related to an Alberta Utilities Commission (AUC) decision which allowed a change in the capitalization of costs methodology used by ENMAX Power. This change reduced the amount of OM&A that could be capitalized to projects (and therefore recovered in future rates) and allowed for this OM&A to be collected through current rates.

For the three months ended March 31, 2013, contractual services and other sources margin increased $2.3 million to $13.6 million from $11.3 million recorded in the first three months of 2012. The increase in margins was mainly due to the recognition of cost recoveries associated with ENMAX's joint venture with Capital Power Corporation (Capital Power).

OM&A costs for the three months ended March 31, 2013, increased $8.8 million to $64.0 million from $55.2 million in the first quarter of 2012. The increase in OM&A costs was driven primarily by a decrease in overhead charges to capital resulting from a change in the capitalization of costs methodology and an increase in operating and maintenance costs related to Calgary Energy Centre (CEC). In the first quarter of 2013, CEC began a planned 45 day outage to perform maintenance on the facility which will continue into the second quarter of 2013.

For the three months ended March 31, 2013, a net foreign exchange gain of $1.6 million was recognized as compared to a loss of $1.9 million in the same period of 2012. Foreign exchange gains are primarily a result of the net realized and unrealized gains on equipment purchase and service agreements denominated in foreign currencies and related hedges.

Amortization expense for the three months ended March 31, 2013, decreased $0.5 million to $40.2 million from $40.7 million for the same period in 2012. The decreased charges were primarily the result of net change in assets due to asset retirements and assets placed into service during the year.

OTHER NET EARNINGS ITEMS

For the three months ended March 31, 2013, interest expense decreased $3.5 million to $6.8 million from $10.3 million for the same period in 2012. The decrease was primarily due to an increase in the capitalization of interest related to capital projects.

Income tax expense for the three months ended March 31, 2013, decreased $3.3 million to $3.1 million from $6.4 million for the same period in 2012. The decrease of income tax was primarily due to lower income in taxable entities.

Earnings from discontinued operations for the three months ended March 31, 2013, increased $1.1 million to $3.2 million from $2.1 million compared to same period in 2012.

On April 8, 2013 ENMAX entered into a sale agreement for its subsidiary, ENMAX Envision Inc. (Envision). This sale transaction closed on April 30, 2013. The assets and liabilities of Envision are classified as assets and liabilities held for sale on the consolidated balance sheet. Operating results of Envision have been included in net earnings from discontinued operations on the consolidated statements of earnings and comprehensive income. Comparative periods for the ENMAX Energy segment have been restated to reflect discontinued operations.

OTHER COMPREHENSIVE INCOME

Other comprehensive income (OCI) 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, 2013, OCI totalled gains of $4.8 million compared with gains of $15.8 million for the same period in 2012. OCI in the first three months of 2013 primarily reflects the favourable fair value changes in derivative electricity positions from the conclusion of the previous year and settlement of electricity and gas positions.

BUSINESS SEGMENT RESULTS

EBIT

For the three months ended March 31, (millions of dollars)	2013	2012
ENMAX Energy	**48.7**	57.5
ENMAX Power	**15.7**	18.9
Corporate & intersegment eliminations	**0.6**	0.8
EBIT	**65.0**	77.2

ENMAX ENERGY

ENMAX Energy is an operating segment established to carry out all non-regulated energy supply and retail functions through various legal entities and affiliated companies. ENMAX Energy provides electricity, natural gas and renewable energy products to residential, commercial and industrial customers in the Alberta deregulated electricity and gas marketplaces. In addition, it provides customer care, energy management and district heating.

ENMAX Energy's framework consisting of generation, wholesale markets and fixed price retail sales allows it to expand and operate its generation portfolio with reduced price and earnings volatility. ENMAX Energy supplies energy through ENMAX's own wind and gas-fuelled generation facilities and balances the Corporation's energy portfolio needs through management of wholesale PPAs at Battle River and Keephills, company-owned generation and the purchase and sale of electricity into and from the Alberta market. ENMAX Energy produces or has exclusive access to 2,067 MW of electricity generation to supply customer demand.

Business Update

On December 5, 2012 ENMAX and Capital Power entered into a two-part purchase and sale arrangement for Capital Power to purchase a 50 per cent ownership interest in ENMAX Energy's 800 MW Shepard Energy Centre (Shepard). Under the terms of the arrangement, on February 28, 2013, Capital Power acquired a 25 per cent interest in the facility and will acquire a further 25 per cent interest no later than the first quarter of 2014. Through a 20-year Energy Services Agreement (ESA), which is contingent on Capital Power completing the second purchase of 25 per cent in 2014, ENMAX Energy will purchase 300 MW of Capital Power's Shepard output (50% of 800 MW) for the first three years of the ESA term and 200 MW for the remaining 17 years of the ESA term.

Both parties hold their ownership interests in an unincorporated joint venture to build, own, and operate the facility under a Joint Venture Agreement (JVA). Under the JVA, ENMAX Energy will continue to provide construction management services to the parties, has been appointed as the operator for the provision of operating and maintenance services and has been appointed as joint venture manager for the provision of accounting and settlement services. Capital Power has been appointed as the real time operator to dispatch each party's electricity entitlement under the Alberta Electric System Operator (AESO) rules. A management committee has been established to manage and govern the joint venture.

On March 5, 2013, the Keephills 1 generator was removed from service by its operator, TransAlta Corporation (TransAlta). On March 25, 2013, ENMAX received notice from TransAlta that it has made a claim of force majeure under the Keephills PPA. ENMAX expects it will file a formal dispute of the operator's declaration of force majeure.

On April 8, 2013, ENMAX entered into an agreement for the sale of a subsidiary, Envision, for approximately $225.0 million. Envision is involved in high-speed data communications providing large bandwidth solutions to businesses. The sale transaction closed on April 30, 2013.

During the quarter ended March 31, 2013, $60.7 million has been invested in Calgary-area generation projects including Shepard. The investment includes $16.7 million of capital spend reclassified to assets held for sale to represent the second tranche of Shepard, which is expected to be sold in the first quarter 2014, and the sale of Envision, which is expected in the second quarter of 2013.

Progress continues on the Shepard facility with approximately 64 per cent of the site construction completed and over 1.6 million hours of construction work as at March 31, 2013. With respect to project costs, approximately 73 per cent of the $1,365 million construction budget has been incurred.

KEY BUSINESS DRIVERS

For the three months ended March 31,	2013	2012
Market heat rate – flat average (GJ/MWh)	21.16	29.01
Average wholesale market spark spread ($/MWh) [1]	$39.85	$43.28
Average flat pool price ($/MWh)	$64.07	$59.76
Average natural gas price ($/GJ)	$3.03	$2.06
Generation volume (GWh)	3,037	3,090
Electricity sold (GWh)	4,946	4,928
Natural gas sold (terajoules [TJ])	19,029	17,954
Customer satisfaction [2]	81%	80%

(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, under contract, 4,946 GWh of electricity to customers in the three months ended March 31, 2013, compared with 4,928 GWh in the same period of 2012. This slight increase is due primarily to an expanding customer base in both the residential and the commercial and industrial customer markets.

ENMAX Energy's natural gas customers purchased 19,029 TJ of natural gas in the three months ended March 31, 2013, compared with 17,954 TJ in the same period in 2012. The increase in volume sold in the year is due primarily to volume growth from an increased customer base in the residential market.

Financial Results

ENMAX Energy recorded EBIT of $48.7 million for the three months ended March 31, 2013, compared with $57.5 million in the same period in 2012.

RECONCILIATION OF EBIT FOR THE THREE MONTHS ENDED MARCH 31, 2013, COMPARED WITH THE SAME PERIOD IN 2012

(millions of dollars)	
EBIT for the period ended March 31, 2012	57.5
Increased / (decreased) margins attributable to:	
Electricity	(17.6)
Natural gas	4.5
Contractual services and other	3.7
Decreased / (increased) expenses:	
OM&A	(2.7)
Foreign exchange	3.5
Amortization	(0.2)
EBIT for the period ended March 31, 2013	**48.7**

Electricity margins for the three months ended March 31, 2013, decreased $17.6 million to $89.0 million compared with the $106.6 million recorded in the first three months of 2012. The decreased margins were driven primarily by higher cost of supply from PPAs due to outages. These unfavourable items were partially offset by the better realized prices on forward contracts and increased sales volumes on fixed price contracts.

Natural gas margins increased $4.5 million to $11.9 million for the three months ended March 31, 2013, compared with $7.4 million for the same period in the prior year. This increase is due to higher realized sales price and higher volumes sold. This favourable impact is partially offset by higher cost of natural gas supply.

Contractual services margin and other revenues increased $3.7 million in the three months ended March 31, 2013, compared to the same period in 2012. The increase in margins was mainly due to recognizing other revenue as a result of the recovery of costs related to Shepard.

OM&A expenses increased $2.7 million for the three months ended March 31, 2013, to $41.2 million, compared with $38.5 million in the same period in 2012. The increase in OM&A costs was driven primarily by an increase in operating and maintenance costs related to CEC. In the first quarter of 2013, CEC began a planned 45-day outage to perform maintenance on the facility, which will continue into the second quarter of 2013.

For the three months ended March 31, 2013, a net foreign exchange gain of $1.6 million was recognized compared to a loss of $1.9 million in the same period of 2012. Foreign exchange gains are primarily a result of the realized and unrealized gains on equipment purchase and service agreements denominated in foreign currencies and associated hedges.

Amortization expense for the three months ended March 31, 2013, increased $0.2 million to $26.8 million compared to $26.6 million in the same period in 2012. The increased charges were the result of an increase in assets placed into service during the year.

ENMAX POWER

Ensuring the reliability of the electrical system for Calgarians is a high priority for ENMAX Power. To ensure rapid recovery from infrequent outages, field crews are on call 24 hours a day. ENMAX Power's commitment to maintain and upgrade the electricity infrastructure in Calgary allows for consistent and reliable service to Calgarians. Statistics for frequency and duration of power service interruptions show that ENMAX Power is in the top quartile compared to other Canadian utilities.

The development of a more efficient and environmentally responsible utility model is important to ENMAX Power. This includes managing the regulated business to deliver stable financial returns within the parameters and spirit of formula-based ratemaking (FBR). In addition, ENMAX Power remains focused on improved capital efficiency of the regulated business through progressive maintenance programs and timely expansion.

Business Update

Transmission and distribution capital projects that either commenced or continued in 2013 resulted in $14.0 million incurred for residential and non-residential development and $4.5 million for system infrastructure in the three months ended March 31, 2013. Capital work was also completed on asset replacement and modification projects, with $4.4 million being incurred during the three months ended March 31, 2013, to meet industry standards and safety codes and for automation of elements of the distribution network. Investments of $11.9 million were made in AESO-required capital projects during the first quarter of 2013. In addition, $7.1 million was invested in other tools and equipment required for the business. These investments, net of $7.8 million in contributions received from customers, resulted in an investment by ENMAX of over $34.1 million in the quarter.

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. Permitted ROE under the FBR framework is 8.75% and this level of return may either be exceeded or not met based on actual performance under FBR.

KEY BUSINESS DRIVERS

For the three months ended March 31,	2013	2012
Electricity sold through the RRO (GWh)	467	533
Distribution volumes (GWh)	2,416	2,399
Local access fees collected on behalf of The City of Calgary (The City) ($ millions)	31.2	49.7
SAIDI	0.13	0.04
SAIFI	0.19	0.10

Rate regulated option (RRO) electricity volumes sold decreased to 467 GWh in the first three months of 2013 compared with 533 GWh in the same period in 2012. Lower demand was seen as a result of customers switching from the RRO option to competitive options.

Total electricity delivered in the Calgary service area increased for the first quarter of 2013 with electricity volumes at 2,416 GWh compared with 2,399 GWh in same period of 2012. This modest increase was primarily due to an increase in demand.

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 88 per cent of ENMAX Power's total revenue in the three months ended March 31, 2013, compared with 87 per cent in the same period of 2012.

ENMAX Power recorded EBIT of $15.7 million for the three months ended March 31, 2013, compared with $18.9 million in the same period in 2012.

RECONCILIATION OF EBIT FOR THE THREE MONTHS ENDED MARCH 31, 2013, COMPARED WITH SAME PERIOD IN 2012

(millions of dollars)	
EBIT for the period ended March 31, 2012	18.9
Increased / (decreased) margins attributable to:	
Transmission and distribution	3.9
Contractual services and other	(1.2)
Decreased / (increased) expenses:	
OM&A	(6.3)
Amortization	0.4
EBIT for the three months ended March 31, 2013	**15.7**

Transmission and distribution margins consist of amounts charged for wire services net of electrical grid charges and local access fees. Transmission and distribution margins increased $3.9 million to $52.1 million for the three months ended March 31, 2013, compared with $48.2 million in the same period in 2012. This increase was due to the impact of higher approved rates related to a change in the capitalization of costs methodology.

For the first quarter ended March 31, 2013, margins for contractual services and other revenues decreased $1.2 million to $5.8 million compared with $7.0 million in first quarter last year. The decrease in margins was mainly due to a decrease in billable activity for underground residential development and commercial development as fewer projects reached completion status than the comparative period.

OM&A expenses for the three months ended March 31, 2013, increased $6.3 million to $31.0 million compared with $24.7 million in the same period in 2012. The increase in OM&A costs was driven primarily by a decrease in overhead charges to capital resulting from a change in the capitalization of costs methodology. Also included in OM&A are costs relating to a project that has been removed from capital and expensed in the three months ended March 31, 2013.

Amortization for the three months ended March 31, 2013, totalled $12.8 million, compared with $13.2 million in the same period in 2012. The decrease was the net result of a decrease in the asset base from older assets concluding their depreciable lives partially offset by amortization related to new assets put into service.

CORPORATE & INTERSEGMENT ELIMINATIONS

ENMAX Corporate provides shared services and financing to ENMAX Power and ENMAX Energy. During the three months ended March 31, 2013, EBIT for ENMAX Corporate was $0.6 million compared with $0.8 million in the same period in the prior year. The fluctuation in earnings is primarily due to changes in costs being charged to operating segments.

KEY BUSINESS DRIVERS

As at March 31, (millions of dollars, unless otherwise noted)	2013	2012
Employees (number) (1)	1,864	1,762
Long-term debt (2)	$1,600.8	$1,514.1

(1) Employee count is total employees
(2) Includes current and long-term portions

Employee count has increased primarily due 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 operating infrastructure, engineering and commodity management groups for the developing generation business; growth in ENMAX Power business related to the increased construction work; and growth in corporate services to support both businesses. Long-term debt has increased due primarily to the issuance of debt for the regulated business in the second quarter of 2012.

SELECTED QUARTERLY FINANCIAL DATA

(millions of dollars)	2013	2012				2011		
	First	Fourth	Third	Second	First	Fourth	Third	Second
Total revenue	830.2	869.3	797.3	658.4	835.1	847.5	782.7	641.0
Operating margin (1)	167.6	194.7	138.7	168.0	175.0	165.0	139.0	160.7
EBIT (1)	65.0	77.4	41.7	67.7	77.2	64.3	46.5	66.4
Net earnings from continuing operations	55.1	61.6	42.8	50.7	60.5	40.1	40.1	48.6
Net earnings	58.3	63.9	45.4	53.1	62.6	42.8	41.9	50.1

(1) Non-GAAP financial measure. See discussion that follows the MD&A.

Many variables must be considered regarding the seasonality of revenues, operating margin, EBIT and net earnings. Overall, the bulk of the Corporation's business does not experience extreme cyclical activities which would allow identification of common variations quarter over quarter.

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 peak in the winter, resulting in higher revenues during winter months. Volume requirements of commercial customers peak in the summer, with higher demand for air conditioning. This, however, is typically offset by a lower demand in the residential market during the summer. Over longer periods of time, volumes can fluctuate with general economic activity and population growth.

Natural gas volumes and prices are correlated with the time of year as a result of weather patterns. Natural gas consumption and prices will increase with colder weather in the winter. As well, natural gas prices can rise in hot weather in the summer as peak electricity demand increases. Margin levels tend to decline in the fall and spring due to these unfavourable trends in natural gas prices and volumes.

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.

OPERATING MARGIN

For the three months ended March 31 (millions of dollars)	2013	2012
Electricity margins	90.3	108.1
Natural gas margins	11.6	7.4
Transmission and distribution margins	52.1	48.2
Contractual services margins[1] and other revenue	13.6	11.3
Operating margin (non-GAAP financial measure)	167.6	175.0
Deduct: OM&A, foreign exchange, amortization, interest and income taxes	112.5	114.5
Net earnings from continuing operations (GAAP financial measure)	55.1	60.5

(1) Contractual services margins include earnings from 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; self-retailing services; 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 revenue and cost of sales equally. ENMAX Energy's strategy links the cost of supply to longer term demand contracts, which results in relatively stable margins even during times of volatile wholesale prices and revenue levels. Therefore, 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)	2013	2012
Adjusted EBITDA (non-GAAP financial measure)	109.7	121.3
Deduct: EBITDA from discontinued operations	4.5	3.4
Standardized EBITDA (non-GAAP financial measure)	105.2	117.9
Deduct: Amortization	40.2	40.7
Interest	6.8	10.3
Income taxes	3.1	6.4
Net earnings from continuing operations (GAAP financial measure)	55.1	60.5

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)	2013	2012
EBIT (non-GAAP financial measure)	65.0	77.2
Deduct: Interest	6.8	10.3
Income taxes	3.1	6.4
Net earnings from continuing operations (GAAP financial measure)	55.1	60.5

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)	2013	2012
Funds generated from operations (non-GAAP financial measure)	99.7	107.0
Changes in non-cash working capital	(9.6)	40.6
Employee future benefits	1.9	1.0
Cash flow from continuing operations	92.0	148.6
Cash flow from assets held for sale	(15.0)	(2.0)
Cash provided by operating activities (GAAP financial measure)	77.0	146.6

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

TOTAL INTEREST COST

For the three months ended March 31 (millions of dollars)	2013	2012
Total interest cost (non-GAAP financial measure)	21.1	21.1
Ineffective portion of interest rate swaps	(0.4)	(0.4)
Capitalized interest	(15.0)	(11.0)
Other non-interest financing costs	1.1	0.6
Interest expense (GAAP financial measure)	6.8	10.3

Total interest cost is used in determining the Corporation's interest coverage ratios.

FINANCIAL CONDITION

SIGNIFICANT CHANGES IN THE CORPORATION'S FINANCIAL CONDITION

(millions of dollars, except % change)	March 31, 2013	December 31, 2012	$ Change	% Change	Explanation for change
ASSETS					
Accounts receivable	**628.5**	663.6	(35.1)	(5%)	Lower due to impact of lower pool prices on sales.
Assets held for sale (1)	**303.9**	566.1	(262.2)	(46%)	Decrease related to sale of 25% of Shepard project.
Property, plant and equipment	**2,772.2**	2,694.5	77.7	3%	Capital expenditures, net of retirements, dispositions and amortization.
LIABILITIES AND SHAREHOLDER'S EQUITY					
Short-term debt	**26.4**	165.9	(139.5)	(84%)	Refer to Liquidity and Capital Resources section.
Accounts payable and accrued liabilities	**486.7**	612.6	(125.9)	(21%)	Timing of the payment of power pool invoices and lower capital accruals
Dividend payable	**50.6**	-	50.6	100%	Dividend declared in March to be paid in four payments over the course of the year.
Future income tax liability (1) (2)	**23.5**	20.0	3.5	18%	Changes in current and prior year positions.
Other current liabilities (1)	**6.4**	13.5	(7.1)	(53%)	Decrease in fair value of hedging instruments.
Long-term debt (2)	**1,600.8**	1,609.5	(8.7)	(1%)	Scheduled debt repayments.

(1) Net asset and liability positions.
(2) Includes current and long-term amounts.

LIQUIDITY AND CAPITAL RESOURCES

DETAILS OF SHARE CAPITAL

As at March 31, 2013, and December 31, 2012 (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 in 2001	1	1.9
	3	280.1

CAPITALIZATION

As at (millions of dollars)	March 31, 2013	December 31, 2012
Long-term debt [1]	1,600.8	1,609.5
Shareholder's equity		
Share capital	280.1	280.1
Retained earnings	1,892.2	1,901.4
Accumulated other comprehensive loss	(14.8)	(19.6)
Total shareholder's equity	2,157.5	2,161.9
Total capitalization (long-term debt plus shareholder's equity)	3,758.3	3,771.4

(1) Includes the current portion of long-term debt of $60.1 million (December 31, 2012 - $59.7 million). Maturity dates range from April 2014 to June 2037.

DETAILS OF TOTAL LIQUIDITY AND CAPITAL RESERVES

As at (millions of dollars)	March 31, 2013	December 31, 2012
Committed and available bank credit facilities	1,150.0	1,150.0
Letters of credit issued:		
Power pool purchases	134.9	130.1
Energy trading	36.0	45.0
Regulatory commitments	108.5	107.9
Asset commitments	3.6	34.7
PPAs	66.0	67.3
	349.0	385.0
Commercial paper and overdraft	26.4	165.9
Remaining available bank facilities	774.6	599.1
Cash on hand	44.4	45.5
Total liquidity and capital reserves	819.0	644.6

The increase in total liquidity and capital reserves during the three months ended March 31, 2013, is attributed primarily to a reduction in commercial paper and overdraft enabled by the receipt of proceeds from Capital Power for the sale of a 25 per cent interest in the Shepard facility. Lower letters of credit outstanding were mainly due to a decrease in construction commitments.

DETAILS OF LONG-TERM DEBT

As at (millions of dollars)	March 31, 2013	December 31, 2012
Long-term debt (1) consisting of:		
ACFA debentures, with remaining terms of:		
Less than 5 years	**47.0**	47.0
5 – 10 years	**128.9**	135.4
11 – 15 years	**7.9**	7.9
16 – 20 years	**138.2**	138.3
21 – 25 years	**499.3**	499.3
Private debentures		
Series 1, remaining term of 7 years, bullet maturity on June 19, 2018	**297.8**	297.8
Series 2, remaining term of 3 years, bullet maturity on April 8, 2014	**249.6**	249.5
Non-recourse term financing (Kettles and CEC), remaining terms of 6 and 16 years, respectively	**227.1**	229.3
Promissory note, remaining term of 16 years	**5.0**	5.0
	1,600.8	1,609.5

(1) Includes current portion of long-term debt of $60.1 million (December 31, 2012 - $59.7 million). Maturity dates range from April 2014 to June 2037.

CONTRACTUAL OBLIGATIONS WHICH MAY IMPACT THE CORPORATION'S FINANCIAL CONDITION

As at March 31, 2013 (millions of dollars)	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Total debt (1)	1,627.2	86.5	356.1	125.1	1,059.5
Operating leases	71.1	8.8	8.7	4.8	48.8
Purchase obligations (2)	182.6	96.9	42.7	12.7	30.3
Asset retirement obligations	14.6	-	-	-	14.6
Other long-term obligations (3)	80.5	-	32.9	19.1	28.5
Total contractual obligations	**1,976.0**	**192.2**	**440.4**	**161.7**	**1,181.7**

(1) Total debt includes short-term debt and 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.

CAPITAL STRATEGY

FINANCIAL RATIOS

As at	March 31, 2013	December 31, 2012
Long-term debt to total capitalization (1)	42.6%	42.7%
Debt to EBITDA (2)	3.8X	3.8X
EBITDA to total interest (3)	4.7X	4.9X

(1) As at year 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, 2013, would be 41.5% (December 31, 2012 – 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 total interest cost (non-GAAP financial measures) calculated on a 12-month rolling basis.

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. The Corporation has set long-term target ratios for long-term debt to total capitalization at a maximum of 45 per cent, a debt to EBITDA ratio at a maximum of 3.5 times and an EBITDA to total interest coverage ratio at 5 times or better. Very low electricity prices, high capital expenditures associated with significant construction projects or other factors could result in the Corporation not reaching its targets for short periods of time. Targets are managed using a long-term view and set at more conservative levels than actual debt covenants. Standard & Poor's has assigned a BBB+ rating with a stable outlook. Dominion Bond Rating Services has assigned a credit rating of A (low). 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, 2013, the Corporation is in compliance with all of its debt agreement financial covenants.

CASH PROVIDED BY OPERATING ACTIVITIES

Funds generated from operations for the three months ended March 31, 2013, were $99.7 million compared with $107.0 million in the same three months in 2012. The decrease in funds generated was primarily due to lower cash generating earnings.

Cash provided by operating activities for the three months ended March 31, 2013, was lower than the same period in the prior year at $77.0 million compared to $146.6 million. The decrease was driven by the reduction of payables in capital projects as at March 31, 2013, mainly relating to Shepard.

INVESTING ACTIVITIES

Capital spending was $111.8 million for the three months ended March 31, 2013 (includes $16.7 million of spend in assets held for sale), an increase of $32.1 million from the same period last year. Capital projects for the three months ended March 31, 2013 included a $29.9 million investment in the transmission and distribution network in Calgary and surrounding area; $77.8 million in construction costs related to Calgary area generation projects, primarily Shepard; and $4.1 million related to other capital additions (includes $2.3 million of spend in Envision, which is reclassed to assets held for sale), including IT development. The investment in the transmission and distribution network in Calgary allows ENMAX Power to continue to provide safe, reliable and cost-effective transmission and distribution services while meeting the challenges of a growing and expanding city. The investment in the Calgary area generation projects allows ENMAX Energy to serve the growing customer base with generation assets that emit fewer GHG emissions than in the past. The investment in information technology will allow ENMAX to continue to comply with regulations and effectively operate the business, in line with the Corporation's strategy to maintain the reliability and cost effectiveness of its technology infrastructure while meeting the challenges of obsolescence and growth.

ENMAX realized $261.9 million of proceeds from the disposal of 25 per cent of the Shepard project.

FINANCING ACTIVITIES

ENMAX repaid $8.7 million of long-term debt in regularly scheduled principal payments during the three months ended March 31, 2013, compared with $8.2 million in the same three months in 2012.

On March 8, 2013, the Corporation declared a dividend of $67.5 million payable to The City in quarterly instalments throughout 2013.

At March 31, 2013, cash and cash equivalents amounted to $44.4 million compared with $45.5 million at December 31, 2012. ENMAX has no outstanding commercial paper as at March 31, 2013, compared with $149.9 million at December 31, 2012, and an overdraft of $26.4 million on bank accounts compared with $16.0 million at December 31, 2012.

FUTURE ACCOUNTING CHANGES

On February 13, 2008, the AcSB confirmed the changeover from GAAP to IFRS, as issued by the International Accounting Standards Board (IASB), would be effective for fiscal years beginning on or after January 1, 2011. The AcSB has issued amendments to this directive which presently allow entities that have activities subject to rate regulation to delay adoption of IFRS until January 1, 2015. The Corporation is considering the option and monitoring the IASB's project on rate-regulated accounting. The Corporation maintains a state of IFRS readiness and will determine the best time for transition once the direction of the IASB interim guidance on rate-regulated accounting is better defined. While IFRS uses a conceptual framework similar to GAAP, there will be differences in accounting policies. The Corporation is assessing the impact of the latest deferral and revising project plans to meet this new timeline.

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 2012 Financial Report in the Critical Accounting Estimates section of the MD&A and in Note 2 of the Consolidated Financial Statements.

RISK MANAGEMENT AND UNCERTAINTIES

ENMAX's approach to risk management addresses risk exposures across all of the Corporation's business activities and risk types. ENMAX utilizes an Enterprise Risk Management (ERM) program to identify, analyze, evaluate, treat and communicate the Corporation's risk exposures in a manner consistent with ENMAX's business objectives and risk appetite. This includes enterprise risk assessment processes to ensure the needs of the organization are considered and risk continues to be a key component of the decision-making process. For further information on risks, refer to the Risk Management and Uncertainties section of the MD&A contained in ENMAX's 2012 Financial Report.

FINANCIAL INSTRUMENTS

In conducting its operations, the Corporation uses various instruments including forwards, futures, swaps and options to reduce its market risks.

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, 2013, and December 31, 2012.

OUTSTANDING CONTRACTS-FOR-DIFFERENCES

As at	March 31, 2013	December 31, 2012
Notional Quantities		
Electricity sales (GW)	2,910	2,818
Natural gas sales (TJ)	229	319
Electricity purchases (GW)	4,570	4,556
Natural gas purchases (TJ)	12,633	14,585

At March 31, 2013, on the basis of electricity and natural gas prices at that date, the fair market value of these contracts amounted to an unrealized positive mark-to-market adjustment of $4.1 million as compared to negative mark-to-market adjustment of $0.2 million as at December 31, 2012. This amount does not reflect the fact that these contracts will settle at prices in effect in the future.

Refer to Note 4 in the Notes to the Consolidated Financial Statements for further information on financial instruments.

ASSET RETIREMENT OBLIGATIONS

At March 31, 2013, the Corporation has asset retirement obligations relating to the following generating assets: McBride Lake, Taber, Crossfield, Kettles Hill and CEC. The accretion expense on these assets is included in the OM&A line in the Consolidated Statements of Earning and Comprehensive Income.

EXPECTED REMEDIATION LIABILITY AND TIMING FOR EACH ASSET

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

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. Total revenues received from The City for the three months ended March 31, 2013, were $37.8 million (2012 – $27.6 million). The significant components include contract sales of electricity, construction of infrastructure, provision of non-regulated power distribution services and billing and customer care services relating to The City's utilities departments. ENMAX has committed to a water supply agreement with The City, to commence upon completion of Shepard, whereby The City will supply a specified amount of water annually to facilitate Shepard operations.

As at March 31, 2013, amounts owing to the Corporation from The City for services provided were $24.8 million (December 31, 2012 - $26.4 million).

Total expenditures for goods and services received from The City for the three months ended March 31, 2013, were $34.0 million (2012 – $51.4 million). Most of these expenditures were for local access fees for use of The City's rights-of-way, the cost of which is passed through by ENMAX directly to transmission and distribution customers. The measurement basis used in determining the above values is the contract amount that is considered fair market value; that is, the measurement basis is the same as would be used for a third-party arm's-length transaction.

ENMAX borrows 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. The total amount of debt owed to The City was $821.3 million at March 31, 2013 (December 31, 2012 – $827.8 million). Interest paid on this debt for the year ended March 31, 2013, was $2.8 million (2012 – $3.1 million).

Transactions between the Corporation and The City have been recorded at the exchange amounts. Exchange amounts are the amounts as outlined by the contracts in effect between the Corporation and The City.

Additional details on the Corporation's transactions with The City can be found in Note 15 in the Notes to the Consolidated Financial Statements.

OUTLOOK

The discussion in this section is qualified by the caution to reader at the beginning of the interim report.

The financial results forecasted for 2013 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 2013 with average prices being lower than those seen in 2012. The Corporation's view on 2013 electricity prices is the major contributor to forecasted lower electricity margins in 2013. The Corporation expects that natural gas prices will remain at relatively low levels. Market share in commercial and residential markets are expected to remain constant. Unplanned outages at generating facilities can have a significant impact on electricity margins.

The unplanned outage of the Keephills 1 generator, which is part of the Keephills PPA in ENMAX's fleet of generation, will negatively impact electricity margins in 2013. In PPA agreements, a force majeure claim, if successful, effectively relieves the operator of required payments under the PPA which offset the PPA buyer's increased costs to obtain supply during an outage. ENMAX expects it will file a formal dispute of the operator's declaration of force majeure.

OM&A costs are expected to continue to see pressure as a result of growth in the business and inflationary increases on labour and salary costs. Efforts continue to mitigate these increases through productivity improvements and general cost control measures.

As a result of the impacts from the above, ENMAX expects that net earnings from continuing operations for 2013 will be lower than net earnings recorded in 2012. The proceeds from the April 30, 2013 sale of its Envision subsidiary will enhance and contribute to ENMAX's financial position.

CONSOLIDATED BALANCE SHEETS

AS AT (millions of dollars)	March 31, 2013 (unaudited)	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 44.4	$ 45.5
Accounts receivable (Notes 3 and 4)	628.5	663.6
Income taxes receivable	94.0	90.6
Future income tax asset	5.9	7.2
Other current assets (Notes 3 and 5)	50.6	45.8
Assets held for sale (Note 6)	318.7	575.6
	1,142.1	1,428.3
Property, plant and equipment (Note 7)	2,772.2	2,694.5
Power purchase arrangements	409.0	422.2
Intangible assets	118.8	116.3
Goodwill	16.0	16.0
Employee future benefits (Note 8)	16.0	18.5
Future income tax asset	57.6	61.0
Other long-term assets (Notes 3 and 5)	60.1	63.1
TOTAL ASSETS	$ 4,591.8	$ 4,819.9
LIABILITIES		
Short-term debt (Note 9)	$ 26.4	$ 165.9
Accounts payable and accrued liabilities (Note 3)	486.7	612.6
Dividend payable	50.6	-
Income taxes payable	12.0	12.0
Future income tax liability	0.9	3.4
Current portion of long-term debt (Notes 3)	60.1	59.7
Other current liabilities (Notes 3 and 5)	57.0	59.3
Liabilities held for sale (Note 6)	14.8	9. 5
	708.5	922.4
Long-term debt (Note 3)	1,540.7	1,549.8
Future income tax liability	86.1	84.8
Other long-term liabilities (Notes 3 and 5)	84.4	86.6
Asset retirement obligations	14.6	14.4
	2,434.3	2,658.0
SHAREHOLDER'S EQUITY		
Share capital	280.1	280.1
Retained earnings	1,892.2	1,901.4
Accumulated other comprehensive loss (Note 10)	(14.8)	(19.6)
	2,157.5	2,161.9
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 4,591.8	$ 4,819.9

Commitments and contingencies (Note 11)
See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

THREE MONTHS ENDED MARCH 31, (unaudited) (millions of dollars)	2013	2012
REVENUE (Note 2)		
Electricity	$ 558.9	$ 575.8
Natural gas	135.2	99.4
Transmission and distribution	76.9	73.5
Local access fees	31.2	49.7
Contractual services	20.3	33.5
Other	7.7	3.2
TOTAL REVENUE	830.2	835.1
COST OF SERVICES PROVIDED (Note 2)		
Electricity	468.6	467.7
Natural gas	123.6	92.0
Transmission and distribution	24.8	25.3
Local access fees	31.2	49.7
Contractual services	14.4	25.4
Operations, maintenance and administration	64.0	55.2
Foreign exchange loss (gain)	(1.6)	1.9
TOTAL COST OF SERVICES PROVIDED	725.0	717.2
EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAXES	105.2	117.9
Amortization	40.2	40.7
Interest	6.8	10.3
Current income taxes	0.7	5.1
Future income taxes	2.4	1.3
NET EARNINGS FROM CONTINUING OPERATIONS	55.1	60.5
Net earnings from discontinued operations, net of tax (Note 6)	3.2	2.1
NET EARNINGS	58.3	62.6
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Unrealized gain on derivatives designated as cash flow hedges, includes future income tax expense of $0.6 (2012-$4.4 expense)	1.8	4.2
Realized losses on derivatives designated as cash flow hedges in prior periods transferred to net earnings in current year, includes future income tax benefit of $0.1 (2012-$1.2 benefit)	3.0	11.6
Other comprehensive income, net of tax	4.8	15.8
COMPREHENSIVE INCOME	$ 63.1	$ 78.4

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	Total
BALANCE, JANUARY 1, 2012	$ 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
Comprehensive income for the remainder of 2012	-	162.4	33.4	195.8
BALANCE, DECEMBER 31, 2012	$ 280.1	$ 1,901.4	$ (19.6)	$ 2,161.9
Net earnings	-	58.3	-	58.3
Dividends	-	(67.5)	-	(67.5)
Other comprehensive income including future tax expense of $0.7	-	-	4.8	4.8
BALANCE, MARCH 31, 2013	**$ 280.1**	**$ 1,892.2**	**$ (14.8)**	**$ 2,157.5**

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31, (unaudited) (millions of dollars)	2013	2012
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings	$ 58.3	$ 62.6
Items not involving cash (Note 12)	41.4	44.4
	99.7	107.0
Change in non-cash working capital (Note 13)	(9.6)	40.6
Employee future benefits	1.9	1.0
Cash flow from continuing operating activities	92.0	148.6
Cash flow from discontinued operations	(15.0)	(2.0)
	77.0	146.6
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(169.6)	(84.1)
Net proceeds from disposal of assets held for sale	261.9	-
Additions to power purchase arrangements	-	(1.4)
Other assets	(0.9)	4.2
Contributions in aid of construction	3.0	1.9
Cash flow from continuing investing activities	94.4	(79.4)
Cash flow from discontinued operations	(6.9)	(33.9)
	87.5	(113.3)
FINANCING ACTIVITIES		
Repayment of short-term debt	(1,267.6)	(797.1)
Proceeds of short-term debt	1,127.9	805.2
Repayment of long-term debt	(8.7)	(8.2)
Dividend paid	(16.9)	(14.0)
Other long-term liabilities	(0.3)	1.2
	(165.6)	(12.9)
Increase (decrease) in cash and cash equivalents	(1.1)	20.4
Cash and cash equivalents, beginning of period	45.5	35.4
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 44.4	$ 55.8
Supplementary information:		
Interest paid	$ 7.3	$ 7.6
Income taxes paid	3.8	10.3
Cash and cash equivalents consist of:		
Cash	39.6	49.8
Short-term investments	4.8	6.0

See accompanying Notes to Consolidated Financial Statements

NOTES TO THE 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 consolidated financial statements for the year ended December 31, 2012.

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 2012 Financial Report. Amounts are stated in millions of Canadian dollars, except as otherwise noted.

ENMAX accounts for its interest in the Shepard joint venture using the proportionate consolidation method. Under this method, the Corporation records its share of the joint venture's assets, liabilities, revenues and expenses line-by-line on its financial statements.

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 or future results.

2. Segmented information

	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
THREE MONTHS ENDED MARCH 31, (millions of dollars)	2013	2012	2013	2012	2013	2012	2013	2012
REVENUE								
Electricity	615.2	643.4	38.0	67.6	(94.3)	(135.2)	558.9	575.8
Natural gas	135.5	99.4	-	-	(0.3)	-	135.2	99.4
Transmission and distribution	-	-	76.9	73.5	-	-	76.9	73.5
Local access fees	-	-	31.2	49.7	-	-	31.2	49.7
Contractual services	5.6	7.1	19.4	31.5	(4.7)	(5.1)	20.3	33.5
Other	9.1	4.3	0.5	0.3	(1.9)	(1.4)	7.7	3.2
TOTAL REVENUE	765.4	754.2	166.0	222.6	(101.2)	(141.7)	830.2	835.1
COST OF SERVICES PROVIDED								
Electricity	526.2	536.8	36.4	66.0	(94.0)	(135.1)	468.6	467.7
Natural gas	123.6	92.0	-	-	-	-	123.6	92.0
Transmission and distribution	-	-	24.8	25.3	-	-	24.8	25.3
Local access fees	-	-	31.2	49.7	-	-	31.2	49.7
Contractual services	0.5	0.9	14.1	24.8	(0.2)	(0.3)	14.4	25.4
Operations, maintenance and administration	41.2	38.5	31.0	24.7	(8.2)	(8.0)	64.0	55.2
Foreign exchange (gain) loss	(1.6)	1.9	-	-	-	-	(1.6)	1.9
TOTAL COSTS OF SERVICES PROVIDED	689.9	670.1	137.5	190.5	(102.4)	(143.4)	725.0	717.2
EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAXES	75.5	84.1	28.5	32.1	1.2	1.7	105.2	117.9
Amortization	26.8	26.6	12.8	13.2	0.6	0.9	40.2	40.7
EARNINGS BEFORE INTEREST AND INCOME TAXES	48.7	57.5	15.7	18.9	0.6	0.8	65.0	77.2
Interest							6.8	10.3
Income taxes							3.1	6.4
NET EARNINGS FROM CONTINUING OPERATIONS							55.1	60.5
Net earnings from discontinued operations							3.2	2.1
NET EARNINGS							58.3	62.6
GOODWILL	16.0	16.0	-	-	-	-	16.0	16.0
CAPITAL ADDITIONS	77.8	45.2	29.9	31.4	4.1	3.1	111.8	79.7

SEGMENTED TOTAL ASSETS As at (millions of dollars)	March 31, 2013	December 31, 2012
ENMAX Energy	3,190.8	3,410.8
ENMAX Power	1,363.0	1,375.8
Corporate and eliminations	38.0	33.3
	4,591.8	4,819.9

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, 2013, and March 31, 2012.
- 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 per cent.
- Sensitivities are exclusive of any potential income tax impacts.

SENSITIVITIES OF MARKET RISKS

As at (millions of dollars)	March 31, 2013 Earnings	March 31, 2013 Other Comprehensive Income	March 31, 2012 Earnings	March 31, 2012 Other Comprehensive Income
Interest rates increase 100 basis points (1% pure rate change)	+ 0.5	+ 13.2	+ 0.5	+ 14.4
Canadian dollar strengthens compared with the U.S. dollar by 10%	- 8.2	+ 1.0	- 9.2	+ 2.1
Canadian dollar strengthens compared with the Japanese Yen by 10%	-	-	- 0.2	-
Forward price of natural gas increases by 10%	- 0.1	+ 6.0	- 0.2	+ 5.6
Forward price of electricity increases by 10%	-	+ 12.1	+ 7.0	- 18.5

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

ENMAX is not exposed to interest rate risk and volatility as a result of the issuance of fixed-rate long-term debt and the use of interest rate hedging instruments. 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 per cent increase (decrease) in interest rates as at March 31, 2013, would have an effect on fair value of fixed interest rate debt of $95.8 million decrease (increase) (December 31, 2012 – $99.1 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-fuelled 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. This maximum exposure does not necessarily reflect losses expected by management nor does it necessarily reflect losses experienced in the past.

FINANCIAL ASSETS

As at (millions of dollars)	March 31, 2013	December 31, 2012
Cash and cash equivalents (1)	44.4	45.5
Accounts receivable (2)	628.5	663.6
Other current assets (3)	50.6	45.8
Other long- term assets (3)	60.1	63.1

(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 credit worthy 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 those customers could default on their contractual obligations. The risk represents the loss that may be incurred due to the non-payment of a customer's accounts receivable balance, as well as the loss that may be incurred from the resale of energy previously allocated to serve the customer.

Charges to earnings as a result of credit losses for the Corporation during the three month period ended March 31, 2013 totalled $2.0 million (2012 – $1.3. million). Management monitors credit risk exposure and has implemented measures to protect against losses. In specific situations, this includes, but is not limited to, a reduction of credit limits, requests for additional collateral or restrictions on new transaction terms.

AGING ANALYSIS OF TRADE RECEIVABLES PAST DUE BUT NOT IMPAIRED

As at (millions of dollars)	March 31, 2013	December 31, 2012
1-30 days past due	16.5	29.1
31-60 days past due	3.3	3.2
61 days or more past due	9.4	8.4
Total past due	29.2	40.7

CHANGES IN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS

As at (millions of dollars)	March 31, 2013	December 31, 2012
Provision at the beginning of the period	6.7	8.7
Increase to allowance	2.0	6.3
Recoveries and write-offs	(1.6)	(8.3)
Provision at end of the period	7.1	6.7

The remainder of the accounts receivable balance outstanding at March 31, 2013, consists of unbilled revenue accruals. No provision has been recorded due to the minimal credit risk 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:

CONTRACTUAL MATURITIES OF NON-DERIVATIVE FINANCIAL LIABILITIES

As at (millions of dollars)	March 31, 2013	December 31, 2012
2013	702.1	931.3
2014	374.3	374.6
2015	114.2	114.4
2016	126.8	126.9
2017	105.0	105.0
Thereafter	1,339.4	1,339.0

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

CONTRACTUAL MATURITIES OF DERIVATIVE FINANCIAL LIABILITIES

As at (millions of dollars)	March 31, 2013	December 31, 2012
2013	21.4	29.2
2014	24.8	23.3
2015	11.0	10.4
2016	9.7	9.5
2017	7.8	7.6
Thereafter	22.4	21.9

As at March 31, 2013, the Corporation is in compliance with its financial covenants related to debt classified as long-term debt on the consolidated balance sheet.

Derivative assets and liabilities

Financial derivative instruments are recorded on the consolidated balance sheets at fair value. As at March 31, 2013, 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:

DERIVATIVE ASSETS AND LIABILITIES

As at (millions of dollars)	March 31, 2013		December 31, 2012	
	Hedge Instruments	Non-Hedge Derivatives	Hedge Instruments	Non-Hedge Derivatives
Assets				
Current	21.7	13.0	15.6	11.9
Non-current	20.1	19.0	23.5	21.0
Liabilities				
Current	16.4	9.5	19.8	9.4
Non-current	41.1	30.1	40.5	32.2

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 2013, there was no impact (2012 – 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, 2013, there was no impact to earnings (2012 – nil) related to hedges that no longer qualified 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 derivative and the hedged items are recognized directly in net earnings. In the first quarter of 2013, there was no impact (2012 – $0.1 million gain) recognized.

The Corporation estimates that, of the $14.8 million of losses reported in accumulated other comprehensive income as at March 31, 2013, $5.3 million are expected to be realized within the next 12 months at market prices in effect at the time of settlement.

Non-hedge derivatives are classified as held for trading and recognized at fair market value with changes in fair market value being recorded through earnings. In the three months ended March 31, 2013, there were gains of $1.2 million (2012 – $3.4 million losses) recorded in net earnings.

Fair value

Level Determination and Classifications

The Level I, II and III classifications in the fair value hierarchy utilized by the Corporation are defined as follows:

Level I

Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access. In determining Level I, the Corporation uses quoted prices for identically traded commodities obtained from active exchanges such as the New York Mercantile Exchange (NYMEX) and the Natural Gas Exchange (NGX).

Level II

Fair values are determined using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Fair values are determined using inputs including interest rate yield curves, forward market rates, quoted commodity prices or credit spreads that are readily observable and reliable or for which unobservable inputs are deemed to be insignificant to the fair values that are categorized as Level II.

Commodity contracts' fair values falling within the Level II category are determined through the use of quoted prices in active markets adjusted for factors specific to the asset or liability. Level II fair values include those determined using pricing applications for creating power curves where the inputs are readily observable, including commodity prices for similar assets or liabilities in active markets.

Interest rate swap contract fair values falling within the Level II fair values include those determined by using a benchmark index and applying that index to the notional debt outstanding.

Level III

The fair values are determined using significant unobservable data or inputs.

In rare circumstances, ENMAX enters into commodity transactions with non-standard features for which market-observable data are not available. In these cases, Level III fair values are determined using valuation techniques with inputs that are based on historical data.

FAIR VALUES OF THE CORPORATION'S FINANCIAL ASSETS AND LIABILITIES

As at March 31, 2013 (millions of dollars)	Quoted Prices in Active Markets	Significant Other Observable Inputs (1)	Significant Unobservable Inputs (2)	
	(LEVEL I)	(LEVEL II)	(LEVEL III)	TOTAL
Financial assets measured at fair value:				
Energy trading forward contracts	0.1	28.4	14.2	42.7
Foreign currency forward contracts	-	9.8	-	9.8
Interest rate swap	-	21.3	-	21.3
Financial assets total	0.1	59.5	14.2	73.8
Financial liabilities measured at fair value:				
Energy trading forward contracts	2.3	30.1	6.2	38.6
Foreign currency forward contracts	-	1.2	-	1.2
Interest rate swap	-	57.3	-	57.3
Financial liabilities total	2.3	88.6	6.2	97.1
Net risk management assets (liabilities)	(2.2)	(29.1)	8.0	(23.3)

(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).
(2) Market-observable data are not available. Fair values are determined using valuation techniques.

FAIR VALUES OF THE CORPORATION'S FINANCIAL ASSETS AND LIABILITIES

As at December 31, 2012 (millions of dollars)	Quoted Prices in Active Markets (LEVEL I)	Significant Other Observable Inputs [1] (LEVEL II)	Significant Unobservable Inputs [2] (LEVEL III)	TOTAL
Financial assets measured at fair value:				
Energy trading forward contracts	0.1	24.5	15.5	40.1
Foreign currency forward contracts	-	9.9	-	9.9
Interest rate swap	-	22.0	-	22.0
Financial assets total	0.1	56.4	15.5	72.0
Financial liabilities measured at fair value:				
Energy trading forward contracts	3.7	30.6	6.0	40.3
Foreign currency forward contracts	-	1.9	-	1.9
Interest rate swap	-	59.7	-	59.7
Financial liabilities total	3.7	92.2	6.0	101.9
Net risk management assets (liabilities)	(3.6)	(35.8)	9.5	(29.9)

(1) Excludes financial assets and liabilities where carrying value approximates fair value due to the liquid nature of the asset or liability (cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities).
(2) Market-observable data is not available. Fair values are determined using valuation techniques.

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, 2013:

CHANGE IN FAIR VALUE OF LEVEL III RISK MANAGEMENT ASSETS AND LIABILITIES

(millions of dollars)	Hedges
Net risk management assets as at December 31, 2012	9.5
Changes attributable to:	
Commodity price changes	(1.4)
Contracts that settled	(0.1)
Transfers in/out of Level III	-
Net risk management assets at March 31, 2013	**8.0**
Total change in fair value included in other comprehensive income	(1.5)
Total change in fair value included in pre-tax earnings	-

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.

CARRYING AMOUNTS AND FAIR VALUES OF LONG-TERM DEBT

As at (millions of dollars)	March 31, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt [1] consisting of:				
Debentures, with remaining terms of				
Less than 5 years	47.0	49.9	47.0	49.8
6 – 10 years	128.9	141.8	135.4	150.4
11 – 15 years	7.9	9.4	7.9	9.4
16 – 20 years	138.2	161.0	138.3	162.3
21 – 25 years	499.3	558.4	499.3	565.1
Private debentures				
Series 1 (6.15%)	297.8	345.2	297.8	345.2
Series 2 (5.85%)	249.6	260.7	249.5	260.8
Non-recourse term financing Kettles Hill Wind Farm (Kettles) and Calgary Energy Centre (CEC)	227.1	216.4	229.3	219.8
Promissory note	5.0	5.3	5.0	5.3
	1,600.8	1,748.1	1,609.5	1,768.1

(1) Includes current portion of $60.1 million (December 31, 2012 – $59.7 million). Maturity dates range from April 2014 to June 2037.

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:

REGULATORY ASSETS AND LIABILITIES

As at (millions of dollars)	March 31, 2013	December 31, 2012
Regulatory assets		
Accounts receivable: purchased power variances (1)	21.0	21.7
Distribution assets: inter-company profit on underground residential development (2)	40.2	39.5
Other regulatory assets (3)	19.1	16.0
Total regulatory assets	80.3	77.2
Regulatory liabilities		
Other regulatory liabilities (4)	11.7	3.3
Total regulatory liabilities	11.7	3.3

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

(1) Purchased power variances

Purchased power costs are included in allowed rates on a forecast basis. For rate-setting purposes, differences between forecast and actual purchased power costs in the rate year are held until the following year. ENMAX Power recognizes purchased power cost variances as a regulatory asset or liability based on the expectation that amounts held from one year to the next for rate-setting purposes will be approved for collection from, or refund to, future customers. The regulatory asset represents the excess of actual over forecast purchased power costs. In the absence of rate regulation, 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, 2013 would have been $0.7 million higher (2012 – $20.0 million higher). 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, 2013 would be a reduction of $0.7 million (2012 – $0.3 million increase) representing the profit on these services. The balances for property, plant and equipment (PPE) and retained earnings at March 31, 2013, would be further reduced by $40.2 million (December 31, 2012 – $39.5 million).

(3) Other regulatory assets

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

(4) Other regulatory liabilities

Other regulatory liabilities primarily relate 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

Current regulations exclude the Corporation's transmission, distribution and rate-regulated electricity sales earnings from corporate income taxes, although rate-regulated electricity sales are subject to payment in lieu of income tax. Accordingly, ENMAX Power has not recognized current or future corporate income taxes on tax exempt earnings. In the event regulations change, it would be expected that when these amounts became payable, they would be recovered through future rate revenues.

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, 2013 was a $5.7 million loss (2012 – $1.5 million loss) representing the gains and losses on disposals and retirements of regulated assets.

5. Other assets and liabilities

OTHER ASSETS AND LIABILITIES As at (millions of dollars)	March 31, 2013	December 31, 2012
Other current assets		
Hedge instruments	21.7	15.6
Non-hedge derivatives	13.0	11.9
Restricted cash	2.2	3.6
Prepaid expenses	12.4	12.4
Inventory	1.3	2.3
	50.6	45.8
Other long-term assets		
Hedge instruments	20.1	23.5
Non-hedge derivatives	19.0	21.0
Restricted cash	5.3	8.9
Shares in other companies	0.2	0.2
Prepaid expenses	3.6	4.3
Other	11.9	5.2
	60.1	63.1
Other current liabilities		
Hedge instruments	16.4	19.8
Non-hedge derivative	9.5	9.4
Deposits	13.7	18.3
Deferred revenue	17.4	11.8
	57.0	59.3
Other long-term liabilities		
Hedge instruments	41.1	40.5
Non-hedge derivative	30.1	32.2
Long-term payables	9.0	9.6
Deferred revenue	4.2	4.3
	84.4	86.6

6. Assets held for sale

On February 28, 2013 the Corporation sold a 25 per cent interest in the Shepard Energy Centre (Shepard) to Capital Power Corporation (Capital Power). This was the first of a two-part purchase and sale arrangement entered into on December 5, 2012. Under the second part of the arrangement, which is expected no later than the first quarter of 2014, Capital Power will purchase an additional 25 per cent interest in Shepard. The assets and liabilities relating to the 25 per cent interest in Shepard that will be sold in 2014 have been reclassified to assets and liabilities held for sale on the consolidated balance sheets.

On April 8, 2013 ENMAX entered into an agreement to sell ENMAX Envision Inc. (Envision), its high-speed data communications subsidiary (see Note 16, Subsequent event). Since December 31, 2012, the assets and liabilities of Envision were reclassified to assets and liabilities held for sale on the consolidated balance sheets, and its operating results are included in net earnings from discontinued operations on the consolidated statements of earnings and comprehensive income.

ASSETS AND LIABILITIES HELD FOR SALE

As at (millions of dollars)	March 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	1.4	-
Accounts receivable	3.4	3.2
Other current assets	0.8	0.3
Property, plant and equipment (1)	303.6	553.1
Intangible assets (1)	9.3	18.7
Other long-term assets	0.2	0.3
TOTAL ASSETS	318.7	575.6
LIABILITIES		
Accounts payable and accrued liabilities	7.4	2.1
Other current liabilities	1.9	1.7
Other long-term liabilities	5.1	5.3
Asset retirement obligations	0.4	0.4
TOTAL LIABILITIES	14.8	9.5

(1) Property, plant and equipment includes Shepard Energy Centre costs of $259.7 million (2012 - $510.1 million). Intangible assets include $9.2 million of Shepard Energy Centre related costs (2012 – $18.6 million).

NET EARNINGS FROM DISCONTINUED OPERATIONS

For the three months ended March 31, (millions of dollars)	2013	2012
REVENUE		
Contractual services	7.8	6.9
Other	0.1	-
TOTAL REVENUE	7.9	6.9
COST OF SERVICES PROVIDED		
Contractual services	1.1	1.0
OM&A	2.3	2.5
COST OF SERVICES PROVIDED	3.4	3.5
Amortization	1.3	1.2
Interest	-	0.1
NET EARNINGS FROM DISCONTINUED OPERATIONS	3.2	2.1

7. Property, plant and equipment

As at March 31, 2013 (millions of dollars)	Cost	Accumulated Amortization	Net Book Value
Transmission, distribution and substation equipment	1,759.1	(551.2)	1,207.9
Generation facilities and equipment	999.9	(191.6)	808.3
Construction in progress	892.8	-	892.8
Buildings and site development	205.1	(59.1)	146.0
Tools, systems and equipment	92.8	(61.9)	30.9
Land	32.7	-	32.7
Capital spares and other	33.5	-	33.5
Vehicles	32.1	(11.8)	20.3
	4,048.0	(875.6)	3,172.4
Government grants	(20.0)	1.8	(18.2)
Contributions in aid of construction	(473.5)	91.5	(382.0)
	3,554.5	(782.3)	2,772.2

As at December 31, 2012 (millions of dollars)	Cost	Accumulated Amortization	Net Book Value
Transmission, distribution and substation equipment	1,782.0	(585.3)	1,196.7
Generation facilities and equipment	1,002.6	(182.6)	820.0
Construction in progress	812.3	-	812.3
Buildings and site development	198.5	(58.7)	139.8
Tools, systems and equipment	91.8	(58.6)	33.2
Land	32.7	-	32.7
Capital spares and other	32.7	-	32.7
Vehicles	31.2	(11.5)	19.7
	3,983.8	(896.7)	3,087.1
Government grants	(20.0)	1.7	(18.3)
Contributions in aid of construction	(463.7)	89.4	(374.3)
	3,500.1	(805.6)	2,694.5

8. 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 per cent of the consumer price index for Alberta. Under the DC provisions, employer contributions are based on the participating members' pensionable earnings and contribution levels.

The Corporation also sponsors a supplemental pension plan providing an additional DB pension based on years of service and highest average earnings (including incentive pay) to both DB and DC members whose benefits are limited by maximum pension rules under the Income Tax Act (Canada) (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, 2013, is $6.0 million (2012 - $4.6 million).

9. Short-term debt

The Corporation has unsecured credit facilities amounting to $1,150.0 million (December 31, 2012 – $1,150.0 million) to fund general operating requirements and to provide liquidity support for commercial paper and commodity marketing programs. Combined, all of the facilities encompass $900.0 million in bilateral credit facilities and $250.0 million of syndicated credit facilities. As at March 31, 2013, $319.0 million (2012 – $355.0 million) of operating facilities and $30.0 million (2012 – $30.0 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, 2013, the Corporation had no commercial paper and $26.4 million in bank overdrafts at a weighted average rate of 3.00 per cent (December 31, 2012 – $149.9 million in commercial paper and $16.0 million in bank overdrafts at a weighted average rate of 1.13 per cent).

10. Accumulated other comprehensive income

ACCUMULATED OTHER COMPREHENSIVE INCOME As at (millions of dollars)	March 31, 2013	December 31, 2012
Unrealized losses on available-for-sale financial assets	(0.1)	(0.1)
Unrealized losses on derivatives designated as cash flow hedges	(14.7)	(19.5)
Accumulated other comprehensive losses, including a future income tax recovery of $1.0 million (2012 - recovery of $1.7 million)	(14.8)	(19.6)

11. Commitments and contingencies

Property, plant and equipment

As at March 31, 2013, the Corporation is committed to major capital expenditures over the next five years and thereafter, with minimum annual payments (including cancellation costs) totalling $93.4 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 commits to long-term service arrangements on certain generating assets.

The aggregated minimum payments under these arrangements total $165.0 million.

Environmental

Provincial regulations aimed at reducing the levels of GHG emissions took effect July 2007. Due to the change of law provisions in ENMAX Energy's PPAs and Tolling Agreements ENMAX Energy is exposed to the associated compliance costs.

For the three month period ended March 31, 2013, the consolidated financial statements include a charge to earnings in the amount of $4.5 million (2012 – $5.2 million), included in costs of electricity services provided, relating to estimated compliance costs under the provincial GHG regulations for ENMAX Energy's interests in coal and natural-gas-fuelled generation facilities through its PPAs and owned assets. Compliance payments are due to the Province of Alberta, 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 or its subsidiaries. As at March 31, 2013, the Corporation had issued letters of credit amounting to $349.0 million (December 31, 2012 – $385.0 million)

12. Items not involving cash

ITEMS NOT INVOLVING CASH For the three months ended March 31 (millions of dollars)	2013	2012
Amortization	40.2	40.7
Future income taxes	2.4	1.3
Change in unrealized market value of financial contracts	(1.2)	3.4
Other	-	(1.0)
	41.4	44.4

13. Change in non-cash working capital

CHANGE IN NON-CASH WORKING CAPITAL For the three months ended March 31, (millions of dollars)	2013	2012
Accounts receivable	31.7	81.9
Other current assets	1.0	1.8
Accounts payable and accrued liabilities	(43.4)	(39.7)
Other current liabilities	1.1	(3.4)
	(9.6)	40.6

14. Related party transactions

ENMAX's related-party transactions comprise both revenues from and expenditures to The City. The City is the sole shareholder of the Corporation. Total revenues received from The City for the three months ended March 31, 2013, were $37.8 million (2012 – $27.6 million). The significant components include contract sales of electricity, construction of infrastructure, provision of non-regulated power distribution services and billing and customer care services relating to The City's utilities departments. ENMAX has committed to a water supply agreement with The City, to commence upon completion of Shepard, whereby The City will supply a specified amount of water annually to facilitate Shepard operations.

As at March 31, 2013, amounts owing to the Corporation from The City for services provided were $24.8 million (December 31, 2012 - $26.4 million).

Total expenditures for goods and services received from The City for the three months ended March 31, 2013, were $34.0 million (2012 - $51.4 million). Most of these expenditures were for local access fees for use of The City's rights-of-way, the cost of which is passed through by ENMAX directly to transmission and distribution customers. The measurement basis used in determining the above values is the contract amount that is considered fair market value; that is, the measurement basis is the same as would be used for a third-party arm's-length transaction.

In addition, on June 15, 2012, the Corporation obtained $143.4 million from The City through arrangements with the Alberta Capital Finance Authority (ACFA) to fund ongoing investment relating to the regulated transmission and distribution network in Calgary and the surrounding area. This brings the total amount of debt owed to The City to $821.3 million at March 31, 2013 (December 31, 2012 – $827.8 million). Interest paid on this debt for the three months ended March 31, 2013, was $2.8 million (2012 – $3.1 million).

Transactions between the Corporation and The City have been recorded at the exchange amounts. Exchange amounts are the amounts as outlined by the contracts in effect between the Corporation and The City.

15. Comparative figures

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

Local access fees revenue

The Corporation has reclassified revenues related to Local Access Fees from Transmission and Distribution to be presented separately in the Consolidated Statements of Earnings and Comprehensive Income. The presentation change was completed for revenues to have consistent detail as the presentation of cost of services provided. The change in presentation has been applied to the comparative year. For the three months ended March 31, 2012, Transmission and Distribution revenue is $73.5 million and Local Access Fees revenue is $49.7 million.

Foreign exchange gains

The Corporation has reclassified its foreign exchange gains from other revenue to foreign exchange loss (gain) within total costs of services provided. As a result, the prior year's comparative figures (2012 - $1.9 million) have been reclassified to conform to the current year's presentation.

16. Subsequent event

On April 8, 2013 ENMAX entered into agreements to sell ENMAX Envision Inc. (Envision) to Shaw Communications Inc. for approximately $225.0 million. Envision is ENMAX's high-speed data communications subsidiary and operates a fibre-optic network that provides large bandwidth solutions to Calgary businesses. The sale closed on April 30, 2013.

ADDITIONAL INFORMATION

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

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