2013 | Q2 INTERIM REPORT

ENMAX Corporation | Three & Six Months Ending June 30, 2013

HIGHLIGHTS

(millions of dollars, unless otherwise noted)	Three Months Ending June 30		Six Months Ending June 30	
	2013	2012	**2013**	2012
Total revenues	859.4	658.4	1,689.6	1,493.5
Operating margin [1]	115.8	168.0	283.4	343.0
Adjusted earnings (includes discontinued operations) before interest, income tax, depreciation and amortization (EBITDA)[1]	227.3	111.7	337.0	233.0
Earnings before interest and income taxes (EBIT) [1]	6.7	67.7	71.7	144.9
Net earnings before discontinued operations	8.2	50.7	63.3	111.2
Net earnings	185.2	53.1	243.5	115.7
Funds generated from operations [1]	28.4	86.2	124.9	191.1
Total assets (as at end of period)	4,818.2	4,363.1	4,818.2	4,363.1
Return on assets[2]			12.2%	8.2%
Return on equity [3]			16.1%	10.2%
Long-term debt to total capitalization ratio [4]			42.2%	44.8%
System average interruption duration index (SAIDI) [5]			0.27	0.12
System average interruption frequency index (SAIFI) [6]			0.41	0.20
Total recordable injury frequency (TRIF)			1.22	0.73
Electricity sold to customers (Gigawatts [GW])	5,014	5,054	10,427	10,514
Energy delivered (GW)	2,253	2,251	4,669	4,630
Customer satisfaction [7]	81%	79%	81%	80%

(1) Non-GAAP financial measure. See discussion that follows in the Management's Discussion & Analysis (MD&A).
(2) Return on assets is equal to net earnings, including gain on sale, before after-tax interest charges for the last 12 month rolling period divided by average total assets (adjusted for capital assets under construction and current liabilities) for the last 12 month rolling period.
(3) Return on equity is equal to net earnings, including gain on sale, for the last 12 month rolling period divided by average Shareholder's equity for the last 12 month rolling 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 and its subsidiaries (ENMAX or the Corporation) that are forward looking. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from financial and operating targets, expectations, estimates or intentions expressed in the forward-looking statements.

When used in this 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 ENMAX's 2012 Financial Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This MD&A, dated August 8, 2013, is a review of the results of operations of ENMAX Corporation and its subsidiaries (ENMAX or the Corporation) for the three and six months ended June 30, 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

(millions of dollars, unless otherwise noted)	Three Months Ending June 30		Six Months Ending June 30	
	2013	2012	**2013**	2012
Total revenue	859.4	658.4	1,689.6	1,493.5
Operating margin (1)	115.8	168.0	283.4	343.0
EBIT (1)	6.7	67.7	71.7	144.9
EBITDA (1)	49.7	108.2	154.9	226.1
Net earnings from continuing operations	8.2	50.7	63.3	111.2
Net earnings	185.2	53.1	243.5	115.7
Funds generated from operations (1)	28.4	86.2	124.9	191.1
Cash provided by operating activities	(98.3)	132.5	(21.3)	279.1
Total assets (as at end of period)	4,818.2	4,363.1	4,818.2	4,363.1
Long-term debt	1,721.5	1,641.5	1,721.5	1,641.5

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

ENMAX's consolidated net earnings for the three and six months ended June 30, 2013 have increased to $185.2 million and $243.5 million, respectively, compared with $53.1 million and $115.7 million, respectively, for the three and six months ended June 30, 2012. This increase was driven primarily by the $175.9 million gain on the sale of ENMAX Envision Inc. (Envision) and increases in normal electricity and transmission and distribution margins. The favourable variances were offset partially by the $63.5 million impact of an outage of Unit 1 under the Keephills Power Purchase Arrangement (PPA).

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.

EBIT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013, COMPARED WITH THE SAME PERIOD IN 2012

(millions of dollars)	Three Months Ended	Six Months Ended
EBIT for the period ended June 30, 2012	67.7	144.9
Unusual items included in 2013 results:		
Outage at Keephills Unit 1	(63.5)	(73.9)
Flood response	(2.3)	(2.3)
Increased (decreased) margins attributable to:		
Electricity, excluding Keephills force majeure	9.7	2.3
Natural gas	-	4.2
Transmission and distribution	4.7	8.6
Contractual services and other	(3.1)	(0.8)
Decreased (increased) expenses:		
Operations, maintenance and administration (OM&A)	(8.0)	(16.8)
Foreign exchange	4.0	7.5
Amortization	(2.5)	(2.0)
EBIT for the period ended June 30, 2013	**6.7**	**71.7**

Unusual items included in 2013 results

The Keephills Unit 1 (395 megawatt [MW] capacity) was removed from service by its operator on March 5, 2013. Keephills Unit 1 provides ENMAX with approximately 340MW of electricity through a PPA. The operator of the plant, TransAlta Corporation (TransAlta), declared force majeure in relation to the outage on March 26, 2013 and expects the unit to return to service in October of 2013 (Keephills force majeure). Under a force majeure, ENMAX is not compensated for the outage by the operator for the duration of the force majeure event under the terms of the PPA. In addition, during a force majeure, ENMAX is relieved from paying certain capacity charges to the plant owner for the duration of the force majeure event. For the three and six months ended June 30, 2013, Keephills force majeure impact was $63.5 million and $73.9 million respectively. ENMAX expects to file a formal Notice of Arbitration, in accordance with the terms of the PPA. Resolution of this dispute is not expected to occur during 2013 and any recoveries pursuant to that dispute will be recognized at that future time.

In June 2013, southern Alberta experienced a significant flood. On June 20, communities began to experience the impact of flooding leading to declarations of states of emergency in many communities. ENMAX, in coordination with the Calgary Emergency Management Agency and government agencies, disconnected and subsequently restored power to customers to ensure the safety of citizens and minimize the impact on citizens and damage to business property. For the three and six months ended June 30, 2013, ENMAX's response to the flood resulted in operational costs of $2.3 million. Additional costs are expected in the third quarter following completion of damage assessments.

In the following discussion the term "Normalized" refers to the removal of the above noted unusual items from comparative margin and expense discussions. Normalized measures are a non-GAAP financial measure.

Normalized EBIT

Normalized electricity margins (electricity margins excluding the Keephills force majeure) for the three months ended June 30, 2013, increased $9.7 million to $115.9 million from $106.2 million in the three months ended June 30, 2012. For the six months ended June 30, 2013, normalized electricity margins increased $2.3 million to $216.6 million from $214.3 million in the same period in 2012. The increased margins in the three and six month periods ended June 30, 2013 were driven primarily by higher market prices, better realized prices on forward contracts and increased price and sales volumes on fixed price contracts over the respective prior periods. These favourable items were partially offset by plant outages and higher fuel costs associated with PPAs.

Natural gas margins of $2.5 million for the three months ended June 30, 2013, is consistent with the same period of 2012. For the six months ended June 30, 2013, natural gas margins increased $4.2 million to $14.1 million from $9.9 million in the same period in 2012. This increase is due to higher realized sales prices and higher volumes sold in the first quarter. This favourable impact was partially offset by the higher cost of natural gas supply.

For the three months ended June 30, 2013, transmission and distribution margins increased $4.7 million to $53.6 million over the $48.9 million recorded in the same period in 2012. For the six months ended June 30, 2013, transmission and distribution margins increased $8.6 million to $105.7 million from $97.1 million in the same period in 2012. The increased margins in the three and six month periods ended June 30, 2013, were due primarily to the impact of higher approved rates related to an Alberta Utilities Commission (AUC) decision that 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. The change increases OM&A expense.

For the three months ended June 30, 2013, contractual services and other sources margins decreased $3.1 million to $7.3 million from $10.4 million recorded in the second quarter of 2012. The decrease in margins was mainly due to a decrease in activity for underground residential development and commercial when compared to the earlier period. Decreased activity is attributed to fewer residential lots constructed in the current period and delays in projects due to rainy weather. For the six months ended June 30, 2013, contractual services and other revenues decreased $0.8 million to $20.9 million from $21.7 million in the same period in 2012. The net decrease in margins was mainly due to a decrease in activity for underground residential development and commercial development in the

second quarter largely offset by the recognition of cost recoveries associated with ENMAX's joint venture with Capital Power Corporation (Capital Power) in the first quarter.

Normalized OM&A (OM&A excluding the flood costs) for the three months ended June 30, 2013, increased $8.0 million to $68.7 million from $60.7 million in the second quarter of 2012. For the six months ended June 30, 2013 normalized OM&A costs increased $16.8 million to $132.7 million from $115.9 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 Calgary Energy Centre (CEC), as it successfully executed a planned 45-day outage to perform maintenance on the facility that concluded in the second quarter of 2013. In addition, a decrease in the capitalization of OM&A costs resulting from a change in the methodology for capitalization costs in ENMAX Power also contributed to the increase in OM&A costs for the three and six months ended June 30, 2013.

For the three months ended June 30, 2013, a net foreign exchange gain of $4.9 million was recognized as compared to a gain of $0.9 million in the same period of 2012. For the six months ended June 30, 2013, foreign exchange gains of $6.5 million were experienced as compared to a loss of $1.0 million in the same period in 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 June 30, 2013 increased $2.5 million to $43.0 million from $40.5 million for the same period in 2012. For the six months ended June 30, 2013 amortization expense increased $2.0 million to $83.2 million from $81.2 million in the same period in 2012. The increased charges were primarily the result of a net change in assets placed into service.

OTHER NET EARNINGS ITEMS

For the three months ended June 30, 2013 interest expense decreased $4.9 million to $6.3 million from $11.2 million for the same period in 2012. Interest expense decreased $8.4 million to $13.1 million from $21.5 million for the six months ended June 30, 2013, compared to the six months ended June 30, 2012. The decrease was primarily due to an increase in the capitalization of interest related to capital projects partially offset by the cost of increased borrowings in the second quarter.

Current and future income tax expenses for the three months ended June 30, 2013 decreased $13.6 million to a recovery of $7.8 million from an expense of $5.8 million for the same period in 2012. For the six months ended June 30, 2013, income tax expense decreased $16.9 million to a recovery of $4.7 million from an expense of $12.2 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 June 30, 2013, decreased $1.3 million to $1.1 million from $2.4 million for the same period in 2012. For the six months ended June 30, 2013, earnings from discontinued operations decreased $0.2 million to $4.3 million from $4.5 million in the same period in 2012. On April 8, 2013, ENMAX entered into a sale agreement for its subsidiary, Envision, and concluded the sale on April 30, 2013. The sale resulted in a gain of $175.9 million. The assets and liabilities of Envision were classified as assets and liabilities held for sale on the consolidated balance sheet.

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 and six months ended June 30, 2013, OCI totalled gains of $12.0 million and $16.8 million, respectively, compared with gains of $6.5 million and $22.3 million, respectively, for the same periods in 2012. OCI in the first six 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

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	2013	2012	2013	2012
ENMAX Energy	(5.7)	49.8	43.0	107.3
ENMAX Power	11.4	17.1	27.1	36.0
Corporate & intersegment eliminations	1.0	0.8	1.6	1.6
EBIT	6.7	67.7	71.7	144.9

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 energy management, district heating and customer care.

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, ENMAX Energy will contract to purchase 300 MW of Capital Power's Shepard output (50 per cent 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 Unit 1 generator was removed from service by its operator, TransAlta. On March 26, 2013, ENMAX received notice from TransAlta that it has made a claim of force majeure under the Keephills PPA. The Keephills Unit 1 generator is

scheduled to return to service in October of 2013. ENMAX expects it will file a formal Notice of Arbitration, in accordance with the terms of the PPA, against the operator's declaration of force majeure. A resolution to a formal Notice of Arbitration is not expected in 2013.

On April 8, 2013, ENMAX entered into an agreement for the sale of a subsidiary, Envision, for $221.9 million net of adjustments. Envision is involved in high-speed data communications providing large bandwidth solutions to businesses. The sale transaction closed on April 30, 2013.

During the three and six months ended June 30, 2013, $72.9 million and $134.0 million respectively, have been invested in Calgary-area generation projects including ENMAX's proportionate interest in the Shepard facility. The investment includes $16.5 million and $33.2 million of capital spend for the three and six months ended June 30, 2013, reclassified to assets held for sale to represent the second tranche of the Shepard sale agreement, which is expected to be completed in the first quarter 2014.

Construction continues on the Shepard facility, with approximately 72 per cent of the overall project work complete and over 2.1 million hours of construction work invested as at June 30, 2013. With respect to project costs, approximately $1,065.0 million of the $1,365.0 million construction budget has been incurred.

KEY BUSINESS DRIVERS

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Market heat rate – flat average (Gigajoule/MW hours [GJ/MWh])	36.77	22.31	29.38	25.92
Average wholesale market spark spread ($/MWh) (1)	96.53	25.75	68.21	34.54
Average flat pool price ($/MWh)	123.36	40.15	93.74	49.96
Average natural gas price ($/GJ)	3.35	1.80	3.19	1.93
Generation volume (GW hours [GWh])	2,405	3,077	5,229	6,167
Electricity sold (GWh)	4,611	4,628	9,557	9,557
Natural gas sold (terajoules [TJ])	8,228	8,003	27,257	25,957
Customer satisfaction (2)	81%	79%	81%	80%

(1) Assuming an average combined cycle gas turbine 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 Service Quality Management.

ENMAX Energy sold, under contract, 4,611 GWh of electricity to customers in the three months ended June 30, 2013, compared with 4,628 GWh in the same period of 2012. This slight decrease is due primarily to a decrease in commercial and industrial customer volumes offset by an expanding customer base in residential. For the six months ended June 30, 2013 and 2012, ENMAX Energy sold, under contract, 9,557 GWh of electricity to customers.

ENMAX Energy's natural gas customers purchased 8,228 TJ of natural gas in the three months ended June 30, 2013, compared with 8,003 TJ in the same period in 2012. For the six months ended June 30, 2013 ENMAX Energy sold 27,257 TJ of natural gas to customers compared with 25,957 TJ in the same period of 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 EBIT was a loss of $5.7 million for the three months ended June 30, 2013, compared with earnings of $49.8 million in the same period of 2012. EBIT for the six months ended June 30, 2013, was $43.0 million compared with $107.3 million in the same period in 2012.

EBIT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013, COMPARED WITH THE SAME PERIODS IN 2012

(millions of dollars)	Three Months Ended	Six Months Ended
EBIT for the period ended June 30, 2012	49.8	107.3
Unusual item included in 2013 results:		
Outage at Keephills Unit 1	(63.5)	(73.9)
Increased (decreased) margins attributable to:		
Electricity, excluding Keephills force majeure	9.3	2.1
Natural gas	0.1	4.6
Contractual services and other	(0.3)	3.4
Decreased (increased) expenses:		
OM&A	(4.6)	(7.3)
Foreign exchange	4.0	7.5
Amortization	(0.5)	(0.7)
EBIT for the period ended June 30, 2013	**(5.7)**	**43.0**

Unusual item included in 2013 results

The Keephills Unit 1 outage has resulted in an unfavourable impact. Under a force majeure, ENMAX is not compensated for the outage by the operator for the duration of the force majeure event under the terms of the framework in the PPA. In addition, during a force majeure, ENMAX is relieved from paying certain capacity charges to the plant owner for the duration of the force majeure event. For the three and six months ended June 30, 2013, Keephills force majeure impact was $63.5 million and $73.9 million, respectively.

Normalized EBIT

Normalized electricity margins for the three months ended June 30, 2013, increased $9.3 million to $114.7 million compared with the $105.4 million recorded in the same three months of 2012. Normalized electricity margins for the six months ended June 30, 2013 increased $2.1 million to $214.1 million compared with the $212.0 million recorded in the same period of 2012. The increased margins in the three and six month periods ended June 30, 2013, were driven primarily by higher market prices, better realized prices on forward contracts and increased sales volumes on fixed price contracts over the prior period. These favourable items were partially offset by plant outages and higher fuel costs associated with PPAs.

Natural gas margins increased $0.1 million to $2.6 million for the three months ended June 30, 2013, compared with $2.5 million for the same period in the prior year. The slight increase in margins is due to higher volumes of natural gas sold offset by a decrease in volumes on fixed price contracts over the prior period. Natural gas margins increased $4.6 million to $14.5 million for the six months ended June 30, 2013, compared with $9.9 million for the first half of 2012. This increase, which occurred in first three months of 2013, is due to higher realized sale prices and higher volumes sold. This favourable impact is partially offset by higher cost of natural gas supply.

Contractual services margin and other revenues was consistent in the three months ended June 30, 2013, at $9.6 million, compared to $9.9 million in the same period in 2012. Contractual services margin and other revenues increased $3.4 million in the six months ended June 30, 2013, to $23.8 million compared to $20.4 million in the six months ended June 30, 2012. The increase in margins was mainly due to recognizing the recovery of costs related to Shepard.

OM&A expenses increased $4.6 million for the three months ended June 30, 2013, to $46.8 million, compared with $42.2 million in the same period in 2012. OM&A expenses for the six months ended June 30, 2013, increased $7.3 million to $88.0 million compared with $80.7 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 successfully concluded in May of 2013.

For the three months ended June 30, 2013, a net foreign exchange gain of $4.9 million was recognized compared to a gain of $0.9 million in the same period of 2012. For the six months ended June 30, 2013, foreign exchange gains of $6.5 million were experienced compared to a loss of $1.0 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 and six months ended June 30, 2013, increased $0.5 million and $0.7 million, compared to the same periods in 2012. The increased charges were the result of an increase in assets placed into service during the year.

ENMAX POWER

ENMAX Power owns, operates and maintains electricity transmission and distribution assets in the Calgary service area. 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

In June 2013, southern Alberta experienced a significant flood. On June 20 communities began to experience the impact of flooding leading to the declarations of state of emergency in many communities. ENMAX Power, in coordination with the Calgary Emergency Management Agency and government agencies, disconnected and subsequently restored power to customers to ensure the safety of citizens and minimize the impact on citizens and damage to business property.

Transmission and distribution capital projects that either commenced or continued in 2013 resulted in $21.8 million incurred for residential and non-residential development and $11.7 million for system infrastructure in the six months ended June 30, 2013. Capital work was also completed on asset replacement and modification projects, with $11.0 million being incurred during the six months ended June 30, 2013, to meet industry standards and safety codes and for automation of elements of the distribution network. Investments of $32.9 million were made in AESO-required capital projects during the first half of 2013. In addition, $13.0 million was invested in other tools and equipment required for the business. These investments, reduced by $14.0 million in contributions received from customers, resulted in a net investment by ENMAX of over $76.4 million in the first six months of 2013.

ENMAX Power rate base is determined using a capital structure of 59 per cent debt to 41 per cent equity for the distribution business and 63 per cent debt to 37 per cent equity in the transmission business. Permitted ROE under the FBR framework is 8.75 per cent and this level of return may either be exceeded or not met based on ENMAX Power's actual performance under FBR.

KEY BUSINESS DRIVERS

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	**2013**	2012
Electricity sold through the RRO (GWh)	403	426	870	958
Distribution volumes (GWh)	2,253	2,251	4,669	4,630
Local access fees collected on behalf of The City of Calgary (The City) ($ millions)	28.3	28.0	59.5	77.7
SAIDI			0.27	0.12
SAIFI			0.41	0.20

Rate regulated option (RRO) electricity volumes sold decreased to 403 GWh in the three months ended June 30, 2013 compared with 426 GWh in the same period in 2012. For the six months ended June 30, 2013, RRO electricity volumes sold decreased 88 GWh to 870 GWh compared with 958 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 for the second quarter of 2013 was consistent with prior periods. Electricity volumes of 2,253 GWh were delivered in three months ended June 30, 2013, compared to 2,251 GWh in the same period of 2012. For the six months ended June 30, 2013, total electricity delivered in the Calgary service area increased from the same period in the prior year, with electricity volumes delivered of 4,669 GWh compared with 4,630 GWh in the same period in 2012. This modest increase was primarily due to an increase in consumption.

Financial Results

ENMAX Power's financial results are driven by tariffs approved by the AUC for the regulated transmission, distribution and RRO businesses and by earnings from its non-regulated power services business. The regulated segment accounted for 89 per cent of ENMAX Power's total revenue in the three and six months ended June 30, 2013, compared with 87 and 88 per cent, respectively, in the same periods of 2012.

ENMAX Power recorded EBIT of $11.4 million and $27.1 million for the three and six months ended June 30, 2013, respectively, compared with $17.1 million and $36.0 million in the same periods in the prior year.

EBIT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013, COMPARED WITH THE SAME PERIODS IN 2012

(millions of dollars)	Three Months Ended	Six Months Ended
EBIT for the period ended June 30, 2012	17.1	36.0
Unusual item included in 2013 results:		
Flood response	(2.3)	(2.3)
Increased (decreased) margins attributable to:		
Transmission and distribution	4.7	8.6
Contractual services and other	(4.3)	(5.5)
Decreased (increased) expenses:		
OM&A	(1.5)	(7.8)
Amortization	(2.3)	(1.9)
EBIT for the period ended June 30, 2013	**11.4**	**27.1**

Unusual item included in 2013 results

For the three and six months ended June 30, 2013, ENMAX's response to the flood resulted in operational costs of $2.3 million.

Normalized EBIT

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 $4.7 million to $53.6 million for the three months ended June 30, 2013, compared with $48.9 million in the same period in 2012. Transmission and distribution margins increased $8.6 million to $105.7 million for the six months ended June 30, 2012, compared with $97.1 million for the six months ended June 30, 2012. This increase was due to the impact of higher approved rates related to a change in the methodology of capitalizing costs.

For the second quarter ended June 30, 2013, margins for contractual services and other revenues decreased $4.3 million to $3.1 million compared with $7.4 million in the second quarter of last year. For the six months ended June 30, 2013, margins for contractual services and other decreased $5.5 million to $8.9 million compared with $14.4 million for the six months ended June 30, 2012. The decrease in margins was mainly due to a decrease in activity for underground residential and commercial development. Decrease in activity is attributed to fewer residential lots constructed in the current period and delays in projects due to weather in the current period.

Normalized OM&A expenses for the three and six months ended June 30, 2013, totalled $29.3 million and $60.3 million, respectively, compared with $27.8 million and $52.5 million, respectively, in the same periods in 2012. The increase in OM&A costs was driven primarily by a change in methodology of capitalizing costs and cost relating to a project that has been removed from capital and expensed.

Amortization for the three and six months ended June 30, 2013, totalled $15.3 million and $28.1 million, respectively, compared with $13.0 million and $26.2 million, respectively, in the same periods in 2012. The increase was the net result of amortization related to new assets put into service partially offset by a decrease in the asset base from older assets concluding their depreciable lives.

CORPORATE & INTERSEGMENT ELIMINATIONS

ENMAX Corporate provides shared services and financing to ENMAX Power and ENMAX Energy. During the three and six months ended June 30, 2013, EBIT for ENMAX Corporate was consistent with the prior year at $1.0 million and $1.6 million, respectively, as compared with $0.8 million and $1.6 million, respectively, in the same periods in the prior year.

KEY BUSINESS DRIVERS

As at and for the period ended June 30 (millions of dollars, unless otherwise noted)	2013	2012
Employees (number) (1)	1,871	1,835
Long-term debt (2)	1,721.5	1,641.5

(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 and in response to increased construction work in that group; growth in ENMAX Energy is due to an increasing sales force; growth in the operating infrastructure, engineering and commodity management groups for the developing generation business; 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.

SELECTED QUARTERLY FINANCIAL DATA

	2013		2012				2011	
(millions of dollars)	Second	First	Fourth	Third	Second	First	Fourth	Third
Total revenue	859.4	830.2	869.3	797.3	658.4	835.1	847.5	782.7
Operating margin (1)	115.8	167.6	194.7	138.7	168.0	175.0	165.0	139.0
EBIT (1)	6.7	65.0	77.4	41.7	67.7	77.2	64.3	46.5
Net earnings from continuing operations	8.2	55.1	61.6	42.8	50.7	60.5	40.1	40.1
Net earnings	185.2	58.3	63.9	45.4	53.1	62.6	42.8	41.9

(1) Non-GAAP financial measure. See discussion that follows in 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 that 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, with the exception of removal of the unusual items in the operating margin measure.

OPERATING MARGIN

(millions of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Electricity margins	115.9	106.2	216.6	214.3
Natural gas margins	2.5	2.5	14.1	9.9
Transmission and distribution margins	53.6	48.9	105.7	97.1
Contractual services margins[1] and other revenue	7.3	10.4	20.9	21.7
Operating margin (non-GAAP financial measure)	179.3	168.0	357.3	343.0
Deduct unusual item: Outage at Keephills Unit 1	63.5	-	73.9	-
Deduct unusual item: Flood response	2.3	-	2.3	-
Deduct: OM&A, foreign exchange, amortization, interest and income taxes	105.3	117.3	217.8	231.8
Net earnings from continuing operations (GAAP financial measure)	8.2	50.7	63.3	111.2

(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.

EBITDA

(millions of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Adjusted EBITDA (non-GAAP financial measure)	227.3	111.7	337.0	233.0
Deduct: EBITDA from discontinued operations	(177.6)	(3.5)	(182.1)	(6.9)
Standardized EBITDA (non-GAAP financial measure)	49.7	108.2	154.9	226.1
Deduct: Amortization	43.0	40.5	83.2	81.2
Interest	6.3	11.2	13.1	21.5
Income taxes	(7.8)	5.8	(4.7)	12.2
Net earnings from continuing operations (GAAP financial measure)	8.2	50.7	63.3	111.2

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

(millions of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
EBIT (non-GAAP financial measure)	6.7	67.7	71.7	144.9
Deduct: Interest	6.3	11.2	13.1	21.5
Income taxes	(7.8)	5.8	(4.7)	12.2
Net earnings from continuing operations (GAAP financial measure)	8.2	50.7	63.3	111.2

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

(millions of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Funds generated from operations (non-GAAP financial measure)	28.4	86.2	124.9	191.1
Changes in non-cash working capital	(131.3)	29.6	(140.9)	70.2
Employee future benefits	(3.2)	2.9	(1.3)	3.9
Cash flow from continuing operations	(106.1)	118.7	(17.3)	265.2
Cash flow from assets held for sale	7.8	13.8	(4.0)	13.9
Cash provided by operating activities (GAAP financial measure)	(98.3)	132.5	(21.3)	279.1

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

TOTAL INTEREST COST

(millions of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Total interest cost (non-GAAP financial measure)	21.4	21.7	42.5	42.8
Ineffective portion of interest rate swaps	(0.6)	(0.2)	(1.0)	(0.6)
Capitalized interest	(15.5)	(11.3)	(30.5)	(22.3)
Other non-interest financing costs	1.0	1.0	2.1	1.6
Interest expense (GAAP financial measure)	6.3	11.2	13.1	21.5

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)	June 30, 2013	December 31, 2012	$ Change	% Change	Explanation for change
ASSETS					
Cash and cash equivalents	138.8	45.5	93.3	205%	Refer to Liquidity and Capital Resources section.
Accounts receivable	707.4	663.6	43.8	7%	Higher due to impact of higher pool prices on sales.
Assets held for sale (1)	276.6	566.1	(289.5)	(51%)	Decrease related to sale of 25% of Shepard project and Envision.
Property, plant and equipment	2,845.7	2,694.5	151.2	6%	Capital expenditures, net of retirements, dispositions and amortization.
LIABILITIES AND SHAREHOLDER'S EQUITY					
Short-term debt	-	165.9	(165.9)	(100%)	Refer to Liquidity and Capital Resources section.
Accounts payable and accrued liabilities	452.4	612.6	(160.2)	(26%)	Timing of the payment of power pool invoices and lower capital accruals
Dividend payable	33.8	-	33.8	100%	Dividend declared in March to be paid in four payments over the course of the year.
Future income tax liability (1) (2)	8.0	20.0	(12.0)	(60%)	Changes in current and prior year positions.
Other assets/liabilities (1) (2)	6.2	37.0	(30.8)	146%	Change in fair value of hedging instruments.
Long-term debt (2)	1,721.5	1,609.5	112.0	7%	Receipt of $140.6 million in new Alberta Capital Financing Authority (ACFA) financing, offset by scheduled debt repayments.

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

LIQUIDITY AND CAPITAL RESOURCES

SHARE CAPITAL

As at June 30, 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)	June 30, 2013	December 31, 2012
Long-term debt [1]	1,721.5	1,609.5
Shareholder's equity		
Share capital	280.1	280.1
Retained earnings	2,077.4	1,901.4
Accumulated other comprehensive loss	(2.8)	(19.6)
Total shareholder's equity	2,354.7	2,161.9
Total capitalization (long-term debt plus shareholder's equity)	4,076.2	3,771.4

(1) Includes the current portion of long-term debt of $315.7 million (December 31, 2012- $59.7 million). Maturity dates range from April 2014 to June 2038.

TOTAL LIQUIDITY AND CAPITAL RESERVES

As at (millions of dollars)	June 30, 2013	December 31, 2012
Committed and available bank credit facilities	1,150.0	1,150.0
Letters of credit issued:		
Power pool purchases	226.0	130.1
Energy trading	66.5	45.0
Regulatory commitments	111.1	107.9
Asset commitments	3.6	34.7
PPAs	66.0	67.3
	473.2	385.0
Commercial paper and overdraft	-	165.9
Remaining available bank facilities	676.8	599.1
Cash on hand	138.8	45.5
Total liquidity and capital reserves	815.6	644.6

The increase in total liquidity and capital reserves during the six months ended June 30, 2013, is attributed primarily to a reduction in commercial paper and overdraft enabled by the receipt of proceeds on the sale of a 25 per cent interest in the Shepard facility and Envision. Lower letters of credit outstanding were mainly due to a decrease in construction commitments.

ENMAX has a $249.7 million private debenture maturing on April 8, 2014. The Corporation plans to fund the maturity with cash and available credit facilities.

LONG-TERM DEBT

As at (millions of dollars)	June 30, 2013	December 31, 2012
Long-term debt [1] consisting of:		
ACFA debentures, with remaining terms of:		
Less than 5 years	43.8	47.0
5 – 10 years	129.8	135.4
11 – 15 years	14.8	7.9
16 – 20 years	190.4	138.3
21 – 25 years	565.3	499.3
Private debentures		
Series 1, remaining term of 5 years, bullet maturity on June 19, 2018	297.9	297.8
Series 2, remaining term of less than 1 year, bullet maturity on April 8, 2014	249.7	249.5
Non-recourse term financing (Kettles and CEC), remaining terms of 3.8 and 13.5 years, respectively	224.9	229.3
Promissory note, remaining term of 13.8 years	4.9	5.0
	1,721.5	1,609.5

(1) Includes current portion of long-term debt of $315.7 million (December 31, 2012- $59.7 million). Maturity dates range from April 2014 to June 2038.

CONTRACTUAL OBLIGATIONS THAT MAY IMPACT THE CORPORATION'S FINANCIAL CONDITION

As at June 30, 2013 (millions of dollars)	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Total debt [1]	1,721.5	315.7	130.9	125.7	1,149.2
Operating leases	47.6	6.0	9.5	7.7	24.4
Purchase obligations [2]	182.5	105.7	35.2	12.7	28.9
Asset retirement obligations	14.9	-	-	-	14.9
Other long-term obligations [3]	55.7	-	29.9	14.4	11.4
Total contractual obligations	2,022.2	427.4	205.5	160.5	1,228.8

(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

CREDIT METRICS

As at	June 30, 2013	December 31, 2012
Long-term debt to total capitalization [1]	42.2%	42.7%
Debt to EBITDA [2]	3.2X	3.8X
EBITDA to total interest [3]	6.1X	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 June 30, 2013, would be 38.8% (December 31, 2012 – 41.5%).
(2) Debt to EBITDA is equal to long-term debt (including current portion) divided by EBITDA for the last 12-month rolling period. If cash was netted against the debt, the ratio as at June 30, 2013, would be 2.9X (December 31, 2012 – 3.6X).
(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 ENMAX 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 June 30, 2013, the Corporation is in compliance with all of the financial maintenance covenants in its debt agreements.

CASH PROVIDED BY OPERATING ACTIVITIES

Funds generated from operations for the three and six months ended June 30, 2013, were $28.4 million and $124.9 million, respectively, compared with $86.2 million and $191.1 million, respectively, in the same periods 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 June 30, 2013, was lower than the same period in the prior year at negative $98.3 million compared to positive $132.5 million. The decrease was driven by an increase in accounts receivables from March 31, 2013, and lower cash generating earnings. For the six months ended June 30, 2013, cash provided by operations decreased to negative $21.3 million from positive $279.1 million in the same period in 2012. The decrease was driven by the reduction of accounts payables from December 31, 2012 (which was high due to timing of payments) and lower cash generating earnings in 2013.

INVESTING ACTIVITIES

Capital spending was $118.3 million and $230.1 million, respectively, in the three and six months ended June 30, 2013 (includes $16.5 million and $33.2 million, respectively, of spend in assets held for sale), compared to $110.2 million and $189.9 million from the same periods last year. Capital projects for the three and six months ended June 30, 2013 included $43.5 million and $73.4 million, respectively, related to investment in the transmission and distribution network in Calgary and surrounding area; $36.1 million and $67.5 million in construction costs related to Calgary-area generation projects, primarily Shepard; and $4.0 million and $8.1 million related to other capital additions, 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 greenhouse gas (GHG) emissions than coal assets. 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 and $221.9 million of proceeds on the sale of Envision.

FINANCING ACTIVITIES

ENMAX repaid $19.8 million and $28.5 million, respectively, of long-term debt in regularly scheduled principal payments during the three and six months ended June 30, 2013, compared with $15.8 million and $24.0 million in the same periods in 2012.

On March 8, 2013, the Corporation declared a dividend of $67.5 million payable to The City in quarterly instalments throughout 2013. The first two quarterly instalments of the dividend have been paid, and the remaining instalments will be paid during the balance of 2013.

At June 30, 2013, cash and cash equivalents amounted to $138.8 million compared with $45.5 million at December 31, 2012. ENMAX has no outstanding commercial paper as at June 30, 2013, compared with $149.9 million at December 31, 2012, and no overdraft 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 that 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.

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 tolerance. 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 June 30, 2013, and December 31, 2012.

OUTSTANDING CONTRACTS-FOR-DIFFERENCES

As at	June 30, 2013	December 31, 2012
Notional quantities		
Electricity sales (GW)	2,954	2,818
Natural gas sales (TJ)	469	319
Electricity purchases (GW)	6,312	4,556
Natural gas purchases (TJ)	13,003	14,585

At June 30, 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 $11.3 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 3 in the Notes to the Consolidated Financial Statements for further information on financial instruments.

ASSET RETIREMENT OBLIGATIONS

At June 30, 2013, the Corporation has asset retirement obligations relating to the following generating assets: McBride Lake, Taber, Kettles Hill, Crossfield and CEC. The accretion expense on these assets is included in the OM&A line in the Consolidated Statements of Earnings 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 and six months ended June 30, 2013, were $24.8 million and $62.5 million respectively (2012 - $21.3 and $48.9 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 June 30, 2013, amounts owing to the Corporation from The City for services provided were $25.8 million (December 31, 2012 - $26.4 million).

Total expenditures for goods and services received from The City for the three and six months ended June 30, 2013, were $29.5 million and $63.5 million, respectively (2012 - $29.4 million and $80.8 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 $944.0 million at June 30, 2013 (December 31, 2012 – $827.8 million). Interest paid on this debt for the three and six months ended June 30, 2013, was $15.0 million and $17.8 million, respectively (2012 – $13.5 million and $16.6 million, respectively).

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 14 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 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 expected prices being higher than those seen in 2012. The unplanned outage of the Keephills Unit 1 generator, which is part of the Keephills PPA in ENMAX's fleet of generation, will continue to impact earnings negatively in the latter half of 2013. Based on information from the operator, ENMAX expects the unit to return to service in October of 2013. ENMAX expects it will file a formal Notice of Arbitration of the operator's declaration of force majeure, although resolution is not expected in 2013. Additional unplanned outages at generating facilities could further impact electricity margins.

The Corporation expects natural gas prices will remain at relatively low levels. Market share in commercial and residential markets is expected to remain constant.

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. Flood clean-up activities continue in the third quarter and additional costs are expected following completion of damage assessments.

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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. As a result of the gain on sales, net earnings will be higher in 2013 than 2012. Proceeds from the April 30, 2013 sale of its Envision subsidiary and from the February 28, 2013 disposition of 25 per cent of Shepard, have enhanced and contributed to ENMAX's financial position in 2013.

CONSOLIDATED BALANCE SHEETS

AS AT (millions of dollars)	June 30, 2013 (unaudited)	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 138.8	$ 45.5
Accounts receivable (Notes 3 and 4)	707.4	663.6
Income taxes receivable	83.1	90.6
Future income tax asset	5.1	7.2
Other current assets (Notes 3 and 5)	69.2	45.8
Assets held for sale (Note 6)	291.1	575.6
	1,294.7	1,428.3
Property, plant and equipment (Note 7)	2,845.7	2,694.5
Power purchase arrangements	395.9	422.2
Intangible assets	119.7	116.3
Goodwill	16.0	16.0
Employee future benefits (Note 8)	19.3	18.5
Future income tax asset	78.4	61.0
Other long-term assets (Notes 3 and 5)	48.5	63.1
TOTAL ASSETS	$ 4,818.2	$ 4,819.9
LIABILITIES		
Short-term debt (Note 9)	$ -	$ 165.9
Accounts payable and accrued liabilities (Note 3 and 4)	452.4	612.6
Dividend payable	33.8	-
Income taxes payable	11.0	12.0
Future income tax liability	2.0	3.4
Current portion of long-term debt (Notes 3)	315.7	59.7
Other current liabilities (Notes 3 and 5)	63.8	59.3
Liabilities held for sale (Note 6)	14.5	9. 5
	893.2	922.4
Long-term debt (Note 3)	1,405.8	1,549.8
Future income tax liability	89.5	84.8
Other long-term liabilities (Notes 3 and 5)	60.1	86.6
Asset retirement obligations	14.9	14.4
	2,463.5	2,658.0
SHAREHOLDER'S EQUITY		
Share capital	280.1	280.1
Retained earnings	2,077.4	1,901.4
Accumulated other comprehensive loss (Note 10)	(2.8)	(19.6)
	2,354.7	2,161.9
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 4,818.2	$ 4,819.9

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

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(unaudited) (millions of dollars)	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2013	2012	2013	2012
REVENUE (Note 2)				
Electricity	$ 666.1	$ 477.2	$ 1,225.0	$ 1,053.0
Natural gas	69.5	48.6	204.7	148.0
Transmission and distribution	74.6	73.5	151.5	147.0
Local access fees	28.3	28.0	59.5	77.7
Contractual services	18.6	28.7	38.9	62.2
Other	2.3	2.4	10.0	5.6
TOTAL REVENUE	859.4	658.4	1,689.6	1,493.5
COST OF SERVICES PROVIDED (Note 2)				
Electricity	613.7	371.0	1,082.3	838.7
Natural gas	67.0	46.1	190.6	138.1
Transmission and distribution	21.0	24.6	45.8	49.9
Local access fees	28.3	28.0	59.5	77.7
Contractual services	13.6	20.7	28.0	46.1
Operations, maintenance and administration	71.0	60.7	135.0	115.9
Foreign exchange loss (gain)	(4.9)	(0.9)	(6.5)	1.0
TOTAL COST OF SERVICES PROVIDED	809.7	550.2	1,534.7	1,267.4
	49.7	108.2	154.9	226.1
Amortization	43.0	40.5	83.2	81.2
Interest	6.3	11.2	13.1	21.5
Current income taxes	11.9	4.1	12.6	9.2
Future income taxes	(19.7)	1.7	(17.3)	3.0
NET EARNINGS FROM CONTINUING OPERATIONS	8.2	50.7	63.3	111.2
Net earnings from discontinued operations, net of tax (Note 6)	1.1	2.4	4.3	4.5
Gain on sale of subsidiary (Note 6)	175.9	-	175.9	-
NET EARNINGS	185.2	53.1	243.5	115.7
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Unrealized losses on available-for-sale financial assets arising during the period, includes future income tax of $nil and $nil for three and six month periods, respectively (2012-$ nil and $ nil)	-	(0.1)	-	(0.1)
Realized losses on available-for-sale financial assets arising during the period, includes future income of $nil and $nil for three and six months, respectively (2012-$ nil and $ nil)	-	0.1	-	0.1
Unrealized gain on derivatives designated as cash flow hedges, includes future income tax expense of $9.3 and $9.9 for three and six month periods, respectively (2012-$0.6 and $4.9 tax expense)	27.0	2.6	28.8	6.8
Realized losses on derivatives designated as cash flow hedges in prior periods transferred to net earnings in current period, includes future income tax expense of $5.4 and $5.3 for the three and six month periods, respectively (2012-$0.5 expense and $0.7 benefit)	(15.0)	3.9	(12.0)	15.5
Other comprehensive income, net of tax	12.0	6.5	16.8	22.3
COMPREHENSIVE INCOME	$ 197.2	$ 59.6	$ 260.3	$ 138.0

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 $5.5	-	-	15.8	15.8
BALANCE, MARCH 31, 2012	$ 280.1	$ 1,739.0	$ (53.0)	$ 1,966.1
Net earnings	-	53.1	-	53.1
Other comprehensive income including future tax expense of $0.1	-	-	6.5	6.5
BALANCE, JUNE 30, 2012	$ 280.1	$ 1,792.1	$ (46.5)	$ 2,025.7
Net earnings and comprehensive income for the remainder of 2012	-	109.3	26.9	136.2
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
Net earnings	-	185.2	-	185.2
Other comprehensive income including future tax expense of $3.9	-	-	12.0	12.0
BALANCE, JUNE 30, 2013	**$ 280.1**	**$ 2,077.4**	**$ (2.8)**	**$ 2,354.7**

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (millions of dollars)	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2013	2012	2013	2012
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net earnings	$ 185.2	$ 53.1	$ 243.5	$ 115.7
Net earnings from discontinued operations	(1.1)	(2.4)	(4.3)	(4.5)
Gain on sale of subsidiary	(175.9)	-	(175.9)	-
Items not involving cash (Note 12)	20.2	35.5	61.6	79.9
	28.4	86.2	124.9	191.1
Change in non-cash working capital (Note 13)	(131.3)	29.6	(140.9)	70.2
Employee future benefits	(3.2)	2.9	(1.3)	3.9
Cash flow from continuing operating activities	(106.1)	118.7	(17.3)	265.2
Cash flow from discontinued operations	7.8	13.8	(4.0)	13.9
	(98.3)	132.5	(21.3)	279.1
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(94.2)	(51.2)	(263.8)	(135.3)
Net proceeds from disposal of assets held for sale	215.2	-	477.1	-
Additions to power purchase arrangements	-	-	-	(1.4)
Other assets	4.9	1.1	4.0	5.3
Contributions in aid of construction	4.5	1.1	7.5	3.0
Cash flow from continuing investing activities	130.4	(49.0)	224.8	(128.4)
Cash flow from discontinued operations	(14.2)	(64.4)	(21.1)	(98.3)
	116.2	(113.4)	203.7	(226.7)
FINANCING ACTIVITIES				
Repayment of short-term debt	(135.9)	(692.7)	(1,403.5)	(1,489.8)
Proceeds of short-term debt	109.7	542.8	1,237.6	1,348.0
Proceeds of long-term debt (Note 14)	140.6	143.4	140.6	143.4
Repayment of long-term debt	(19.8)	(15.8)	(28.5)	(24.0)
Dividend paid	(16.9)	(14.0)	(33.8)	(28.0)
Other long-term liabilities	(1.2)	(3.8)	(1.5)	(2.6)
	76.5	(40.1)	(89.1)	(53.0)
Increase (decrease) in cash and cash equivalents	94.4	(21.0)	93.3	(0.6)
Cash and cash equivalents, beginning of period	44.4	55.8	45.5	35.4
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 138.8	$ 34.8	$ 138.8	$ 34.8
Supplementary information:				
Interest paid	$ 35.4	$ 34.8	$ 42.7	$ 42.4
Income taxes paid	1.7	13.6	5.5	23.9
Cash and cash equivalents consist of:				
Cash	$ 72.3	$ 29.6	$ 72.3	$ 29.6
Short-term investments	66.5	5.2	66.5	5.2

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

THREE MONTHS ENDED JUNE 30 (millions of dollars)	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
	2013	2012	2013	2012	2013	2012	2013	2012
REVENUE								
Electricity	718.2	527.4	31.7	30.4	(83.8)	(80.6)	666.1	477.2
Natural gas	69.6	48.6	-	-	(0.1)	-	69.5	48.6
Transmission and distribution	-	-	74.6	73.5	-	-	74.6	73.5
Local access fees	-	-	28.3	28.0	-	-	28.3	28.0
Contractual services	6.5	6.8	16.0	27.4	(3.9)	(5.5)	18.6	28.7
Other	3.2	3.8	0.6	0.3	(1.5)	(1.7)	2.3	2.4
TOTAL REVENUE	797.5	586.6	151.2	159.6	(89.3)	(87.8)	859.4	658.4
COST OF SERVICES PROVIDED								
Electricity	667.0	422.0	30.1	28.8	(83.4)	(79.8)	613.7	371.0
Natural gas	67.0	46.1	-	-	-	-	67.0	46.1
Transmission and distribution	-	-	21.0	24.6	-	-	21.0	24.6
Local access fees	-	-	28.3	28.0	-	-	28.3	28.0
Contractual services	0.1	0.7	13.5	20.3	-	(0.3)	13.6	20.7
Operations, maintenance and administration	46.8	42.2	31.6	27.8	(7.4)	(9.3)	71.0	60.7
Foreign exchange loss (gain)	(4.9)	(0.9)	-	-	-	-	(4.9)	(0.9)
TOTAL COSTS OF SERVICES PROVIDED	776.0	510.1	124.5	129.5	(90.8)	(89.4)	809.7	550.2
EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAXES	21.5	76.5	26.7	30.1	1.5	1.6	49.7	108.2
Amortization	27.2	26.7	15.3	13.0	0.5	0.8	43.0	40.5
EARNINGS BEFORE INTEREST AND INCOME TAXES	(5.7)	49.8	11.4	17.1	1.0	0.8	6.7	67.7
Interest							6.3	11.2
Income tax expense (recovery)							(7.8)	5.8
NET EARNINGS FROM CONTINUING OPERATIONS							8.2	50.7
Net earnings from discontinued operations							1.1	2.4
Gain on sale of subsidiary (Note 6)							175.9	-
NET EARNINGS							185.2	53.1
GOODWILL	16.0	16.0	-	-	-	-	16.0	16.0
CAPITAL ADDITIONS	70.8	74.0	43.5	36.1	4.0	0.1	118.3	110.2

SIX MONTHS ENDED JUNE 30 (millions of dollars)	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
	2013	2012	2013	2012	2013	2012	2013	2012
REVENUE								
Electricity	1,333.4	1,170.8	69.7	98.0	(178.1)	(215.8)	1,225.0	1,053.0
Natural gas	205.1	148.0	-	-	(0.4)	-	204.7	148.0
Transmission and distribution	-	-	151.5	147.0	-	-	151.5	147.0
Local access fees	-	-	59.5	77.7	-	-	59.5	77.7
Contractual services	12.1	13.9	35.4	58.9	(8.6)	(10.6)	38.9	62.2
Other	12.3	8.1	1.1	0.6	(3.4)	(3.1)	10.0	5.6
TOTAL REVENUE	1,562.9	1,340.8	317.2	382.2	(190.5)	(229.5)	1,689.6	1,493.5
COST OF SERVICES PROVIDED								
Electricity	1,193.2	958.8	66.5	94.8	(177.4)	(214.9)	1,082.3	838.7
Natural gas	190.6	138.1	-	-	-	-	190.6	138.1
Transmission and distribution	-	-	45.8	49.9	-	-	45.8	49.9
Local access fees	-	-	59.5	77.7	-	-	59.5	77.7
Contractual services	0.6	1.6	27.6	45.1	(0.2)	(0.6)	28.0	46.1
Operations, maintenance and administration	88.0	80.7	62.6	52.5	(15.6)	(17.3)	135.0	115.9
Foreign exchange loss (gain)	(6.5)	1.0	-	-	-	-	(6.5)	1.0
TOTAL COSTS OF SERVICES PROVIDED	1,465.9	1,180.2	262.0	320.0	(193.2)	(232.8)	1,534.7	1,267.4
EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAXES	97.0	160.6	55.2	62.2	2.7	3.3	154.9	226.1
Amortization	54.0	53.3	28.1	26.2	1.1	1.7	83.2	81.2
EARNINGS BEFORE INTEREST AND INCOME TAXES	43.0	107.3	27.1	36.0	1.6	1.6	71.7	144.9
Interest							13.1	21.5
Income tax expense (recovery)							(4.7)	12.2
NET EARNINGS FROM CONTINUING OPERATIONS							63.3	111.2
Net earnings from discontinued operations							4.3	4.5
Gain on sale of subsidiary (Note 6)							175.9	-
NET EARNINGS							243.5	115.7
GOODWILL	16.0	16.0	-	-	-	-	16.0	16.0
CAPITAL ADDITIONS	148.6	119.2	73.4	67.5	8.1	3.2	230.1	189.9

SEGMENTED TOTAL ASSETS

As at (millions of dollars)	June 30, 2013	December 31, 2012
ENMAX Energy	3,263.3	3,410.8
ENMAX Power	1,417.5	1,375.8
Corporate and eliminations	137.4	33.3
	4,818.2	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 June 30, 2013, and June 30, 2012.
- Interest rate sensitivities are based on Canadian Dealer Offered Rate (CDOR).
- Sensitivities are exclusive of any potential income tax impacts.

SENSITIVITIES OF MARKET RISKS

As at (millions of dollars)	June 30, 2013 Earnings	June 30, 2013 Other Comprehensive Income	June 30, 2012 Earnings	June 30, 2012 Other Comprehensive Income
Interest rates increase 100 basis points (1% pure rate change)	+ 0.5	+ 12.1	+ 0.5	+ 14.5
Canadian dollar strengthens compared with the U.S. dollar by 10%	- 13.3	+ 0.9	- 10.1	+ 2.0
Canadian dollar strengthens compared with the Japanese Yen by 10%	-	-	-	-
Forward price of natural gas increases by 10%	- 0.2	+ 5.9	- 0.4	+ 6.4
Forward price of electricity increases by 10%	-	+ 26.3	+ 5.4	- 16.8

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 June 30, 2013, would have an effect on fair value of fixed interest rate debt of $100.8 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)	June 30, 2013	December 31, 2012
Cash and cash equivalents (1)	138.8	45.5
Accounts receivable (2)	707.4	663.6
Other current assets (3)	69.2	45.8
Other long- term assets (3)	48.5	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 and six month periods ended June 30, 2013 totalled $2.2 million and $4.2 million, respectively (June 30, 2012 – $1.8 million and $3.1 million respectively). 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)	June 30, 2013	December 31, 2012
1-30 days past due	15.6	29.1
31-60 days past due	3.5	3.2
61 days or more past due	12.5	8.4
Total past due	31.6	40.7

CHANGES IN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS

As at (millions of dollars)	June 30, 2013	December 31, 2012
Provision at the beginning of the period	6.7	8.7
Increase to allowance	4.2	6.3
Recoveries and write-offs	(3.0)	(8.3)
Provision at end of the period	7.9	6.7

The remainder of the accounts receivable balance outstanding at June 30, 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)	June 30, 2013	December 31, 2012
2013	554.9	931.3
2014	383.7	374.6
2015	124.0	114.4
2016	136.9	126.9
2017	115.3	105.0
Thereafter	1,505.6	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)	June 30, 2013	December 31, 2012
2013	30.4	29.2
2014	19.0	23.3
2015	18.6	10.4
2016	7.6	9.5
2017	5.5	7.6
Thereafter	9.3	21.9

As at June 30, 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 June 30, 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

	June 30, 2013		December 31, 2012	
As at (millions of dollars)	Hedge Instruments	Non-Hedge Derivatives	Hedge Instruments	Non-Hedge Derivatives
Assets				
Current	38.8	16.7	15.6	11.9
Non-current	21.5	10.3	23.5	21.0
Liabilities				
Current	33.4	9.5	19.8	9.4
Non-current	26.7	20.8	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 half 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 and six months ended June 30, 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. During the three and six months ended June 30, 2013, there was no impact (2012 – nil and $0.1 million gain) recognized.

The Corporation estimates that, of the $2.8 million of losses reported in accumulated other comprehensive income as at June 30, 2013, gains of $5.4 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 and six months ended June 30, 2013, there were gains of $4.3 million and $5.4 million, respectively (2012 – $7.1 million gain and $3.7 million gain, respectively) 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 June 30, 2013 (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	-	46.9	14.0	60.9
Foreign currency forward contracts	-	13.9	-	13.9
Interest rate swap	-	12.5	-	12.5
Financial assets total	-	73.3	14.0	87.3
Financial liabilities measured at fair value:				
Energy trading forward contracts	1.9	46.1	1.6	49.6
Foreign currency forward contracts	-	1.1	-	1.1
Interest rate swap	-	39.7	-	39.7
Financial liabilities total	1.9	86.9	1.6	90.4
Net risk management assets (liabilities)	(1.9)	(13.6)	12.4	(3.1)

(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 June 30, 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	3.2
Contracts that settled	(0.1)
Transfers in/out of Level III	(0.2)
Net risk management assets at June 30, 2013	**12.4**
Total change in fair value included in other comprehensive income	2.9
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

	June 30, 2013		December 31, 2012	
As at (millions of dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt [1], consisting of:				
Debentures, with remaining terms of				
Less than 5 years	43.8	45.9	47.0	49.8
6 – 10 years	129.8	140.7	135.4	150.4
11 – 15 years	14.8	16.6	7.9	9.4
16 – 20 years	190.4	211.4	138.3	162.3
21 – 25 years	565.3	588.3	499.3	565.1
Private debentures				
Series 1 (6.15%)	297.9	336.0	297.8	345.2
Series 2 (5.85%)	249.7	260.9	249.5	260.8
Non-recourse term financing Kettles Hill Wind Farm (Kettles) and Calgary Energy Centre (CEC)	224.9	214.1	229.3	219.8
Promissory note	4.9	5.0	5.0	5.3
	1,721.5	1,818.9	1,609.5	1,768.1

(1) Includes current portion of $315.7 million (December 31, 2012 – $59.7 million). Maturity dates range from April 2014 to June 2038.

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)	June 30, 2013	December 31, 2012
Regulatory assets		
Accounts receivable: purchased power variances (1)	49.7	21.7
Distribution assets: inter-company profit on underground residential development (2)	40.4	39.5
Other regulatory assets (3)	21.0	16.0
Total regulatory assets	111.1	77.2
Regulatory liabilities		
Other regulatory liabilities (4)	17.4	3.3
Total regulatory liabilities	17.4	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 and six months ended June 30, 2013 would have been $28.7 million lower (2012 - $18.9 million higher) and $28.0 million lower (2012 – $38.9 million higher), respectively. The regulatory asset at June 30 2013, is $49.7 million (December 31 2012 - $21.7 million) included in accounts receivable.

(2) Inter-company profit on underground residential development

Distribution assets for the regulated operations of ENMAX Power include intercompany profit relating to construction work performed by an ENMAX subsidiary. Such profit is deemed for regulatory purposes to be realized to the extent that the transfer price is recognized for rate-making purposes by the regulator and included in the capital cost. In the absence of rate regulation, GAAP would require that intercompany profits be eliminated upon consolidation. The impact on current period earnings for the three and six months ended June 30, 2013 would be a reduction of $0.2 million (2012 – $0.6 million reduction) and a reduction of $0.9 million (2012 - $0.3 million reduction) respectively, representing the profit on these services. The balances for property, plant and equipment (PPE) and retained earnings at June 30, 2013, would be further reduced by $40.4 million (December 31, 2012 – $39.5 million).

(3) Other regulatory assets

Other regulatory assets primarily relate to Alberta Utilities Commision (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 and six months ended June 30, 2013 was a $1.1 million loss (2012 – $0.7 million gain) and $6.8 million loss (2012 - $0.8 million loss), respectively 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)	June 30, 2013	December 31, 2012
Other current assets		
Hedge instruments	38.8	15.6
Non-hedge derivatives	16.7	11.9
Restricted cash	1.8	3.6
Prepaid expenses	10.9	12.4
Inventory	1.0	2.3
	69.2	45.8
Other long-term assets		
Hedge instruments	21.5	23.5
Non-hedge derivatives	10.3	21.0
Restricted cash	0.2	8.9
Shares in other companies	0.2	0.2
Prepaid expenses	4.1	4.3
Other	12.2	5.2
	48.5	63.1
Other current liabilities		
Hedge instruments	33.4	19.8
Non-hedge derivative	9.5	9.4
Deposits	13.7	18.3
Deferred revenue	7.2	11.8
	63.8	59.3
Other long-term liabilities		
Hedge instruments	26.7	40.5
Non-hedge derivative	20.8	32.2
Long-term payables	8.4	9.6
Deferred revenue	4.2	4.3
	60.1	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 to close 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 anticipated to 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. 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.

On April 30, 2013 ENMAX sold Envision to Shaw Communications Inc. for net cash consideration of $221.9 million. Transaction costs related to the sale totalled $5.7 million. Envision was ENMAX's high-speed data communications subsidiary, operating a fibre-optic network that provides large bandwidth solutions to Calgary businesses. The net assets of Envision sold on April 30 consisted of cash of $0.4 million, total assets other than cash of $47.5 million, and total liabilities of $7.6 million. From December 31, 2012 until April 30, 2013, 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)	June 30, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	3.9	-
Accounts receivable	1.2	3.2
Other current assets	0.6	0.3
Property, plant and equipment[1]	276.2	553.1
Intangible assets	9.2	18.7
Other long-term assets	-	0.3
TOTAL ASSETS	291.1	575.6
LIABILITIES		
Accounts payable and accrued liabilities	14.2	2.1
Other current liabilities	0.3	1.7
Other long-term liabilities	-	5.3
Asset retirement obligations	-	0.4
TOTAL LIABILITIES	14.5	9.5

(1) Property, plant and equipment at December 31, 2012 includes Shepard Energy Centre costs of - $510.1 million. Intangible assets at December 31, 2012 include Shepard Energy Centre related costs of $18.6 million. Remaining balance relates to Envision.

NET EARNINGS FROM DISCONTINUED OPERATIONS

	Three months ended June 30		Six months ended June 30	
(millions of dollars)	2013	2012	2013	2012
REVENUE				
Contractual services	2.8	7.2	10.6	14.1
Other	0.1	0.2	0.2	0.2
TOTAL REVENUE	2.9	7.4	10.8	14.3
COST OF SERVICES PROVIDED				
Contractual services	0.4	1.1	1.5	2.1
OM&A	0.8	2.8	3.1	5.3
COST OF SERVICES PROVIDED	1.2	3.9	4.6	7.4
Amortization	0.5	1.1	1.8	2.3
Interest	0.1	-	0.1	0.1
NET EARNINGS FROM DISCONTINUED OPERATIONS[1]	1.1	2.4	4.3	4.5

(1) Net earnings from discontinued operations relates to Envision.

7. Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT			
As at June 30, 2013 (millions of dollars)	Cost	Accumulated Amortization	Net Book Value
Transmission, distribution and substation equipment	1,785.5	(563.7)	1,221.8
Generation facilities and equipment	1,012.9	(200.2)	812.7
Construction in progress	957.9	-	957.9
Buildings and site development	207.6	(63.0)	144.6
Tools, systems and equipment	89.1	(58.1)	31.0
Land	32.7	-	32.7
Capital spares and other	33.4	-	33.4
Vehicles	32.2	(12.1)	20.1
	4,151.3	(897.1)	3,254.2
Government grants	(20.0)	2.0	(18.0)
Contributions in aid of construction	(484.2)	93.7	(390.5)
	3,647.1	(801.4)	2,845.7

PROPERTY, PLANT AND EQUIPMENT			
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 and six months ended June 30, 2013, is $5.9 million (2012 - $7.4 million) and $11.9 million (2012 – 12.0 million), respectively.

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 June 30, 2013, $443.2 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.

At June 30, 2013, the Corporation had no short-term debt (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)	June 30, 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	(2.7)	(19.5)
Accumulated other comprehensive losses, including a future income tax expense of $2.9 million (2012 - recovery of $1.7 million)	(2.8)	(19.6)

11. Commitments and contingencies

Property, plant and equipment

As at June 30, 2013, the Corporation is committed to major capital expenditures over the next five years and thereafter, with minimum annual payments (including cancellation costs) totalling $100.4 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 $134.2 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 and six month periods ended June 30, 2013, the consolidated financial statements include a charge to earnings in the amount of $3.9 million (2012 – $5.6 million) and $8.4 million (2012 - $10.8 million), respectively, 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 June 30, 2013, the Corporation had issued letters of credit amounting to $473.2 million (December 31, 2012 – $385.0 million)

12. Items not involving cash

ITEMS NOT INVOLVING CASH

(millions of dollars)	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Amortization	43.0	40.5	83.2	81.2
Future income taxes	(19.7)	1.7	(17.3)	3.0
Change in unrealized market value of financial contracts	(4.3)	(7.1)	(5.5)	(3.7)
Other	1.2	0.4	1.2	(0.6)
	20.2	35.5	61.6	79.9

13. Change in non-cash working capital

CHANGE IN NON-CASH WORKING CAPITAL

(millions of dollars)	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Accounts receivable	(67.8)	57.6	(36.1)	139.5
Other current assets	1.8	6.7	2.8	8.5
Accounts payable and accrued liabilities	(54.7)	(30.3)	(98.1)	(70.0)
Other current liabilities	(10.6)	(4.4)	(9.5)	(7.8)
	(131.3)	29.6	(140.9)	70.2

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 and six months ended June 30, 2013, were $24.8 million and $62.5 million respectively (2012 – $21.3 million and $48.9 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 June 30, 2013, amounts owing to the Corporation from The City for services provided were $25.8 million (December 31, 2012 - $26.4 million).

Total expenditures for goods and services received from The City for the three and six months ended June 30, 2013, were $29.5 million and $63.5 million, respectively (2012 - $29.4 million and $80.8 million, respectively). 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 $140.6 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 $944.0 million at June 30, 2013 (December 31, 2012 – $827.8 million). Interest paid on this debt for the three and six months ended June 30, 2013, was $15.0 million and $17.8 million, respectively (2012 – $13.5 million and $16.6 million, respectively). Principle payments of $24.4 million were made during the six months ended June 30, 2013 (2012 – $20.2 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 for revenues was completed 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 and six months ended June 30, 2012, Transmission and Distribution revenue is $73.5 million and $147.0 million, respectively, and Local Access Fees revenue is $28.0 million and $77.7 million, respectively.

ADDITIONAL INFORMATION

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

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