THIRD QUARTER 2007

(unaudited - millions of dollars)	Three months ended September 30 2007	Three months ended September 30 2006	Nine months ended September 30 2007	Nine months ended September 30 2006
Total revenues	**$ 550.4**	$ 423.5	**$ 1,494.5**	$ 1,104.5
Operating margin [1]	**114.1**	104.8	**334.3**	293.6
Net earnings	**38.7**	34.1	**103.4**	96.4
Return on equity (annualized) [2]			**9.9%**	10.0%
Operating statistics:				
Electricity sold (gigawatt hours)	**4,086**	3,438	**11,589**	9,303
Natural gas sold (terajoules)	**2,848**	1,977	**16,618**	10,250
Distribution volumes (gigawatt hours)	**2,330**	2,238	**6,658**	6,591

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

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

	Nine months ended September 30, 2007	Year ended December 31, 2006
Total Shareholder's Equity	**$ 1,396.2**	$ 1,385.5
Total Assets	**$ 2,356.2**	$ 2,160.4

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis, prepared as at November 13, 2007 should be read in conjunction with the accompanying unaudited interim consolidated financial statements of ENMAX Corporation (ENMAX or the Corporation) as at and for the three and nine months ended September 30, 2007 and 2006, as well as the Corporation's 2006 Annual Report. All amounts are stated in Canadian dollars.

RESULTS OF OPERATIONS

Consolidated

ENMAX's consolidated net earnings for the nine months ended September 30, 2007 totaled $103.4 million, of which $38.7 million was recorded in the third quarter. This compares to net earnings of $96.4 and $34.1 million for the nine months and third quarter ended September 30, 2006, respectively. Net earnings for the nine months ended September 30, 2007 were $7.0 million higher than 2006 primarily due to sales volume increases in the electricity and natural gas businesses. Partially offsetting these gains were increased operations, maintenance and administration costs and higher amortization and interest charges associated with investments.

A reconciliation of net income for the three and nine months ended September 30, 2007 compared to 2006 is as follows:

(millions of dollars)	Three months ended September 30	Nine months ended September 30
Net earnings, 2006	$ 34.1	$ 96.4
Increase / (decrease) in:		
Electricity and natural gas margin	9.0	40.6
Transmission and distribution margins	3.4	(0.2)
Other margins	(3.1)	0.3
Operations, maintenance and administration	(8.7)	(26.3)
Amortization	0.3	(8.8)
Interest	0.1	(3.1)
Income taxes	3.7	4.8
Non-controlling interest	(0.1)	(0.3)
Net earnings, 2007	$ 38.7	$ 103.4

For the nine months ended September 30, 2007, electricity and natural gas margins were $198.0 million compared to $157.4 million for the same period in 2006, an increase of 25.8%. For the quarter ended September 30, 2007, electricity and natural gas margins were $67.0 million, $9.0 million higher than the same quarter in 2006. For the three and nine months ended September, 30, 2007, increased electricity and natural gas margins, compared to the same periods last year, reflected higher sales volumes in both commodities combined with higher realized prices. Lower natural gas supply costs, as prices declined following North American demand and supply fundamentals, also contributed to the increase in margins. Partially offsetting these gains were the impact of potential compliance costs relating to greenhouse gas legislation enacted in July 2007. As a percentage of revenue, margins narrowed in the third quarter of 2007, compared to 2006, driven by the impacts of supply transactions in 2006 and the potential greenhouse gas compliance costs.

For the regulated businesses, transmission and distribution margins decreased by $0.2 million to $106.3 million for the nine months ended September 30, 2007 compared to $106.5 million for the same period in 2006. Decreased margins are the result of operating under 2006 tariff rates, as the 2007 rates have not yet been approved by the regulator; while the costs of running the regulated business have increased, compared to the same three and six month periods of 2006, partially offset by the impact of increased volumes delivered. The lower rates were driven by decisions made by the Alberta Energy and Utilities Board (EUB) on ENMAX's 2006 cost of service rate application. In May 2007, the Corporation applied to the EUB to have 2007 rates set under a formula based ratemaking (FBR) approach. The Corporation anticipates a decision on this application in mid 2008. The financial impact will be recorded when the EUB's decision is received. For the quarter ended September 30, 2007, total transmission and distribution margins of $37.0 million were marginally higher than the $33.6 million for the same three month period in 2006, as lower rates were more than offset by increased volumes, reflecting continued growth in Calgary and surrounding areas.

Contractual services margins and other income for the three and nine months ended September 30, 2007 have decreased by $3.1 and increased by $0.3 million, respectively, over the same periods last year. The increase in the nine month margins is driven by additional LRT system expansion projects combined with revenue growth in the fibre-optic business. The decrease in the current quarter compared to the same period last year was the result of the Corporation having less surplus cash on hand, during the three and nine months ended September 30, 2007, to earn investment income.

Operating, maintenance and administrative (O M & A) expenses have increased to $42.6 million in the third quarter of 2007 compared to $33.9 million for the same three month period in the prior year. For the nine month period in 2007, O M & A expenses were $126.5 million compared to $100.2 million in the comparable period in 2006. The increases are due to higher labour costs, volume driven customer billing expenses, charges relating to 2006 regulatory hearings and marketing initiatives. In addition, growth in the transmission and distribution systems in Calgary and surrounding area created upward pressure on operations, maintenance and administration charges.

Amortization expense for the third quarter and nine months ended September 30, 2007 totaled $23.9 million and $72.9 million, respectively, compared to $24.2 and $64.1 million for the same periods in 2006. The increase in the nine month amount was driven by amortization of the Battle River Power Purchase Arrangement (PPA) in which ENMAX acquired a 55% interest in June 2006 and a further 10% interest in January 2007. The charge in the current quarter is lower than for the same three month period last year, as a result of a fourth quarter 2006 increase in the estimated useful lives of certain assets in the fibre-optic business.

Interest expense increased to $16.6 million for the first nine months of 2007 from $13.5 million for the same period in 2006, primarily the result of nine months interest on $154.3 million of long-term debt obtained from the City of Calgary through arrangements with the Alberta Capital Finance Authority (ACFA) issued in March 2006, compared to six months interest in 2006 in addition to interest charges relating to $107.4 million of ACFA debt issued during the second quarter of 2007. For the quarters ending September 30, 2007 and 2006, interest charges were consistent on comparable levels of outstanding debt.

Income tax expense was $14.9 million during the first nine months of 2007, including $4.2 million for the third quarter. This compares to $19.7 million for the same nine month period of 2006, including $7.9 million in the third quarter. The decrease is attributable to lower future income tax charges in 2007 offset by higher current income tax expenses on earnings in the Corporation's taxable operations.

SELECTED QUARTERLY FINANCIAL DATA

	2007			2006 [2]				2005 [2]
	Third	Second	First	Fourth	Third	Second	First	Fourth
(millions of dollars)								
Total revenue	550.4	418.2	525.9	562.9	423.5	318.5	362.5	397.3
Operating Margin	114.1	111.2	109.0	104.2	104.8	106.3	82.5	88.2
Net earnings	38.7	32.1	32.6	33.7	34.1	37.0	25.3	28.5
Shareholder's equity	1, 396.2	1,378.3	1,357.6	1,385.5	1,351.8	1,317.7	1,280.7	1,305.4
Funds generated from operations [1]	63.5	65.1	63.5	47.7	61.1	61.6	43.4	42.1
Cash provided by (used in) operating activities	120.0	121.3	(68.2)	112.9	29.7	57.1	(7.2)	30.1

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

(2) Certain comparative figures have been restated to conform with current year presentation.

NON-GAAP FINANCIAL MEASURES

The Corporation provides non-GAAP financial measures in the Management's Discussion and Analysis. These measures do not have any standard meaning prescribed by Canadian generally accepted accounting principles (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.

Operating margin	**Three months ended September 30**		**Nine months ended September 30**	
(millions of dollars)	**2007**	2006	**2007**	2006
Electricity and natural gas margins	**$ 67.0**	$ 58.0	**$ 198.0**	$ 157.4
Transmission and distribution margins	**37.0**	33.6	**106.3**	106.5
Other margins	**10.1**	13.2	**30.0**	29.7
Operating margin (Non-GAAP financial measure)	**114.1**	104.8	**334.3**	293.6
Add: Cost of sales	**436.3**	318.7	**1,160.2**	810.9
Revenue (GAAP financial measure)	**$ 550.4**	$ 423.5	**$ 1,494.5**	$ 1,104.5

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

Earnings before amortization, interest, income taxes, and non-controlling interest (EBITDA)	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	**2007**	2006	**2007**	2006
EBITDA (Non-GAAP financial measure)	**$ 71.5**	$ 70.9	**$ 207.8**	$ 193.4
Deduct (add): amortization	**23.9**	24.2	**72.9**	64.1
Non-controlling interest	**-**	(0.1)	**-**	(0.3)
Earnings before interest and taxes	**47.6**	46.8	**134.9**	129.6
Deduct: interest	**4.7**	4.8	**16.6**	13.5
Income taxes	**4.2**	7.9	**14.9**	19.7
Net earnings (GAAP financial measure)	**$ 38.7**	$ 34.1	**$ 103.4**	$ 96.4

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

Funds generated from operations	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	**2007**	2006	**2007**	2006
Funds generated from operations (Non-GAAP financial measure)	**$ 63.5**	$ 61.1	**$ 192.1**	$ 166.1
Changes in non-cash working capital [(1)]	**56.5**	(31.4)	**(19.0)**	(86.5)
Cash provided by operating activities (GAAP financial measure)	**$ 120.0**	$ 29.7	**$ 173.1**	$ 79.6

(1) Primarily relates to timing of 2006 year-end accrual payments for energy supply costs whereby two months were paid in the first quarter of 2007, compared to only one month in 2006, as a result of business closures during year-end holidays.

Funds generated from operations is provided to assist in determining the ability of ENMAX to generate cash without regard to changes in the Corporation's non-cash working capital in the periods reported on.

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

(millions of dollars)	**September 30, 2007**	December 31, 2006
Long-term debt [1]	**$ 437.6**	$ 360.3
Shareholder's equity		
Share capital	**280.1**	280.1
Retained earnings	**1,158.8**	1,105.4
Accumulated other comprehensive income (loss)	**(42.7)**	-
Total shareholder's equity	**1,396.2**	1,385.5
Total capitalization	**$ 1,833.8**	$ 1,745.8

(1) Includes current portion of $36.0 million (2006– $39.6 million). Maturity dates range from October 2007 to June 2032.

Coverage ratios

	For the Nine Months Ended September 30, 2007	For the Year Ended December 31, 2006
Debt to total capitalization [1]	**23.9%**	20.6%
Interest coverage ratio[2]	**8.1X**	9.5X

(1) As at period end, debt to total capitalization is equal to long-term debt divided by long-term debt plus shareholder's equity.

(2) Interest coverage on long-term debt is equal to earnings before interest and taxes (non-GAAP financial measure) divided by interest expense.

Cash provided by operating activities

Cash provided by operating activities was $173.1 million in the first nine months of 2007 compared to $79.6 million in the same period of 2006. For the third quarter, cash provided by operating activities increased to $120.0 million for 2007 compared to $29.7 million in 2006. The increase in cash provided by operating activities reflects the reduction in non-cash working capital reflecting the collection of accounts receivable amounts from the first quarter, net of timing differences associated with payments of operating accruals, and the impact of negative mark-to-market adjustments on financial instruments designated as cash-flow hedges.

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

Investing activities

Capital spending was $201.4 million in the first nine months of 2007, including $44.4 million in the third quarter. This compares to $393.6 million for the same nine month period in 2006, of which $32.3 million related to the third quarter. Capital expenditures for the first nine months of 2007 included $62.7 million invested in the transmission and distribution network in Calgary and surrounding area, $62.5 million for costs to complete the construction of the Taber Wind Farm and $59.1 million for the additional 10% interest in the Battle River PPA. The balance of 2007 capital expenditures was primarily for computer hardware and software. In 2006, capital expenditures included $345.2 million to acquire a 55% interest in the Battle River PPA and similar levels of investment in the wires business and computer hardware and software. ENMAX expects to invest an additional $36.0 million in the next three months in continued system expansion of its transmission and distribution networks.

Financing activities

During the nine months ended September 30, 2007, $107.4 million of long-term debt was acquired from the City of Calgary through arrangements with the Alberta Capital Finance Authority, the proceeds of which will be used to fund capital growth in the regulated transmission and distribution businesses. ENMAX repaid $8.8 million and $30.1 million of debt in regularly scheduled principal payments during the three and nine months ended September 30, 2007, respectively.

In July 2007, ENMAX increased its credit facilities to $650.0 million, which are used for general corporate purposes. At September 30, 2007, $280.9 million of the credit facilities had been utilized in the form of letters of credit issued in the ordinary course of business. In addition, the Corporation acquired short term financing of $13.0 million under its commercial paper program, backstopped by the credit facilities.

In December 2006, the Corporation executed a 12-month $150.0 million bridge facility to finance investments in generation assets in the non-regulated businesses. At September 30, 2007, $25.0 million of the bridge facility was utilized, in the form of bankers' acceptances.

On February 20, 2007, ENMAX declared a dividend of $50.0 million to The City of Calgary, its sole shareholder, consistent with the 2006 level. The amount is payable in equal quarterly amounts during 2007.

BUSINESS SEGMENT RESULTS

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

In 2007, ENMAX realigned its reportable segments to be consistent with its revised internal management structure. The significant changes were to include the results of the Encompass business line, responsible for the delivery of billing and customer care, in the ENMAX Energy business segment rather than the ENMAX Power segment. Comparative amounts have been restated.

ENMAX Power

ENMAX Power's (EPC) results are driven by tariffs allowed by the EUB for regulated transmission, distribution and regulated rate option businesses as well as earnings from its non-regulated power services and fibre-optic business lines.

ENMAX Power recorded net earnings before interest and income taxes of $29.7 million in the first nine months of 2007, including $14.5 million in the third quarter. This compared to net earnings of $35.0 million in the first nine months of 2006, including $9.3 million in the third quarter. This year to date decrease was partially driven by the impact of lower 2006 Distribution Tariff (DT) and Transmission Tariff (TT) rates, approved in early 2007 by the EUB, than were recorded in 2006. In addition, 2007 revenues continue to be based on 2006 tariff rates because the 2007 rates have not yet been approved by the regulator while the costs of running the regulated business have increased due to upward pressure on material and labour costs in the Calgary market compared to the same three and nine month periods of 2006. These unfavorable impacts were partially offset by higher earnings from increased activity levels in the power services and fibre-optic businesses.

For the nine months ended September 30, 2007, electricity sales to Regulated Rate Option (RRO) customers generated margins of $6.1 million, including $2.0 million in the third quarter. This compares to $4.4 million for the nine months ended September 30, 2006, including $3.3 million in the third quarter. The contributing factor in driving margins up was a regulatory decision which approved margins for 2007 at higher levels than for 2006. Total RRO electricity volumes sold were 1,946 gigawatt hours (GWh) in the first nine months of 2007, including 602 GWh in the third quarter of 2007. This compared to 2,171 GWh in the first nine months of 2006, including 699 GWh in the third quarter. The lower volumes reflect the movement of Calgary RRO customers to competitive retail offers.

Transmission and distribution margins result from regulator approved tariff rates charged for wires services, net of electrical grid charges and local access fees. The transmission and distribution margins were $37.0 million and $106.3 million in the three and nine month periods ended September 30, 2007 compared to $33.6 million and $106.5 million for the comparative periods of 2006. For the nine months ended September, 30, 2007, margins have declined by $0.2 million compared to same period last year, with the main driver being the use of 2006 interim rates in the comparative operating results which exceeded the 2006 approved rates that are used in 2007. This is partially offset by an increase in volumes where 6,658 GWh of electricity was delivered during the first nine months of 2007 compared to 6,591 GWh in the first nine months of 2006. The volume increases were driven by the continued commercial and residential growth in Calgary and surrounding area. For the three months ended September 30, 2007, margins have improved by $3.4 million, compared to the same periods in 2006, primarily due to increases in delivered volumes as a result of growth and seasonal trends.

The volume of electricity distributed by ENMAX Power and the associated transmission and distribution revenues are closely linked to Calgary's economic growth. Forecasts from the Conference Board of Canada's Metropolitan Outlook and the City of Calgary's Economic Outlook suggest that the population of Calgary and surrounding communities will grow by approximately 2.5% for 2007. ENMAX Power's delivered energy volumes and, therefore wires revenues, are expected to track this growth.

Power services and fibre-optic businesses margins, reported in the consolidated statement of earnings as contractual services, decreased by $0.8 million and increased by $3.8 million in the three and nine months ended September 30, 2007, respectively, compared to the same periods of 2006. The overall improvement in the first nine months of 2007 is the result of additional LRT system expansion projects for power services, combined with increased capacity utilization by the fibre-optic customer base.

Operations, maintenance and administrative expenses were $80.3 million in the first nine months of 2007, including $24.2 million in the third quarter. This compared to $67.3 million in the first nine months of 2006, including $25.9 million in the third quarter. The higher year to date costs are attributable in part to higher billing and customer care charges for Calgary water customers, for which ENMAX has an agreement to provide such services on behalf of the City of Calgary, and increased labour and materials costs associated with the expanding transmission and distribution systems in Calgary and surrounding area.

Amortization for ENMAX Power totaled $30.4 million in the first nine months of 2007, including $10.0 million in the third quarter. These amounts are lower than the amortization expense of $32.8 million in the first nine months of 2006, including $12.2 million in the third quarter of 2006, as a result of lower approved amortization rates for the regulated business combined with the impact of a fourth quarter 2006 change in the estimated useful life of certain assets in the fibre-optic business. These reductions were partially offset by an increased asset base in which ENMAX Power has invested $118.3 million since September 30, 2006.

EPC filed an application with the EUB to establish an FBR plan for distribution and transmission businesses for the period beginning January 1, 2007 and ending December 31, 2016. EPC also requested approval under EUB Directive 018 to initiate a Negotiated Settlement Process (NSP) with interested parties, in respect to this application. ENMAX Power conducted information sessions in July to inform and educate interested parties. The NSP commenced in September 2007. If the negotiated settlement process is successful, ENMAX Power anticipates that the EUB would release its decision approving or rejecting the negotiated settlement in the first quarter of 2008. If the FBR Application proceeds to a hearing, EPC anticipates the EUB's final decision in mid 2008. A Phase II component of the Application, which sets rates amongst customer classes, is planned to be filed in early 2008.

The EUB also approved the initiation of an NSP with the Consumer's Coalition of Alberta, the Utility Consumer Advocate and the Public Institutional Consumers of Alberta in respect to all aspects of the Non-Energy portion of the RRO rates for the period from January 1, 2007 to December 31, 2008. In June 2007, an Agreement in Principle was reached with the customer groups and this agreement has been finalized by the parties and is presently before the EUB for approval, which is anticipated in the first quarter of 2008.

ENMAX Energy

ENMAX Energy (EEC) is in the retail business for electricity and natural gas products in Alberta. ENMAX Energy controls coal fired electricity supply through Power Purchase Arrangements (PPAs), natural gas fired generation through a tolling agreement, and wind generation capacity through direct ownership, all of which is required to support demand from EEC's retail electricity customers. Natural gas is purchased to meet the sales commitments made by retail marketing operations. Rigorous risk management processes and systems are in place to carefully monitor and manage price and commodity risks inherent in the business.

ENMAX Energy recorded earnings before interest and income taxes of $101.7 million for the nine months ended September 30, 2007, including $33.3 million in the third quarter. This compares to $90.1 million and $35.4 million, for the three and nine months ended September 30, 2006, respectively. The increases were driven primarily by growth in sales volumes for both electricity and natural gas. Partially offsetting these gains were the effects of higher operating, maintenance and administrative costs and amortization charges on investments made to grow the business.

Electricity and natural gas margins for the nine months ended September 30, 2007 were $192.0 million, of which $65.6 million was earned during the third quarter. These compared to $152.1 million and $57.3 million, respectively, for the same periods of 2006. The increase in electricity and natural gas margins is primarily due to 27.2% and 44.1% growth in sales volumes of electricity and natural gas, respectively, compared to the same quarter last year. Strong marketing efforts for the Commercial, Institutional and Industrial customer segments in late 2006 and through 2007 and the continued success of the EasyMax program drove the increases. Lower natural gas supply costs, as prices declined following North American demand and supply fundamentals, also contributed to the increase in margins. As a percentage of revenue, margins narrowed in the third quarter of 2007, compared to 2006 driven by the impact of supply transactions in 2006 and the potential greenhouse gas compliance costs.

ENMAX Energy sold 3,484 GWh and 9,643 GWh of electricity to customers in the three and nine months ended September 30, 2007 compared to 2,739 GWh and 7,132 GWh, respectively, for the same periods of 2006. Our natural gas customers purchased 16,818 terajoules (TJs) in the nine months ended September 30, 2007, of which 2,848 TJ were purchased in the third quarter of 2007. This compared to 10,250 TJ and 1,977 TJ, respectively, for the same periods of 2006. The increased volumes reflect growing sales to commercial and industrial customers as well as the continued success of the EasyMax program, which markets fixed price contracts to residential and small commercial customers.

Operations, maintenance and administrative expenses were $78.5 million in the first nine months of 2007, including $29.0 million in the third quarter, compared to $64.4 million in the first nine months of 2006, including $21.7 million in the third quarter. Higher costs incurred in marketing activities in the first nine months of 2007, compared to 2006, resulted in substantial growth late in the second quarter in EasyMax customers for which the revenue impact was realized in the third quarter. In addition, billing and customer care costs increased in 2007 when compared to the prior year, due to the increased number of customers.

Amortization for ENMAX Energy totaled $39.0 million in the nine months of 2007, including $13.2 million in the third quarter. For the first nine months of 2006, amortization totaled $25.9 million, of which $9.3 million related to the third quarter. The increase is due to amortization of the cost of ENMAX's 55% interest in the Battle River PPA in June 2006 and an additional 10% in January 2007, for a total investment of $404.6 million.

ENMAX Corporate

ENMAX Corporate incurs all costs related to the provision of shared services to ENMAX Power and ENMAX Energy and provides financing to those business segments. During the three and nine months ended September 30, 2007, net earnings before interest and taxes for ENMAX Corporate included a loss of $0.2 million and earnings $3.5 million, compared to earnings of $2.1 million and $4.5 million, respectively, for the same periods in 2006. Higher salary and benefit costs were partially offset by lower amortization charges on Corporate assets.

FINANCIAL INSTRUMENTS

On January 1, 2007, ENMAX adopted five new accounting standards that were issued by the Canadian Institute of Chartered Accountants (CICA). These were Handbook Section 1530: Comprehensive Income; Section 3251: Equity; Section 3855: Financial Instruments – Recognition and Measurement; Section 3861: Financial Instruments – Disclosure and Presentation and Section 3865: Hedges.

Handbook Section 1530 establishes comprehensive income, which consists of net earnings determined by historical standards plus/minus other comprehensive income/losses. Other comprehensive income (loss) is defined as the change in shareholder's equity from transactions and other events from non-owner sources and includes unrealized gains and losses on available-for-sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments.

Handbook Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that all financial instruments, including derivatives, be included on the consolidated balance sheet and measured at fair value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments will depend on their initial classification.

RISK MANAGEMENT AND UNCERTAINTIES

ENMAX follows an integrated approach to risk management across all ENMAX companies. For further information on risks, refer to Management's Discussion and Analysis in the 2006 Annual Report, available on the ENMAX website at www.enmax.com.

FUTURE ACCOUNTING CHANGES

Capital Disclosures and Financial Instruments – Disclosure and Presentations

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535: Capital Disclosures, Handbook Section 3862: Financial Instruments – Disclosures, and Handbook Section 3863: Financial Instruments – Presentation. These new standards will be effective on January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Sections 3862 and 3863 replace Handbook Section 3861: Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The impact of these new standards on our financial statements is currently being assessed.

Inventories

In March 2007, the Canadian Institute of Chartered Accountants issued Section 3031: Inventories, which aligns accounting for inventories under Canadian GAAP with International Financial Reporting Standards (IFRS). This standard will not have a material affect on ENMAX's financial statements.

International Financial Reporting Standards

In 2005, the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to converge with IFRS. The AcSB has indicated that Canadian enterprises with public accountabilities will need to begin reporting under IFRS by the first quarter of 2011 with appropriate comparative information for the prior year. Under IFRS, the primary audience is capital markets and as a result, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. ENMAX is currently assessing the impact of these new standards on its financial statements.

ENVIRONMENT

Effective July 1, 2007, the Climate Change and Emissions Management Amendment Act was passed into law in Alberta. The Corporation is assessing the impact these regulations may have on its operations as a result of its ownership interests in coal-fired generation facilities, through its PPA's, and the tolling agreement, under the Calgary Energy Centre, and the potential offsets available to mitigate these compliance costs, including those resulting from its ownership interests in the Taber and McBride Lake wind farms. The change in law provisions in the PPA contracts have the potential to expose ENMAX to a significant portion of these compliance costs.

ENMAX continues to focus on developing renewable sources of energy, including hydro and wind generating facilities.

OUTLOOK

ENMAX expects 2007 full year earnings to compare favourably to 2006 based on expectations for electricity and natural gas prices, generation acquisition opportunities and the strength of the Alberta economy.

The management and delivery of ENMAX's Billing and Customer Care services are currently outsourced to Accenture. In anticipation of the August 2008 contract end-date with Accenture, ENMAX believes the best way to provide the highest level of customer service is by bringing our billing and customer care services in-house. On October 22, 2007, the Corporation announced its intention to repatriate the work.

ADJUSTMENT TO REPORTED ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) as of January 1, 2007 has been restated in this report, from amounts previously reported in the Corporation's first and second quarters, due to a management detected discrepancy in the provision for future income tax benefits on certain cash flow hedge transactions. The discrepancy arose as a result of calculating a tax benefit on mark-to-market losses relating to these cash flow hedges, which were in a non-taxable segment of the business. The net effect of this error was that accumulated other comprehensive income (loss) and long-term future income tax assets should both be decreased by $6.2 million. A solution has been implemented which will prevent this situation from arising in the future. In addition, management has implemented enhanced controls to this process, including additional management review and oversight. Net earnings for the three and six month periods ended March 31 and June 30, 2007, respectively, were not affected.

In coming to the conclusion that the Corporation's disclosure controls and procedures were effective as of March 31, and June 30, 2007, management considered, among other things, the impact of the above noted error in the financial statements and the effectiveness of internal controls in this area. Management has concluded that the control deficiency resulting in this error in previously reported financial statements did not constitute a material weakness in disclosure controls and procedures as of March 31 or June 30, 2007. In addition, the company has implemented modifications to enhance its internal controls in this area. These changes have not affected, nor are they reasonably likely to materially affect, our internal controls over financial reporting.

CONTROLS AND PROCEDURES

As of the end of the period covered by this quarterly report, the Chief Executive Officer and Chief Financial Officer have evaluated the design and effectiveness of the corporation's disclosure controls and procedures (DCP). They concluded that ENMAX Corporation's DCP were effective.

ENMAX's internal controls over financial reporting changed during the first nine months of 2007 as a result of adopting new accounting standards for financial instruments and other comprehensive income. These changes affected our accounting system and processes and enhancements were facilitated through new and existing controls and processes.

FORWARD-LOOKING INFORMATION

Certain information in this quarterly report is forward-looking information related, among other things, to anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as “anticipate”, “believe”, “expect”, “plan”, “target” or similar words suggesting future outcomes. By their nature, such statements are subject to various risks and uncertainties, which could cause ENMAX’s actual results and experience to differ materially from anticipated results. Such risks and uncertainties include, but are not limited to, competitive factors and pricing pressures, regulatory decisions and the impact of deregulation on the industry. Management does not intend and does not assume any obligation to update these forward looking statements.

CONTACT INFORMATION

ENMAX Corporation and its predecessors have provided Albertans with safe, reliable electricity for 100 years. Through its subsidiaries, ENMAX provides electricity, natural gas, renewable energy and value-added services to more than 500,000 residential, commercial and institutional customers in Alberta. ENMAX Energy Corporation contracts low-cost reliable electricity from the Keephills and Battle River facilities and meets peak demand through a long term agreement for the Calgary Energy Centre. ENMAX, through a subsidiary, is one of Alberta’s largest investors in renewable energy with 100 per cent ownership of the Taber Wind Farm and 50 per cent ownership of the McBride Lake Wind Farm. ENMAX Energy has the largest green power marketing program of its kind in Canada. For more information, visit our website at enmax.com.

ENMAX welcomes questions from stakeholders.
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Visit the ENMAX website at www.enmax.com

You can choose any retailer listed at www.ucahelps.gov.ab.ca or at 310-4822. Electricity delivery to your home or business isn't affected by your choice of retailer.

CONSOLIDATED BALANCE SHEETS

(unaudited)	**September 30, 2007**	December 31, 2006
(millions of dollars)		
ASSETS		
Cash and cash equivalents	**$ 46.8**	$ 55.1
Accounts receivable (note 4)	**415.6**	409.5
Inventories	**20.7**	21.6
Income taxes receivable	**40.6**	40.6
Future income tax asset	**11.2**	12.4
Other current assets	**72.1**	18.6
	607.0	557.8
Property, plant and equipment (note 4)	**1,026.4**	927.9
Power purchase arrangements (note 5)	**500.2**	469.5
Intangible assets	**21.8**	21.1
Employee future benefits	**8.8**	6.8
Future income tax asset	**141.5**	150.8
Other long-term assets	**50.5**	26.5
TOTAL ASSETS	**$ 2,356.2**	$ 2,160.4
LIABILITIES		
Short-term financing (note 6)	**$ 38.0**	$ 51.0
Accounts payable and accrued liabilities	**372.7**	312.3
Dividend payable	**12.5**	-
Income taxes payable	**19.5**	10.7
Customer guarantee deposits	**14.1**	14.5
Future income tax liability	**0.4**	2.7
Current portion of long-term debt (note 7)	**36.0**	39.6
	493.2	430.8
Long-term debt (note 7)	**401.6**	320.7
Future income tax liability	**8.1**	8.6
Other long-term liabilities (note 4)	**57.1**	14.6
Non-controlling interest (note 10)	**-**	0.2
SHAREHOLDER'S EQUITY		
Share capital	**280.1**	280.1
Retained earnings	**1,158.8**	1,105.4
Accumulated other comprehensive income (loss)	**(42.7)**	-
	1,396.2	1,385.5
Commitments and contingencies (notes 5 and 11)		
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**$ 2,356.2**	$ 2,160.4

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(unaudited)	Three months ended September 30		Nine months ended September 30	
	2007	2006	**2007**	2006
(millions of dollars)				
REVENUE				
Electricity	**$ 410.9**	$ 297.4	**$1,016.7**	$ 701.1
Natural gas	**27.4**	19.0	**161.8**	100.3
Transmission and distribution	**84.4**	77.0	**240.3**	229.5
Contractual services	**26.9**	28.1	**71.1**	66.3
Other	**0.8**	2.0	**4.6**	7.3
TOTAL REVENUE	**550.4**	423.5	**1,494.5**	1,104.5
COST OF SERVICES PROVIDED (note 1)				
Electricity	**346.1**	247.5	**822.0**	538.8
Natural gas	**25.2**	10.9	**158.5**	105.2
Local access fees and grid charges	**47.4**	43.4	**134.0**	123.0
Contractual services	**17.6**	16.9	**45.7**	43.9
Operations, maintenance and administration (note 8)	**42.6**	33.9	**126.5**	100.2
TOTAL COST OF SERVICES PROVIDED	**478.9**	352.6	**1,286.7**	911.1
EARNINGS BEFORE AMORTIZATION, INTEREST, INCOME TAXES AND NON-CONTROLLING INTEREST	**71.5**	70.9	**207.8**	193.4
Amortization	**23.9**	24.2	**72.9**	64.1
Interest	**4.7**	4.8	**16.6**	13.5
Income taxes	**4.2**	7.9	**14.9**	19.7
Non-controlling interest	**-**	(0.1)	**-**	(0.3)
NET EARNINGS	**38.7**	**34.1**	**103.4**	**96.4**
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (note 2)				
Unrealized gains on available-for-sale financial assets arising during the period	**0.1**	-	**1.1**	-
Unrealized losses on derivatives designated as cash flow hedges	**(22.7)**	-	**(29.7)**	-
Losses on derivatives designated as cash flow hedges in prior periods transferred to net earnings in the current period (note 2)	**8.0**	-	**8.6**	-
Other comprehensive income (loss), net of future income taxes of $5.9	**(14.6)**	-	**(20.0)**	-
COMPREHENSIVE INCOME	**$ 24.1**	**$ 34.1**	**$ 83.4**	**$ 96.4**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

(unaudited)	Share capital	Retained earnings	Accumulated other compre-hensive income (loss)	Total
(millions of dollars)				
BALANCE, JANUARY 1, 2006	**$ 280.1**	**$ 1,025.3**	**$ -**	**$ 1,305.4**
Net earnings for the period		**96.4**	**-**	**96.4**
Dividends		**(50.0)**	**-**	**(50.0)**
BALANCE, SEPTEMBER 30, 2006	**280.1**	**1,071.7**	**-**	**1,351.8**
Net earnings for the period	**-**	**33.7**	**-**	**33.7**
BALANCE, DECEMBER 31, 2006	**280.1**	**1,105.4**	**-**	**1,385.5**
Change in accounting policy (notes 1 and 2)	**-**	**-**	**(22.7)**	**(22.7)**
BALANCE, JANUARY 1, 2007, AS ADJUSTED	**280.1**	**1,105.4**	**(22.7)**	**1,362.8**
Net earnings for the period	**-**	**103.4**	**-**	**103.4**
Dividends	**-**	**(50.0)**	**-**	**(50.0)**
Other comprehensive income (loss), net of future income taxes of $5.9	**-**	**-**	**(20.0)**	**(20.0)**
BALANCE, SEPTEMBER 30, 2007	**$ 280.1**	**$ 1,158.8**	**$ (42.7)**	**$ 1,396.2**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	Three months ended September 30 **2007**	2006	Nine months ended September 30 **2007**	2006
(millions of dollars)				
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net earnings	**$ 38.7**	$ 34.1	**$ 103.4**	$ 96.4
Items not involving cash:				
Amortization	**23.9**	24.2	**72.9**	64.1
Future income taxes	**(5.3)**	5.6	**3.4**	13.3
Non-controlling interest	-	(0.1)	-	(0.3)
Change in unrealized market value of financial contracts	**1.5**	(2.7)	**0.7**	(7.4)
Other	**4.7**	-	**11.7**	-
	63.5	61.1	**192.1**	166.1
Change in non-cash working capital	**56.5**	(31.4)	**(19.0)**	(86.5)
	120.0	29.7	**173.1**	79.6
INVESTING ACTIVITIES				
Proceeds on disposition of marketable securities	**-**	**-**	**-**	174.8
Additions to power purchase arrangements (note 5)	**-**	(0.2)	**(59.1)**	(345.2)
Purchase of property, plant and equipment	**(50.3)**	(37.1)	**(158.7)**	(55.2)
Receipt (refund) of customer guarantee deposits	**(0.1)**	1.8	**(0.4)**	1.6
Other long-term assets	**0.9**	(4.7)	**(2.0)**	(5.1)
Contributions in aid of construction	**5.9**	5.0	**16.4**	6.8
Employee future benefits	**(0.8)**	-	**(2.0)**	-
Acquisitions, net of cash acquired (note 10)	-	-	**(1.6)**	-
	(44.4)	(35.2)	**(207.4)**	(222.3)
FINANCING ACTIVITIES				
Proceeds of short-term financing	**260.0**	9.0	**401.0**	154.3
Repayment of short-term financing	**(277.5)**	**-**	**(414.0)**	9.0
Proceeds of long-term debt	-	-	**107.4**	-
Repayment of long-term debt	**(8.8)**	(11.6)	**(30.1)**	(24.6)
Dividend paid	**(12.5)**	(12.5)	**(37.5)**	(37.5)
Other long-term liabilities	**-**	6.8	**(0.8)**	8.2
	(38.8)	(8.3)	**26.0**	109.4
Increase / (decrease) in cash and cash equivalents	**36.8**	(13.8)	**(8.3)**	(33.3)
Cash and cash equivalents, beginning of period	**10.0**	7.6	**55.1**	27.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 46.8**	$ (6.2)	**$ 46.8**	$ (6.2)
Interest paid	**$ 5.7**	$ 5.9	**$ 16.9**	$ 13.1
Income taxes paid	**$ 1.2**	$ 25.8	**$ 3.2**	$ 33.4

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Unaudited)

1. Significant accounting policies

The interim consolidated financial statements of ENMAX Corporation (ENMAX or the Corporation) have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies applied are consistent, except as explained below and in note 2, with those outlined in the Corporation's annual financial statements for the year ended December 31, 2006. 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 2006 Annual Report. Amounts are stated in millions of Canadian dollars.

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

Adjustment to Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) as of January 1, 2007 has been restated in this report, from amounts previously reported in the Corporation's first and second quarters, due to a management detected discrepancy in the provision for future income tax benefits on certain cash flow hedge transactions. The discrepancy arose as a result of calculating a tax benefit on the mark-to-market losses relating to these hedges, which were in a non-taxable segment of the business. The net effect of this error was that accumulated other comprehensive income (loss) and long-term future income tax assets should both be decreased by $6.2 million. A solution has been implemented which will prevent this situation from arising in the future. In addition, management has implemented enhanced controls to this process, including additional management review and oversight. Net earnings for the three and six month periods ended March 31 and June 30, 2007, respectively, were not affected.

Accounting for Emission Credits and Allowances

Effective July 1, 2007, the Climate Change and Emissions Management Amendment Act was enacted into law in Alberta. The Act establishes baseline emission intensity levels for each large generating facility and emissions over this baseline are subject to a surcharge. Changes in law provisions in our Power Purchase Arrangements (PPAs) have the potential to expose ENMAX to significant portions of these compliance costs (see note 11). ENMAX's accounting policy for emission credits and allowances, which will form part of the compliance cost, is described below.

Purchased emission allowances are recorded on the balance sheet, as part of intangible assets, at historical cost and are carried at the lower of weighted average cost and net realizable value. Allowances granted to ENMAX or internally generated, from approved projects, that meet the definition of a derivative are accounted for using the fair value method of accounting. Allowances that do not satisfy the criteria of a derivative are accounted for at cost.

ENMAX recorded emissions liabilities on the balance sheet, as a component of accounts payable and accrued liabilities, using the best estimate of the amount required to settle the obligation in excess of government established emission intensity levels. To the extent compliance costs are charged to ENMAX under the change in law provisions of our PPAs, these amounts are recognized as cost of electricity services provided in the period they are charged.

For the three and nine months ended September, 30, 2007, the financial statements include a charge to earnings in the amount of $4.7 million, included in costs of electricity services provided, relating to estimated compliance costs under the provincial regulations, associated with ENMAX's ownership interests in coal-fired generation facilities through its PPA's and the tolling agreement under the Calgary Energy Centre.

2. Change in Accounting Policy

Effective January 1, 2007, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1506: Accounting Changes, CICA Handbook Section 1530: Comprehensive Income, CICA Handbook Section 3251: Equity, CICA Handbook Section 3855: Financial Instruments – Recognition and Measurement, CICA Handbook Section 3861: Financial Instruments – Disclosure and Presentation and CICA Handbook Section 3865: Hedges. These new Handbook sections provide comprehensive requirements for the disclosure of changes in accounting policy, recognition and measurement of financial instruments, as well as standards describing when and how hedge accounting may be applied.

Handbook Section 1530 also establishes standards for reporting and presenting comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income (loss) refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. A new financial statement has been presented in relation to the new standards.

According to these new standards, all financial instruments must be classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated balance sheet and are measured at fair value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments will depend on their initial classification. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income (loss) until the assets are removed from the balance sheet.

2. Change in Accounting Policy (cont'd)

The standards also require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. For the three months ended September 30, 2007, net earnings include a loss of $8.0 million, relating to derivatives designated as cash flow hedges in prior periods that settled during the period, and include a gain of $0.1 million relating to hedge ineffectiveness. These amounts are included in the electricity component of costs of services provided.

As a result of prospectively adopting these new standards, the Corporation recorded a transitional adjustment of $22.7 million (see note 1) for the change in accounting for derivatives designated as cash flow hedges as follows:

(millions of dollars)	
Accounts receivable	$ 13.7
Other long-term assets	23.0
Accounts payable and accrued liabilities	(28.4)
Other long-term liabilities	(32.6)
Future income tax benefit on above	1.6
	$ (22.7)

These amounts are reported as a one-time cumulative effect of a change in accounting policy in opening accumulated other comprehensive income (loss) on January 1, 2007.

The Corporation's financial instruments are comprised of cash and cash equivalents, accounts receivable, income taxes receivable, other assets, short-term financing, accounts payable, customer guarantee deposits, other liabilities and long-term debt. With the exception of long-term debt, the carrying amounts of these financial instruments approximate fair values due to their short-term nature. At September 30, 2007, the fair value of the long-term debt is $450.6 million (December 31, 2006 - $382.7 million). Calculation of the estimated fair value of the debt is based on current lending rates of the Alberta Capital Finance Authority, the lender of these funds, for debentures with comparable terms and maturities.

ENMAX uses industry standard mark-to-market (MTM) techniques to determine the fair value of financial instruments. Fair values are determined internally using valid valuation techniques or validated independently by reference to published market price quotations.

3. Future Accounting Changes

Capital Disclosures and Financial Instruments – Disclosure and Presentations

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535: Capital Disclosures, Handbook Section 3862: Financial Instruments – Disclosures, and Handbook Section 3863: Financial Instruments – Presentation. These new standards will be effective on January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Sections 3862 and 3863 replace Handbook Section 3861: Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The impact of these new standards on our financial statements is currently being assessed.

Inventories

In March 2007, the CICA issued Section 3031: Inventories, which aligns accounting for inventories under Canadian GAAP with International Financial Reporting Standards (IFRS). This standard will not have a material affect on ENMAX's financial statements.

International Financial Reporting Standards

In 2005, the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to converge with IFRS. The AcSB has indicated that Canadian enterprises with public accountabilities will need to begin reporting under IFRS by the first quarter of 2011 with appropriate comparative information for the prior year. Under IFRS, the primary audience is capital markets and as a result, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The impact of these new standards on our financial statements is currently being assessed.

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

(millions of dollars)	**September 30, 2007**	December 31, 2006
Regulatory assets		
Accounts receivable – Purchased power price variance [1]	**$ 20.8**	$ 14.2
Distribution assets – intercompany profit on underground residential development [2]	**$ 25.9**	$ 22.7
Total regulatory assets	**$ 46.7**	$ 36.9
Regulatory liability		
Other long-term liabilities – pension funding [3]	**$ 4.2**	$ 2.2
Total regulatory liabilities	**$ 4.2**	$ 2.2

[1] 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, when their final disposition is decided. ENMAX 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 receivable represents the excess of actual over forecast purchased power costs. In the absence of rate regulation, generally accepted accounting principles would require that actual purchased power costs be recognized as an expense when incurred. In this case, net earnings for the three and nine months ended September 30, 2007 would have been $9.5 million lower (2006 – $7.0 million lower) and $14.1 million lower (2006 – $4.2 million lower). The regulatory asset is included in accounts receivable.

[2] Distribution assets for the regulated operations of ENMAX include intercompany profit relating to construction work performed by an ENMAX subsidiary. Such profit is deemed 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, generally accepted accounting principles would require that intercompany profits be eliminated upon consolidation. The impact on earnings for the three and nine months ended September 30, 2007 would be a reduction of $1.6 million (2006 – $1.2 million) and $3.2 million (2006 – $2.7 million), representing the profit on these services. The balances for property, plant and equipment and retained earnings at September 30, 2007 would further be reduced by $25.9 million (December 31, 2006 – $22.7 million) for accumulated intercompany profit from prior years.

4. Financial statement effects of rate regulation (cont'd)

(3) Pension costs are recorded using the accrual method as required by Canadian GAAP. The EUB approved the recovery of amounts relating to the unfunded liability for the defined benefit pension plan over 10 years. As a result, ENMAX has recorded a regulatory liability in the amount of $4.2 million (December 31, 2006 - $2.2 million) to reflect this regulatory treatment. In the absence of rate regulation, net earnings for the three months ended September 30, 2007 would have been $0.6 million higher (2006 - $2.2 million higher) and other long-term liabilities would have been reduced and retained earnings would have been increased by $4.2 million (December 31, 2006 – $2.2 million), respectively.

Other items affected by rate regulation

The regulator permits an allowance for funds used during construction (AFUDC), based on ENMAX's weighted-average cost of capital, to be included in the rate base. AFUDC is also included in the cost of property, plant and equipment for financial reporting purposes, and is depreciated over future periods as part of the total cost of the related asset, based on the expectation that depreciation expense, including the AFUDC component, will be approved for inclusion in future customer rates. Since AFUDC includes not only an interest component, but also a cost-of-equity component, it exceeds the amount allowed to be capitalized in similar circumstances in the absence of rate regulation. For the three and nine months ended September 30, 2007, AFUDC and capitalized interest totaling $1.6 million (2006 – $1.8 million) and $4.4 million (2006 – $2.9 million), respectively, were included in property, plant and equipment.

5. Power Purchase Arrangements

On January 1, 2007, the Corporation purchased an additional 10% interest in the Battle River PPA for $59.1 million. The agreement also provides that the Corporation will purchase the remaining 35% in annual increments of 10 – 15% over the next two and one-half years for total additional consideration of $162.9 million.

6. Short-term financing

In July 2007, ENMAX increased its credit facilities to $650.0 million, which are used for general corporate purposes. At September 30, 2007, $280.9 million of the credit facilities had been utilized in the form of letters of credit issued in the ordinary course of business.

Short-term financing is comprised of commercial paper and bankers' acceptances which are guaranteed by ENMAX's credit facilities. At September 30, 2007 the Corporation had issued $38.0 million (December 31, 2006 - $51.0 million) at average rates of 4.80%.

7. Long-term debt

In June 2007, the Corporation issued $107.4 million in ten, twenty and twenty five year debentures from the City of Calgary through arrangements with the Alberta Capital Finance Authority. Interest on the debentures is compounded semi-annually as follows: $3.7 million of the debt, which matures in June 2017, at 5.05%; $9.7 million, maturing in June 2027, at 5.00%; and the remaining $94.0 million of the debt, which matures in June 2032, at 4.95%. The funds will be used for capital expenditures in ENMAX Power.

8. Employee future benefits

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

The total benefit cost recorded in the consolidated statements of earnings for the three and nine months ended September 30, 2007 are $3.7 million (2006 – $2.7 million) and $10.2 million (2006 – $9.1 million), respectively.

9. Segmented information

	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
Three months ended September 30 - [1] (unaudited)	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
(millions of dollars)								
REVENUE								
Electricity	**$ 451.3**	$ 348.7	**$ 63.3**	$ 54.7	**$ (103.7)**	$ (106.0)	**$ 410.9**	$ 297.4
Natural gas	**27.4**	19.0	**-**	-	**-**	-	**27.4**	19.0
Transmission and distribution	**-**	-	**84.4**	77.0	**-**	-	**84.4**	77.0
Contractual services	**8.4**	7.3	**25.9**	26.4	**(7.4)**	(5.6)	**26.9**	28.1
Other	**1.5**	1.7	**1.5**	1.0	**(2.2)**	(0.7)	**0.8**	2.0
TOTAL REVENUE	**488.6**	376.7	**175.1**	159.1	**(113.3)**	(112.3)	**550.4**	423.5
COST OF SERVICES PROVIDED								
Electricity	**387.9**	299.5	**61.3**	51.4	**(103.1)**	(103.4)	**346.1**	247.5
Natural gas	**25.2**	10.9	**-**	-	**-**	-	**25.2**	10.9
Local access fees and grid charges	**-**	-	**47.4**	43.4	**-**	-	**47.4**	43.4
Contractual services	**-**	-	**17.7**	16.9	**(0.1)**	-	**17.6**	16.9
Operations, maintenance and administration (note 8)	**29.0**	21.7	**24.2**	25.9	**(10.6)**	(13.7)	**42.6**	33.9
TOTAL COST OF SERVICES PROVIDED	**442.1**	332.1	**150.6**	137.6	**(113.8)**	(117.1)	**478.9**	352.6
EARNINGS BEFORE INTEREST, INCOME TAXES, AMORTIZATION AND NON-CONTROLLING INTEREST	**46.5**	44.6	**24.5**	21.5	**0.5**	4.8	**71.5**	70.9
Amortization	**13.2**	9.3	**10.0**	12.2	**0.7**	2.7	**23.9**	24.2
Non-controlling interest	**-**	(0.1)	**-**	-	**-**	-	**-**	(0.1)
EARNINGS BEFORE INTEREST AND INCOME TAXES	**$ 33.3**	$ 35.4	**$ 14.5**	$ 9.3	**$ (0.2)**	$ 2.1	**47.6**	46.8
Interest							**4.7**	4.8
Income taxes							**4.2**	7.9
NET EARNINGS							**$ 38.7**	$ 34.1
CAPITAL ADDITIONS	**$ 17.4**	$ 7.3	**$ 29.9**	$ 29.7	**$ 3.0**	$ 0.3	**$ 50.3**	$ 37.3

9. Segmented information (cont'd)

Nine months ended September 30 - [1] (unaudited)	ENMAX Energy 2007	ENMAX Energy 2006	ENMAX Power 2007	ENMAX Power 2006	Corporate & Intersegment Eliminations 2007	Corporate & Intersegment Eliminations 2006	Consolidated Totals 2007	Consolidated Totals 2006
(millions of dollars)								
REVENUE								
Electricity	**$ 1,120.5**	$ 840.4	**$ 180.7**	$ 137.0	**$ (284.5)**	$ (276.3)	**$ 1,016.7**	$ 701.1
Natural gas	**161.8**	100.3	**-**	-	**-**	-	**161.8**	100.3
Transmission and distribution	**-**	-	**240.3**	229.5	**-**	-	**240.3**	229.5
Contractual services	**22.5**	22.9	**71.2**	66.4	**(22.6)**	(23.0)	**71.1**	66.3
Other	**4.7**	5.1	**2.8**	1.9	**(2.9)**	0.3	**4.6**	7.3
TOTAL REVENUE	**1,309.5**	968.7	**495.0**	434.8	**(310.0)**	(299.0)	**1,494.5**	1,104.5
COST OF SERVICES PROVIDED								
Electricity	**931.8**	683.4	**174.6**	132.6	**(284.4)**	(277.2)	**822.0**	538.8
Natural gas	**158.5**	105.2	**-**	-	**-**	-	**158.5**	105.2
Local access fees and grid charges	**-**	-	**134.0**	123.0	**-**	-	**134.0**	123.0
Contractual services	**-**	-	**46.0**	44.1	**(0.3)**	(0.2)	**45.7**	43.9
Operations, maintenance and administration (note 8)	**78.5**	64.4	**80.3**	67.3	**(32.3)**	(31.5)	**126.5**	100.2
TOTAL COST OF SERVICES PROVIDED	**1,168.8**	853.0	**434.9**	367.0	**(317.0)**	(308.9)	**1,286.7**	911.1
EARNINGS BEFORE INTEREST, INCOME TAXES, AMORTIZATION AND NON-CONTROLLING INTEREST	**140.7**	115.7	**60.1**	67.8	**7.0**	9.9	**207.8**	193.4
Amortization	**39.0**	25.9	**30.4**	32.8	**3.5**	5.4	**72.9**	64.1
Non-controlling interest	**-**	(0.3)	**-**	-	**-**	-	**-**	(0.3)
EARNINGS BEFORE INTEREST AND INCOME TAXES	**$ 101.7**	$ 90.1	**$ 29.7**	$ 35.0	**$ 3.5**	$ 4.5	**134.9**	129.6
Interest							**16.6**	13.5
Income taxes							**14.9**	19.7
NET EARNINGS							**$ 103.4**	$ 96.4
CAPITAL ADDITIONS [2]	**$ 135.7**	$ 358.2	**$ 79.0**	$ 41.4	**$ 4.6**	$ 0.8	**$ 219.3**	$ 400.4

1. In 2007, ENMAX realigned its reportable segments to be consistent with changes in its internal management structure. This realignment transferred reporting of ENMAX Encompass from ENMAX Power to ENMAX Energy. Comparative amounts have been restated.
2. Capital additions for ENMAX Energy include non-cash amounts of $1.5 million (2006 - nil), for the nine months ended September 30, 2007, relating to asset retirement obligations for the Taber wind farm.

Segmented Total Assets	September 30, 2007 (unaudited)	December 31, 2006
(millions of dollars)		
ENMAX Energy [3]	**$ 1,388.5**	$ 1,190.3
ENMAX Power	**903.7**	870.4
Corporate and eliminations	**64.0**	99.7
	$ 2,356.2	$ 2,160.4

3. Includes assets for ENMAX Encompass, previously reported in ENMAX Power, in the amount of $26.3 million (2006 - $32.4 million). Comparative amounts have been restated to conform to this presentation.

10. Acquisition

On April 2, 2007, the Corporation acquired the remaining 35% non-controlling interest in Hydromax Energy Ltd., a business venture it created with Eaton Power Corporation in April 2005 to develop run-of-river hydro projects in British Columbia.

ENMAX accounted for this acquisition using the purchase method and the results of operations have been included in the consolidated financial statements since the effective date of the acquisition. The purchase price of $1.6 million has been allocated to intangible assets.

11. Contingencies

Income tax

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

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

In June 2005, ENMAX Energy Corporation (EEC) received a Notice of Reassessment from Alberta Finance in respect of the 2001 taxation year, which amounted to $16.9 million, including $3.2 million of interest. In July and November 2006, EEC received additional Notices of Reassessment relating to the 2002 and 2003 taxation years, in the amount of $23.7 million, including $5.0 million of interest, and $58.0 million, including $10.4 million of interest, respectively. Subsequently, in July 2007, EEC received an amended notice of reassessment for the 2003 taxation year for an additional $1.8 million relating to items not previously assessed. The reassessments relate primarily to the value of certain power purchase arrangement assets established for the purpose of the Payment in Lieu of Taxes Regulation and the allocation of costs and benefits of the energy supply portfolio between taxable and non-taxable operations for those years.

The Corporation does not agree with the assessments and has commenced the necessary steps to defend its position through the formal appeals process. However, EEC voluntarily remitted certain amounts to minimize interest and penalties until the issues are resolved, which are recorded as income taxes receivable as at September 30, 2007 and December 31, 2006. The Corporation expects this process to be successful and will vigorously pursue all options available should the appeals process result in an unfavorable outcome. The amount of possible adjustment, which could have a material impact on net earnings, cannot be reasonably estimated at this time and no provision has been made in the consolidated financial statements for any additional income tax expense that may be payable relating to these assessments.

Environmental

The provincial government announced new regulations aimed at reducing the levels of greenhouse gas emissions which took effect July 2007. The costs to comply with the terms of the legislation may be substantial. The change in law provisions in our PPA contracts have the potential to expose ENMAX to a significant portion of these compliance costs. As the regulations and applicable compliance details have not yet been finalized, the total amount of these costs, which could have a material impact on net earnings, cannot be reasonably estimated at this time. The Corporation continues to assess and monitor the implications these changes in legislation may have on its business.

12. Comparative figures

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