

WE'RE ON FOR YOU

2014 | Q1 INTERIM REPORT

ENMAX Corporation | Three Months Ending March 31, 2014

HIGHLIGHTS

As at and for the three months ended March 31 (millions of dollars, unless otherwise noted)	2014	2013
Revenues	1,002.5	843.4
Operating margin ⁽¹⁾	177.2	180.6
Net earnings	35.9	58.3
Earnings before interest, income tax, depreciation and amortization (EBITDA) ⁽¹⁾	100.2	109.7
Earnings before interest and income taxes (EBIT) ⁽¹⁾	58.4	65.0
Cash flow from operations ⁽¹⁾	64.2	77.0
Total assets	4,584.5	4,591.8
Return on assets ⁽²⁾	13.2%	8.8%
Return on equity ⁽³⁾	14.3%	10.7%
Total recordable injury frequency (TRIF)	0.57	0.82
Capital expenditures	76.5	111.8
Electricity sold to customers (Gigawatts hours [GWh])	5,407	5,413
Employees (#) ⁽⁴⁾	1,852	1,864

(1) Non-GAAP financial measure. See discussion that follows in the Management's Discussion & Analysis (MD&A).

(2) Return on assets (ROA) is equal to net earnings before after-tax interest charges for the 12-month rolling period divided by average total assets (adjusted for capital assets under construction and current liabilities) for the 12-month rolling period. 2014 ROA includes the \$175.9 million gain on sale of Envision recorded in Q2 2013.

(3) Return on equity (ROE) is equal to net earnings for the 12-month rolling period divided by average shareholder's equity for the last 12 month rolling period. 2014 ROE includes the \$175.9 million gain on sale of Envision recorded in Q2 2013.

(4) Employee count is total employees.

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 2014 are described in the Management's Discussion & Analysis (MD&A) Outlook section. This interim report should be read in conjunction with ENMAX's 2013 Financial Report.

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

- 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;
- changes 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 2013 Financial Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This MD&A, dated May 8, 2014, is a review of the results of operations of ENMAX Corporation and its subsidiaries (ENMAX or the Corporation) for the three-month period ended March 31, 2014, compared with the same period in 2013, 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.

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 (AcSB).

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

The Corporation reports on certain non-GAAP financial measures such as operating margin and funds from operations that are used by management to evaluate performance of business units and segments. Because non-GAAP financial measures do not have a standardized meaning, the Corporation has defined and reconciled them with their nearest GAAP measure. For the reader's reference, the definition, calculation and reconciliation of consolidated non-GAAP financial measures is provided in the Non-GAAP Financial Measures section.

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OVERALL FINANCIAL PERFORMANCE

SELECTED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended March 31

(millions of dollars, unless otherwise noted)

	2014	2013
EBIT ⁽¹⁾	58.4	65.0
Net earnings	35.9	58.3

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

ENMAX's consolidated net earnings for the three months ended March 31, 2014, is \$35.9 million compared with \$58.3 million for the three months ended March 31, 2013. The decrease in earnings for the three months ended March 31, 2014, is primarily due to an increase in interest expense of \$20.7 million upon settlement of interest rate swaps associated with an early repayment of long-term debt. We expect benefits from the repayment in the form of a lower cost of borrowing in future periods. Decreases in electricity margins driven by unit outages and lower realized prices and increase in operations, maintenance and administration (OM&A) costs also put downward pressure on earnings. These unfavourable variances were offset partially by increases in transmission and distribution margins as a result of the approval of interim rates for 2014.

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 of this report.

UNUSUAL ITEMS INCLUDED IN RESULTS

PPA OUTAGES

On March 5, 2013, the Keephills Unit 1 generator was removed from service by its operator, TransAlta Corporation (TransAlta). Keephills Unit 1 provides ENMAX Energy with approximately 340 megawatts (MW) of electricity through a power purchase arrangement (PPA). On March 26, 2013, TransAlta claimed force majeure under the Keephills PPA. Under a force majeure, ENMAX is not compensated for the outage by the owner for the duration of the outage but is relieved from paying certain capacity charges to the plant owner for the duration of the event. The Keephills Unit 1 generator returned to service on October 5, 2013. ENMAX is in a dispute resolution process with TransAlta in accordance with the terms of the PPA. For the three months ended March 31, 2013, the Keephills Unit 1 outage impact was \$10.4 million.

On January 31, 2014, the Keephills Unit 2 generator was removed from service by its operator, TransAlta. Keephills Unit 2 provides ENMAX Energy with approximately 340 MW of electricity through a PPA. On November 27, 2013, TransAlta claimed force majeure under the Keephills PPA with respect to this planned outage. The Keephills Unit 2 generator returned to service on March 15, 2014. We anticipate ENMAX will enter into a dispute resolution process with TransAlta in accordance with the terms of the PPA. For the three months ended March 31, 2014, the Keephills Unit 2 outage impact was \$17.4 million.

FINANCIAL RESULTS

EBIT FOR THE THREE MONTHS ENDED MARCH 31, 2014, COMPARED WITH THE SAME PERIOD IN 2013

(millions of dollars)

EBIT for the three months ended March 31, 2013	65.0
Unusual items included in results:	
2013 Keephills Unit 1 outage	10.4
2014 Keephills Unit 2 outage	(17.4)
Increased (decreased) margins attributable to:	
Electricity, excluding Keephills outage	(5.6)
Natural gas	(0.3)
Transmission and distribution	13.0
Contractual services and other	(3.5)
Decreased (increased) expenses:	
OM&A	(4.9)
Foreign exchange	3.3
Amortization	(1.6)
EBIT for the three months ended March 31, 2014	58.4

Normalized electricity margins (electricity margins excluding Keephills outages) for the three months ended March 31, 2014, decreased \$5.6 million to \$103.6 million from \$109.2 million in the three-month period ended March 31, 2013. The decreased margins in the first three months of 2014 were driven primarily by lower prices realized on our sales to the Alberta market. In addition, higher natural gas prices contributed to the lower electricity margin as it increased our costs to run our natural gas-fired plants. The decrease was partially offset by higher volumes on commercial and residential fixed price contracts.

Natural gas margins for the three months ended March 31, 2014, decreased \$0.3 million to \$13.3 million from \$13.6 million for the three months ended March 31, 2013. This modest decrease in the three months ended March 31, 2014, is primarily due to increased cost to supply our fixed price contracts.

For the three months ended March 31, 2014, transmission and distribution margins increased \$13.0 million to \$64.9 million from the \$51.9 million recorded in the same period in 2013. The increased margin in the three months ended March 31, 2014, is due primarily to an increase in transmission and distribution tariffs.

For the three months ended March 31, 2014, margin from contractual services and other sources decreased \$3.5 million to \$12.8 million from \$16.3 million compared to the same period in 2013. The decrease is mainly due to the recognition of cost recoveries associated with ENMAX's disposition of a 25 per cent interest in Shepard Energy Center (Shepard) to Capital Power LP (CPLP) in the prior comparative period.

OM&A for the three months ended March 31, 2014, increased \$4.9 million to \$81.9 million from \$77.0 million in the first quarter of 2013. The increase for the year was largely due to an increase in staff costs offset by a decrease in operating and maintenance costs. In the three months ended March 31, 2013, operating and maintenance costs were higher due to a planned maintenance outage at ENMAX's Calgary Energy Centre (CEC).

For the three months ended March 31, 2014, a net foreign exchange gain of \$4.9 million was recognized compared to a gain of \$1.6 million in the same period of 2013. Foreign exchange gains or losses are primarily a result of the net realized and unrealized gains and losses on equipment purchase and service agreements denominated in foreign currencies and related hedges.

Amortization expense for the three months ended March 31, 2014, increased \$1.6 million to \$41.8 million from \$40.2 million for the same period in 2013. The increased charges were primarily the result of new assets placed into service.

OTHER NET EARNINGS ITEMS

For the three months ended March 31, 2014, interest expense increased \$20.9 million to \$27.7 million from \$6.8 million for the same period in 2013. On March 17, 2014, \$200.6 million of non-recourse term financing and \$35.6 million of a fixed-for-floating interest rate swap related to CEC was repaid prior to maturity on September 2026. The increase in Q1 2014 interest expense was primarily due to \$20.7 million of settlement costs associated with the termination of the interest rate swaps. We expect the repayment will benefit ENMAX in the form of a lower cost of borrowing in future periods.

Current and future income tax costs for the three months ended March 31, 2014, decreased \$8.3 million to a recovery of \$5.2 million from an expense of \$3.1 million for the same period in 2013. The decrease in income tax was primarily due to lower income in taxable entities.

For the three months ended March 31, 2014, earnings from discontinued operations was nil compared to \$3.2 million in the same period in 2013. Earnings of \$3.2 million from discontinued operations in the three months ended March 31, 2013, relate to the Envision business unit that was sold on April 30, 2013.

OTHER COMPREHENSIVE INCOME (OCI)

OCI illustrates 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. ENMAX uses derivatives to hedge electricity, natural gas, interest rate and foreign exchange exposures. For the three months ended March 31, 2014, OCI totalled gains of \$19.4 million compared with gains of \$4.8 million for the same period in 2013. OCI for the three months ended March 31, 2014, primarily reflects the favourable fair value changes in derivative electricity positions and settlement of interest rate swaps and electricity and gas positions.

BUSINESS SEGMENT RESULTS

EBIT

As at March 31

(millions of dollars)

	2014	2013
ENMAX Energy	36.8	48.7
ENMAX Power	20.3	15.7
Corporate & intersegment eliminations	1.3	0.6
EBIT	58.4	65.0

ENMAX ENERGY

ENMAX Energy, which includes various legal entities and divisions, operates in Alberta's competitive energy market providing electricity, natural gas, district heating, energy management and renewable energy products to residential, commercial and industrial customers.

Our core strategy for ENMAX Energy is to grow our customer base across the province of Alberta and invest in the power generation facilities required to serve our electricity customers. We supply electricity through our own wind and natural gas-fired generation facilities and PPAs at Battle River and Keephills. We balance our energy portfolio needs through the purchase and sale of electricity and natural gas from and into wholesale Alberta markets. ENMAX Energy provides customers with competitive energy products and services with a focus on longer-term fixed electricity contracts. These contracts link our customer demand to our generating assets, which results in relatively stable margins, even during times of volatile wholesale electricity prices.

BUSINESS UPDATE

As discussed in the Overall Financial Performance section of this MD&A, ENMAX Energy was impacted in 2014 by the Keephills Unit 2 outage.

On April 24, 2014, ENMAX Energy signed a purchase and sale agreement with Capital Power Corporation (Capital Power) in support of a joint venture agreement (JVA) to develop, construct, own and operate a natural-gas-fired facility west of Edmonton with a generation capacity of up to 1,050 MW. The proposed facility, Genesee 4 and 5, would be built on a site near Capital Power's existing Genesee facility and is expected to utilize the latest high-efficiency gas turbine technology. Negotiations with Capital Power continue on the terms of this JVA. If ENMAX Energy executes a JVA with Capital Power, it would be similar to the Shepard JVA with Capital Power LP; however, in this case, Capital Power would lead the construction of the project and operate the facility. We expect construction of the proposed facility to be completed between 2018 and 2020, when additional generation will be required to meet the growing demand in Alberta and when coal-fired generation will be set to retire.

At March 31, 2014, approximately 93 per cent of the overall Shepard project work was complete and approximately \$1,259 million of the \$1,365 million project budget has been incurred. The project has surpassed 3.4 million hours of construction invested, and on-site safety performance has exceeded our expectations. The project is on schedule with commissioning activities ramping up in the latter half of 2014 and full operations expected in early 2015.

In accordance with the terms of the Battle River PPA, in January 2014 ENMAX capacity ownership in this PPA was reduced, from 663 MW of capacity ownership to 368 MW, which represents our 100 per cent interest in the output of Battle River unit #5. Excluding any outages, ENMAX Energy produced or had exclusive access to 1,816 MW of electricity generation to supply customer demand during the three months ended March 31, 2014.

KEY BUSINESS STATISTICS

For the three months ended March 31

	2014	2013
Market heat rate – flat average (GJ/MWh)	11.53	21.16
Average wholesale market spark spread (\$/MWh) ⁽¹⁾	\$18.90	\$39.85
Average flat pool price (\$/MWh)	\$61.75	\$64.07
Average natural gas price (\$/GJ)	\$5.36	\$3.03
Generation volume (Gigawatt hours [GWh])	2,690	3,037
Electricity sold (GWh)	4,963	4,946
Natural gas sold (terajoules [TJ])	23,091	19,029

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

In the first quarter of 2014 versus the first quarter of 2013, ENMAX Energy experienced a decrease in the market heat rate, average wholesale market spread and average flat pool price from 2013 levels. The decreases are attributed to the impact on electricity prices of increased electricity supply in the market and the impact of increased natural gas prices arising from higher demand in 2014 due to colder weather.

ENMAX Energy sold 4,963 GWh of electricity to customers in the current quarter compared with 4,946 GWh in the same period of 2013. This increase is due primarily to an increase in commercial and residential fixed price contract volumes.

ENMAX Energy's natural gas customers purchased 23,091 TJ of natural gas in the first quarter of 2014, compared with 19,029 TJ in the same period in 2013. This increase in volumes is due primarily to the impact of cold weather and an increased number of customers.

FINANCIAL RESULTS

ENMAX Energy recorded EBIT of \$36.8 million for the three months ended March 31, 2014, compared with \$48.7 million in the same period in 2013.

EBIT FOR THE THREE MONTHS ENDED MARCH 31, 2014, COMPARED WITH THE SAME PERIOD IN 2013

(millions of dollars)

EBIT for the period ended March 31, 2013	48.7
Unusual item included in results:	
Keephills 1 outage 2013	10.4
Keephills 2 outage 2014	(17.4)
Decreased margins attributable to:	
Electricity, excluding Keephills outage	(5.6)
Natural gas	(0.1)
Contractual services and other revenues	(5.7)
Decreased (increased) expenses:	
OM&A	3.5
Foreign exchange	3.5
Amortization	(0.5)
EBIT for the three months ended March 31, 2014	36.8

The Keephills Unit 2 outage resulted in an unfavourable impact in the three months ended March 31, 2014, of \$17.4 million compared with the Keephills Unit 1 outage impact of \$10.4 million in first quarter of 2013. See page 3 of this report for further details.

Normalized electricity margins for the three months ended March 31, 2014, decreased \$5.6 million to \$98.0 million. The decreased margins in the first three months of 2014 were driven primarily by lower prices realized on sales. In addition, higher natural gas prices contributed to lower electricity margins as it increased the cost to run our natural gas-fired plants. This was partially offset by higher volumes on commercial and residential fixed price contracts.

Natural gas margins decreased \$0.1 million to \$13.8 million for the three months ended March 31, 2014, compared with \$13.9 million in the first quarter of 2013. This modest decrease in the three months ended March 31, 2014, is primarily due to increased cost to supply fixed price contracts.

Contractual services margin and other revenues decreased \$5.7 million in the three months ended March 31, 2014, to \$5.4 million compared to \$11.1 million in the same period in 2013. The decrease in margins was mainly due to the recognition of the recovery of costs associated with ENMAX's joint venture with CPLP in the three months ended March 31, 2013.

OM&A expenses decreased \$3.5 million for the three months ended March 31, 2014, to \$41.1 million, compared with \$44.6 million in same period in 2013. The decrease in OM&A for the three months ended March 31, 2014, was driven primarily by the higher operating and maintenance costs in the prior period related to the CEC planned outage. In addition, a decrease in advertising costs also contributed to lower OM&A versus the comparative prior period. These decreases were partially offset by an increase in expenses related to billing and collection costs.

For the three months ended March 31, 2014, a net foreign exchange gain of \$5.1 million was recognized compared to a gain of \$1.6 million in the same period in 2013. Foreign exchange gains are primarily a result of the realized and unrealized gains on equipment purchase and service agreements denominated in foreign currencies and associated hedges.

Amortization expense for the three months ended March 31, 2014, increased \$0.5 million compared to same period in 2013. The increased charge is the result of increased amortization over the prior year on specific assets and an increase in assets placed into service in the year ended December 31, 2013.

ENMAX POWER

ENMAX Power's highest priority is providing safe, reliable delivery of electricity to Calgarians.

ENMAX Power continues to invest in its electric transmission and distribution system infrastructure to meet Calgary's growing needs. This includes expansion of the distribution system, reinforcement of the transmission system and replacement of aging infrastructure in both systems. Distribution projects include investments in system infrastructure to accommodate residential, commercial and industrial growth, as well as the replacement and modification of existing assets required to meet industry safety and reliability standards. Transmission projects include capacity upgrades to existing substations, new substations and transmission lines to deliver reliable electricity to meet the growing demand within Calgary.

BUSINESS UPDATE

ENMAX Power filed the 2014–2015 Transmission General Tariff Application and 2014 Phase I Distribution Tariff Application with the Alberta Utilities Commission (AUC) on July 25, 2013. In this application, we are seeking approval of transmission revenue requirements of \$68.8 million and \$77.4 million for 2014 and 2015, respectively, and a distribution revenue requirement of \$315.0 million for 2014. An oral hearing is scheduled to occur in July 2014 with the AUC decision expected in the fourth quarter of 2014. A subsequent application is expected to be filed in 2014 that will contain our proposal for our new performance based rates for future years for our distribution business. Our transmission business is expected to move to a cost of service rate making model.

As a result of unanticipated accelerated growth in transmission capital expenditures and capital additions during the formula-based rates (FBR) period (2007–2013), the approved FBR formula for transmission operations did not provide a reasonable opportunity to earn our target return on equity (ROE). Using certain “re-opener” provisions approved by the AUC in Decision 2009-035, in 2012 ENMAX Power filed an application seeking approval to recover prior years’ earnings shortfalls. The AUC issued its decision on this application on April 15, 2014. The Commission accepted that the formula required adjustment but modified the proposal that we put forward. We are reviewing the decision and have estimated the recovery to be approximately \$13 million.

ENMAX Power is the regulated rate option (RRO) provider in our service area for eligible customers as defined in the RRO Regulation. There is an ongoing non-energy proceeding with the AUC which, when approved, will set the final monthly administration charge for the years 2012–2014. A decision on this proceeding is expected in the second quarter of 2014.

We are currently participating in an AUC-initiated generic proceeding for Alberta RRO providers regarding energy price setting plans (EPSPs). The current EPSPs expire June 30, 2014. An oral hearing is expected to be held in June 2014 with a decision rendered in the fourth quarter. The new plans approved by the AUC in this proceeding will set the methodology for calculating the monthly energy rates to be charged to RRO customers for the period after July 1, 2014.

We are also participating in an AUC-initiated generic cost of capital proceeding for all Alberta distribution and transmission utilities. The proceeding will determine the deemed capital structure and allowed ROE for 2013 and 2014. An oral hearing is scheduled for the end of May 2014 with a decision expected at the end of the third quarter.

ENMAX POWER CAPITAL ADDITIONS

(millions of dollars)

AESO required capital projects	18.7
Asset replacement & modification	8.2
Residential and non-residential development	7.9
System infrastructure	5.2
Information technology, facilities, and tools	3.4
Customer contributions	(7.4)
ENMAX Power capital additions for the three months ended March 31, 2014	36.0

During the three months ended March 31, 2014, we continued to execute our capital plans to meet the increasing need for electricity in Calgary while continuing to offer the same level of reliable service.

KEY BUSINESS STATISTICS

For the three months ended March 31

	2014	2013
Electricity sold through the RRO (GWh)	444	467
Distribution volumes (GWh)	2,463	2,416
Local access fees collected on behalf of The City (\$ millions)	35.7	31.2
SAIDI ⁽¹⁾	0.08	0.13
SAIFI ⁽²⁾	0.16	0.19

(1) 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.

(2) 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.

ENMAX Power's regulatory return is determined using a deemed 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. ENMAX Power's target ROE as determined by the AUC is 8.75 per cent, and this level of return may either be exceeded or not met based on actual performance by ENMAX Power.

RRO electricity volumes sold decreased to 444 GWh in the three months ended March 31, 2014, compared with 467 GWh in the prior period in 2013. Slightly lower demand was seen as a result of a small decrease in customers on the RRO option.

Total electricity delivered in the Calgary service area for the three months ended March 31, 2014, was slightly higher than prior periods. Electricity volumes of 2,463 GWh were delivered during the three months ended March 31, 2014, compared to 2,416 GWh in the same period of 2013. This modest increase was primarily due to an increase in per site 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 competitive power services business. The regulated segment accounted for 90 per cent of ENMAX Power's total revenue in the three months ended March 31, 2014, compared with 88 per cent in the same period in 2013.

ENMAX Power recorded EBIT of \$20.3 million for the three months ended March 31, 2014, compared with \$15.7 million in the same period in 2013.

EBIT FOR THE THREE MONTHS ENDED MARCH 31, 2014, COMPARED WITH THE SAME PERIOD IN 2013

(millions of dollars)

EBIT for the three months ended March 31, 2013	15.7
Increased (decreased) margins attributable to:	
Electricity	(0.1)
Transmission and distribution	13.0
Contractual services and other	(0.9)
Increased expenses:	
OM&A	(6.6)
Foreign exchange	(0.1)
Amortization	(0.7)
EBIT for the three months ended March 31, 2014	20.3

Electricity margins from RRO customers decreased \$0.1 million to \$5.8 million for the three months ended March 31, 2014, compared with \$5.9 million in the same period in 2013. This decreased margin was primarily the result of higher electricity costs and a decrease in sales volumes as more customers took advantage of competitive offers.

Transmission and distribution margins consist of amounts charged for wire services net of electrical grid charges and local access fees. Transmission and distribution margins increased \$13.0 million to \$64.9 million for the three months ended March 31, 2014, compared with \$51.9 million in the same period in 2013. The increased margin in the three months ended March 31, 2014, is due primarily to an increase in approved rates. In July 2013 ENMAX submitted a cost of service (COS) filing seeking an increase in the distribution tariff for 2014 and transmission tariff for 2014 and 2015. On October 15, 2013, the AUC approved an interim rate adjustment, representing 60 per cent of the applied rate increase in the COS filing. AUC's final decision on the rate increase, submitted in the July 2013 COS filing, is anticipated in the fourth quarter of 2014.

For the three months ended March 31, 2014, margins for contractual services and other revenues decreased \$0.9 million to \$5.7 million compared with \$6.6 million during the same period last year. The decrease in margins for the three months ended March 31, 2014, was mainly due to a decrease in activity for Light Rail Transit (LRT) related projects as compared to the comparative prior period. LRT expansion projects for Saddleridge and the West LRT were completed in 2013. A decrease in underground residential lot and residential streetlight construction over the prior comparative period also contributed to the decrease in margins.

OM&A expenses for the three months ended March 31, 2014, totalled \$42.5 million, compared with \$35.9 million in the same period in 2013, a \$6.6 million increase. The increase in OM&A costs for the three months ended March 31, 2014, was driven primarily by higher staff costs as a result of annual staff compensation adjustments and additional employees to support increased activity driven primarily by growth in Calgary.

Amortization for the three months ended March 31, 2014, totaled \$13.5 million compared with \$12.8 million in the same period in 2013. The \$0.7 million increase was the net result of amortization related to new assets put into service and was partially offset by a decrease in the asset base from older assets concluding their depreciable lives.

CORPORATE AND INTERSEGMENT ELIMINATIONS

ENMAX Corporate provides billing and customer care services, shared services and financing to ENMAX Power and ENMAX Energy. During the three months ended March 31, 2014, EBIT for ENMAX Corporate increased slightly to \$1.3 million, as compared with \$0.6 million in the same period in 2013.

SELECTED QUARTERLY FINANCIAL DATA

(millions of dollars)	2014		2013		2012			
	First	Fourth	Third	Second ⁽²⁾	First	Fourth	Third	Second
Total revenue	1,002.5	897.1	803.7	872.4	843.4	882.9	810.0	671.3
Operating margin ⁽¹⁾	177.2	232.5	150.0	128.8	180.6	208.0	151.5	180.6
EBIT ⁽¹⁾	58.4	102.7	30.1	6.7	65.0	77.4	41.7	67.7
Net earnings	28.9	88.3	20.7	185.2	58.3	63.9	45.4	53.1

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

(2) The sale of Envision occurred in the second quarter of 2013; gain of \$175.9 million recorded in the quarter.

Many variables must be considered regarding the seasonality of revenues, operating margin, EBIT and net earnings. In the first quarter of 2014, revenues increased as a result of higher natural gas sales due to increased demand and prices. The decreased net earnings reflect the \$20.7 million of settlement costs associated with the termination of interest rate swaps. Overall, the bulk of the 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 significantly seasonal in nature. While customers can have seasonal requirements, the seasonal requirements of one customer base can be offset by another, resulting in relatively flat demand over the course of a year. Overall volumes are predominantly cyclical on a 24-hour period; however, residential volumes sold and distributed peak in the winter, with a higher demand for heat, resulting in higher revenues during winter months. Volume requirements of commercial customers peak in the summer, with higher demand for air conditioning. This is 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. Unusual items and events may have an impact on seasonal expectations.

Natural gas volumes and prices are correlated seasonally as a result of weather patterns. Natural gas consumption and prices will increase with extreme weather typically seen in the winter. As well, natural gas prices can rise in extreme hot weather in the summer as peak electricity demand results in increased gas-fired generation. Revenue levels tend to decline in the fall and spring due to unfavourable trends in natural gas prices and volumes during those parts of the calendar year.

The presentation of our revenues, margins and OM&A both in the current period and comparative periods have been adjusted to include billing recoveries related to electricity, natural gas and penalty revenues that were previously netted against OM&A expense. To illustrate the impact of reclassification for the three-month period ended March 31, 2013, the reclassification adjustment resulted in an increase in electricity revenue of \$8.6 million, natural gas revenue of \$2.0 million, other revenue of \$2.7 million, electricity costs of \$0.1 million and OM&A of \$13.0 million. This presentation change does not impact net earnings. The change in presentation has been applied to the comparative periods presented.

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

Three months ended March 31

(millions of dollars)

	2014	2013
Electricity margins	103.6	109.2
Natural gas margins	13.3	13.6
Transmission and distribution margins	64.9	51.9
Contractual services margins ⁽¹⁾ and other revenue	12.8	16.3
Operating margin (non-GAAP financial measure), excluding unusual items	194.6	191.0
Deduct unusual item: Outage at Keephills Unit 1	-	10.4
Deduct unusual item: Outage at Keephills Unit 2	17.4	-
Deduct: OM&A, foreign exchange, amortization, interest and income taxes	141.3	125.5
Net earnings from continuing operations (GAAP financial measure)	35.9	55.1

⁽¹⁾ Contractual services margins include earnings from distributed generation; meter reading and data management services for non-Calgary municipalities; water meter reading; pole and duct rentals; service locates; streetlight repairs; LRT monitoring; mapping record management; engineering, procurement, construction and maintenance services; utility trenching; construction and maintenance of LRT systems; self-retailing services; and billing services.

Operating margin is a useful measure of business performance, as changes in the market price of electricity and natural gas purchased for resale affect revenue and cost of sales equally. ENMAX Energy's strategy links the cost of supply to longer-term demand contracts, which results in relatively stable margins even during times of volatile wholesale prices and revenue levels. Therefore, operating margins better reflect profitability than revenue levels alone.

EBITDA

Three months ended March 31

(millions of dollars)

	2014	2013
Adjusted EBITDA (non-GAAP financial measure)	100.2	109.7
Deduct: EBITDA from discontinued operations	-	4.5
Standardized EBITDA (non-GAAP financial measure)	100.2	105.2
Deduct:		
Amortization	41.8	40.2
Interest	27.7	6.8
Income taxes (recovery) expense	(5.2)	3.1
Net earnings from continuing operations (GAAP financial measure)	35.9	55.1

EBITDA is a useful measure of business performance, as it provides an indication of the cash flow results generated by 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

Three months ended March 31
(millions of dollars)

	2014	2013
EBIT (non-GAAP financial measure)	58.4	65.0
Deduct:		
Interest	27.7	6.8
Income tax (recovery) expense	(5.2)	3.1
Net earnings from continuing operations (GAAP financial measure)	35.9	55.1

EBIT is a useful measure of business performance, as it provides an indication of the operating results generated by 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

Three months ended March 31
(millions of dollars)

	2014	2013
Funds generated from operations (non-GAAP financial measure)	98.0	96.5
Changes in non-cash working capital	(34.1)	(9.6)
Employee future benefits	0.3	1.9
Cash flow from continuing operations	64.2	88.8
Cash flow from assets held for sale	-	(11.8)
Cash provided by operating activities (GAAP financial measure)	64.2	77.0

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

TOTAL INTEREST COST

Three months ended March 31
(millions of dollars)

	2014	2013
Total interest cost (non-GAAP financial measure)	18.0	21.1
Capitalized interest	(11.9)	(15.0)
Other non-interest financing costs	0.9	1.1
Interest expense, excluding swaps settlement	7.0	7.2
Interest rate swaps settlement and ineffectiveness	20.7	(0.4)
Interest expense (GAAP financial measure)	27.7	6.8

Total interest cost is used in determining interest coverage ratios.

FINANCIAL CONDITION

SIGNIFICANT CHANGES IN THE CORPORATION'S FINANCIAL CONDITION

<i>(millions of dollars, except % change)</i>	March 31, 2014	December 31, 2013	\$ Change	% Change	Explanation for Change
ASSETS					
Cash and cash equivalents	40.6	80.6	(40.0)	(50%)	Refer to Liquidity and Capital Resources section.
Accounts receivables	704.6	665.5	39.1	6%	Increase due to timing of receipts and increased volumes, offset by collection of AUC decision rates.
Property, plant and equipment	3,071.2	3,022.6	48.6	2%	Capital expenditures, net of retirements, dispositions and amortization.
PPAs	356.3	369.5	(13.2)	(4%)	Amortization of PPAs.
LIABILITIES AND SHAREHOLDER'S EQUITY					
Short-term debt	240.9	-	240.9	100%	Refer to Liquidity and Capital Resources section.
Accounts payable and accrued liabilities	418.7	436.8	(18.1)	(4%)	Decrease driven by lower capital accruals and timing of payments.
Other assets/liabilities ^{(1) (2)}	(4.3)	13.9	18.2	131%	Change in fair value of hedging instruments.
Long-term debt ⁽²⁾	1,231.5	1439.0	(207.5)	(14%)	Repayment of \$200.6 million of non-recourse term financing in March 2014.

⁽¹⁾ Net asset and liability positions.

⁽²⁾ Includes current and long-term amounts.

LIQUIDITY AND CAPITAL RESOURCES

SHARE CAPITAL

<i>As at March 31, 2014 and 2013</i> <i>(millions of dollars, except share amounts)</i>	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

<i>As at</i> <i>(millions of dollars)</i>	March 31, 2014	December 31, 2013
Long-term debt ⁽¹⁾	1,231.5	1,439.0
Shareholder's equity		
Share capital	280.1	280.1
Retained earnings	2,162.3	2,186.4
Accumulated other comprehensive income (loss)	13.1	(6.3)
Total shareholder's equity	2,455.5	2,460.2
Total capitalization (long-term debt plus shareholder's equity)	3,687.0	3,899.2

⁽¹⁾ Includes the current portion of long-term debt of \$54.4 million (December 31, 2013—\$63.7 million). Maturity dates range from June 2014 to June 2038.

TOTAL LIQUIDITY AND CAPITAL RESERVES

<i>As at</i> <i>(millions of dollars)</i>	March 31, 2014	December 31, 2013
Committed and available bank credit facilities	1,150.0	1,150.0
Letters of credit issued:		
Power pool purchases	178.2	85.2
Energy trading	29.5	34.5
Regulatory commitments	114.8	105.9
Asset commitments	3.2	3.1
PPAs	56.6	75.2
	382.3	303.9
Commercial paper and overdraft	240.9	-
Remaining available bank facilities	526.8	846.1
Cash on hand	40.6	80.6
Total liquidity and capital reserves	567.4	926.7

The increase in letters of credit issued with respect to power pool purchases reflects the impact of the Keephills Unit 2 outage in the three months ended March 31, 2014. The decrease in total liquidity and capital reserves during for the three months ended March 31, 2014, is attributed primarily to the increase in commercial paper and overdraft loans, which were required to finance the repayment of the non-recourse term financing owed by CEC and power pool purchases.

LONG-TERM DEBT

As at (millions of dollars)	March 31, 2014	December 31, 2013
Long-term debt ⁽¹⁾ consisting of:		
ACFA debentures, with remaining terms of:		
Less than 5 years	58.9	34.0
5–10 years	90.7	122.4
11–15 years	14.4	14.4
16–20 years	187.1	187.1
21–25 years	557.6	557.6
Private debentures		
Series 1, remaining term of 5 years, bullet maturity on June 19, 2018	298.2	298.2
Non-recourse Kettles term financing (2013 amount includes CEC), with remaining term of 2.5 years	19.9	220.5
Promissory note, remaining term of 13.3 years	4.7	4.8
	1,231.5	1,439.0

(1) Includes current portion of long-term debt of \$54.4 million (December 31, 2013—\$63.7 million). Maturity dates range from June 2014 to June 2038.

CONTRACTUAL OBLIGATIONS THAT MAY IMPACT THE CORPORATION'S FINANCIAL CONDITION

As at March 31, 2014 (millions of dollars)	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Total debt ⁽¹⁾	1,231.5	54.4	122.0	392.7	662.4
Operating leases	50.6	7.6	12.1	8.7	22.2
Purchase obligations ⁽²⁾	123.8	85.3	18.0	10.0	10.5
Asset retirement obligations	15.4	-	-	-	15.4
Other long-term obligations ⁽³⁾	25.0	-	12.2	4.9	7.9
Total contractual obligations	1,446.3	147.3	164.3	414.0	718.4

(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	March 31, 2014	December 31, 2013
As at		
Long-term debt to total capitalization ⁽¹⁾	33.4%	35.3%
Debt to EBITDA ⁽²⁾	2.3X	2.6X
EBITDA to total interest ⁽³⁾	6.2X	6.1X

(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 were netted against the debt, the ratio as at March 31, 2014, would be 32.3 per cent (December 31, 2013—33.3 per cent).

(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 were netted against the debt, the ratio as at March 31, 2014, would be 2.2X (December 31, 2013—2.5X; 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 business is funded with a view to maintaining a conservative capital structure in line with our strategy of maintaining a stable, investment grade credit rating. We have 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 five times or better. Very low electricity prices, asset outages, and high capital expenditures associated with significant construction projects or other factors could result in targets not being reached for short periods of time. Targets are managed using a long-term view and are 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 covenant in our credit facilities is debt to capitalization. As at March 31, 2014, we are in compliance with all of the financial maintenance covenants in our debt agreements.

CASH PROVIDED BY OPERATING ACTIVITIES

Funds generated from operations for the three months ended March 31, 2014, were \$98.0 million, compared with \$96.5 million in the same period in 2013. The increased funds generated period-over-period were primarily due to positive change in unrealized market value of financial contracts due to settlement of interest rate swaps being realized offset by lower cash generating earnings.

Cash provided by operating activities for the three months ended March 31, 2014, was \$64.2 million compared to \$77.0 million in same period in 2013. The decrease was driven by the increase of accounts receivable from December 31, 2013 (which was high due to timing of payments) and lower cash generating earnings in first quarter of 2014.

INVESTING ACTIVITIES

Capital spending was \$76.5 million in the three months ended March 31, 2014, compared to \$111.8 million in the same period in 2013, which included \$16.7 million of spending in assets held for sale. Capital projects for the three months ended March 31, 2014, included \$37.4 million related to investment in the transmission and distribution network in Calgary and surrounding area; \$35.4 million in construction costs related to Calgary area generation projects; and \$3.7 million related to other capital additions, including information technology development.

ENMAX realized \$261.9 million of net proceeds from the disposal of 25 per cent of the Shepard project in the three months ended March 31, 2013.

Continued investment in information technology will allow ENMAX to comply with regulations and effectively operate the business, in line with the Corporation's strategy to maintain the reliability and cost effectiveness of its technology infrastructure while meeting the challenges of obsolescence and growth.

FINANCING ACTIVITIES

On March 17, 2014, ENMAX repaid \$200.6 million of non-recourse term financing and \$35.6 million of a fixed-for-floating interest rate swap related to CEC prior to maturity on September 2026, with an issuance of commercial paper. In addition, we settled back-to-back swaps that were initially executed as a hedging relationship in relation to the fixed-for-floating swap. The settlement of the back-to-back swaps was \$0.4 million. Settlement costs of \$20.7 million associated with the termination of the interest rate swaps were recorded as interest expense.

We made regularly scheduled long-term debt principal payments of \$6.7 million during the three months ended March 31, 2014, compared with \$8.7 million in the same period in 2013.

At March 31, 2014, cash and cash equivalents amounted to \$40.6 million compared with \$44.4 million at March 31, 2013. At March 31, 2014, \$240.9 million in commercial paper was outstanding, compared with no commercial paper outstanding at March 31, 2013, and there were no overdrafts on bank accounts, compared with \$26.4 million at March 31, 2013.

On March 5, 2014, a dividend of \$60.0 million was declared payable to The City in quarterly installments throughout 2014.

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 allows entities that have activities subject to rate regulation to delay adoption of IFRS until January 1, 2015. As such, ENMAX will be required to adopt IFRS in reporting interim and annual consolidated financial statements, including comparative periods, beginning January 1, 2015. Even though IFRS uses a conceptual framework similar to GAAP, there will be differences in accounting policies.

With the initial decision to adopt IFRS in Canada, we executed on a conversion plan for the Corporation and have since maintained a state of readiness. Certain updates and activities will be required to prepare for the final adoption of IFRS in 2015.

AREA	DESCRIPTION OF CHANGE	STATUS AND SIGNIFICANT IMPACTS
Standards Update	A number of new standards and amendments to standards have been issued since we last prepared our transition plan.	These standards are being evaluated for their applicability and impact. We continue to monitor IASB activities and develop reporting requirements to meet new standards.
Opening Balance Sheet	Our opening balance sheet date is January 1, 2014.	Adjustments identified previously are being updated with current information.
Rate Regulated Activities	On January 30, 2014, the IASB issued the interim standard IFRS 14 Regulatory Deferral Accounts to address accounting for effects of rate regulation under IFRS.	This standard is being evaluated.
Systems	The original system solution is no longer valid given our move to a new project costing and fixed asset system on January 1, 2014.	The requirements of IFRS were built into the new project costing and fixed asset system. Testing and evaluation of this system, for use in IFRS reporting, is underway.
Internal Control over Financial Reporting (ICFR) and Disclosure Controls	Changes to our control environment cannot be finalized until IFRS standards and Corporation policies are finalized.	We continue to evaluate the impacts of IFRS changes on disclosure controls and ICFR. Open discussions continue with our external auditor about possible outcomes of the new standards.
Financial Reporting Expertise	Internal resources are being utilized for conversion efforts.	Conversion status is provided to the Audit, Finance and Risk Committee on a quarterly basis. Training efforts are being reintroduced.

CRITICAL ACCOUNTING ESTIMATES

Since a determination of the value of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of our 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 and research. Adjustments to previous estimates that impact net income are recorded in the period they become known.

Our Company'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 our financial position or results of operations. These critical estimates are described in our 2013 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

Our approach to risk management addresses risk exposures across all of the Corporation's business activities and risk types. We utilize an enterprise risk management (ERM) program to identify, analyze, evaluate, treat and communicate the Corporation's risk exposures in a manner consistent with our business objectives and risk tolerance.

Risk exposures are managed within levels approved by the Board and senior management and are monitored by personnel in the business units, the risk management department and the senior management team. At a management level, each accountability area is responsible for assessing its risk exposures and implementing risk mitigation plans. Our risk management department coordinates an enterprise risk assessment process and provides risk reporting and related monitoring. Risk oversight is delivered through the Board and the Risk Management Committee (RMC), which consists of senior management members. Together, the RMC and Board oversee identified risk exposures and risk management programs, including the ERM program. For further information on risks, refer to the Risk Management and Uncertainties section of the MD&A contained in our 2013 Financial Report.

FINANCIAL INSTRUMENTS

In conducting our operations, we use various instruments including forwards, futures, swaps and options to reduce our market risks.

ENERGY TRADING DERIVATIVES

Energy trading derivatives are contracts-for-differences that are financial forwards and futures for electricity and gas positions. This does not include electricity and gas contracts that are not considered to be accounting derivatives (normal purchase and sale contracts). The fair value of ENMAX Energy's contracts-for-differences is determined by estimating the amounts that would have to be received or paid to counterparties to terminate the contracts at March 31, 2014, and December 31, 2013.

OUTSTANDING CONTRACTS-FOR-DIFFERENCES	March 31,	December 31,
<i>As at</i>	2014	2013
Notional quantities:		
Electricity sales (GWh)	3,619	3,958
Natural gas sales (TJ)	1,552	670
Electricity purchases (GWh)	5,093	6,185
Natural gas purchases (TJ)	33,304	19,615

At March 31, 2014, 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 \$7.6 million as compared to negative mark-to-market adjustment of \$3.2 million as at December 31, 2013. This amount does not reflect the fact that these contracts will settle at prices in effect in the future.

Refer to Note 2 in the Notes to the Consolidated Financial Statements for further information on financial instruments.

ASSET RETIREMENT OBLIGATIONS

At March 31, 2014, asset retirement obligations exist relating to the following generating assets: McBride, Taber, Kettles, Crossfield and CEC. The accretion expense on these assets is included in OM&A in the Consolidated Statements of Earnings and Comprehensive Income.

EXPECTED REMEDIATION LIABILITY AND TIMING FOR EACH ASSET

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

TRANSACTIONS WITH RELATED PARTIES

Our related-party transactions comprise both revenues from and expenditures to The City of Calgary (The City). The City is the sole shareholder of ENMAX. Total revenues received from The City for the three months ended March 31, 2014, were \$40.6 million (2013—\$37.8 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. We have committed to a water supply agreement with The City, to commence upon completion of Shepard, whereby The City will supply a specified amount of water annually to facilitate Shepard operations. As at March 31, 2014, amounts owing to us from The City for services provided were \$36.5 million (December 31, 2013—\$31.2 million).

Total expenditures for goods and services provided by The City for the three months ended March 31, 2014, were \$37.0 million (2013—\$34.0 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 directly to transmission and distribution customers.

Transactions between ENMAX and The City have been recorded at the exchange amounts. Exchange amounts are the amounts outlined by the contracts in effect between us and The City. 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 likely the same as would be used for a third-party arm's-length transaction.

We borrow from The City through arrangements with the Alberta Capital Finance Authority to fund ongoing investment only relating to the regulated transmission and distribution network in Calgary and the surrounding area. The total amount of debt owed to The City was \$908.7 million at March 31, 2014 (December 31, 2013—\$915.5 million). Interest paid on this debt for the three months ended March 31, 2014, was \$2.5 million (2013—\$2.8 million). We are required to reimburse The City for all principal and interest payments with respect to this debt on the same days as The City disburses the payments to the debt holders. In addition, we are required to pay a loan guarantee and administration fee to The City of 0.25 per cent on the average monthly outstanding debenture balance held by The City on behalf of ENMAX. The administration fee paid for the three months ended March 31, 2014, was \$0.6 million (2013—\$0.5 million).

Additional details on our transactions with The City can be found in Note 16 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 2014 are based on certain assumptions about factors that are outside of the control of the Corporation or management. 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 market price outlook for electricity in 2014 is expected to be lower than 2013 with a return to more historical plant outages across the Alberta fleet of generation assets and an increase in supply to the Alberta market. Sources of increased supply include TransAlta's coal fired plants Sundance 1 & 2 (560 MW) which returned to service in 2013 and a southern Alberta wind farm going online in mid 2014 (300 MW). Further, Shepard (800 MW) will start testing (commissioning) activities in late 2014 with full commercial operations expected in 2015. We have experienced higher natural gas prices thus far in 2014, and we expect them to remain at levels higher than 2013. Spark spreads are expected to be lower due to higher natural gas prices and lower electricity prices. The expected financial results for 2014 will reflect the impact of the expiration of capacity ownership of the Battle River units 3 and 4 under the PPA, which is partially offset by the lower impact of unplanned outages and replacement power purchases. Market share in commercial and residential markets is expected to remain constant. The volume contracted in each customer segment will be a function of availability for contracting and profitability, including alignment with the supply portfolio.

On April 15, 2014, ENMAX received a decision from the AUC with respect to an application seeking approval to recover earnings on higher transmission capital expenditures that were necessary to support the needs of The City of Calgary. We estimate the impact of this decision to be approximately \$13 million, which will be recorded as revenue in 2014. We are awaiting further decisions in 2014, which will have an impact on our earnings from the regulated business.

Management has set significant targets for margin improvement and continuously reviews operations for cost control opportunities across the Corporation. While aggressive, we have plans to achieve these improvements and are committed to meeting these targets. Overall, profitability in 2014 is expected to be close to 2013 profitability from continuing operations (before the 2013 gain on sale).

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEETS

AS AT (millions of dollars)	March 31, 2014 (unaudited)	December 31, 2013
ASSETS		
Cash and cash equivalents	\$ 40.6	\$ 80.6
Accounts receivable (Notes 2 and 4)	704.6	665.5
Income taxes receivable	97.8	96.9
Future income tax asset	6.5	8.7
Other current assets (Notes 2 and 5)	54.2	42.6
	903.7	894.3
Property, plant and equipment (Note 6)	3,071.2	3,022.6
Power purchase arrangements	356.3	369.5
Intangible assets	123.8	124.3
Goodwill	16.0	16.0
Employee future benefits (Note 7)	22.7	22.8
Future income tax asset	54.6	59.0
Other long-term assets (Notes 2 and 5)	36.2	57.0
TOTAL ASSETS	\$ 4,584.5	\$ 4,565.5
LIABILITIES		
Short-term debt (Note 8)	\$ 240.9	\$ -
Accounts payable and accrued liabilities (Notes 2 and 4)	418.7	436.8
Dividend payable	45.0	-
Future income tax liability	-	0.5
Current portion of long-term debt (Note 2)	54.4	63.7
Other current liabilities (Notes 2 and 5)	56.2	52.8
	815.2	553.8
Long-term debt (Notes 2 and 3)	1,177.1	1,375.3
Future income tax liability	91.4	100.1
Other long-term liabilities (Notes 2 and 5)	29.9	60.7
Asset retirement obligations	15.4	15.4
	2,129.0	2,105.3
SHAREHOLDER'S EQUITY		
Share capital	280.1	280.1
Retained earnings	2,162.3	2,186.4
Accumulated other comprehensive income (loss) (Note 9)	13.1	(6.3)
	2,455.5	2,460.2
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 4,584.5	\$ 4,565.5
Commitments and contingencies (Note 10)		
See accompanying Notes to Consolidated Financial Statements		

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

THREE MONTHS ENDED MARCH 31

(unaudited)

(millions of dollars)

	2014	2013
		(Note 11)
REVENUE (Note 12)		
Electricity	\$ 617.6	\$ 567.5
Natural gas	230.9	137.2
Transmission and distribution	92.0	76.8
Local access fees	35.7	31.2
Contractual services	21.5	20.3
Other	4.8	10.4
TOTAL REVENUE	1,002.5	843.4
COST OF SERVICES PROVIDED (Note 12)		
Electricity	531.4	468.7
Natural gas	217.6	123.6
Transmission and distribution	27.1	24.9
Local access fees	35.7	31.2
Contractual services	13.5	14.4
Operations, maintenance and administration	81.9	77.0
Foreign exchange gain	(4.9)	(1.6)
TOTAL COST OF SERVICES PROVIDED	902.3	738.2
EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAXES	100.2	105.2
Amortization	41.8	40.2
Interest (Note 3)	27.7	6.8
Current income tax expense	0.9	0.7
Future income tax (recovery) expense	(6.1)	2.4
NET EARNINGS FROM CONTINUING OPERATIONS	35.9	55.1
Net earnings from discontinued operations, net of tax	-	3.2
NET EARNINGS	35.9	58.3
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Unrealized gains on derivatives designated as cash flow hedges, includes future income tax expense of \$4.6 (2013—\$0.6 tax expense)	27.7	1.8
Realized (gains) losses on derivatives designated as cash flow hedges in prior periods transferred to net earnings in current year, includes future income tax expense of \$1.4 (2013—\$0.1 tax benefit)	(8.3)	3.0
Other comprehensive income, net of tax	19.4	4.8
COMPREHENSIVE INCOME	\$ 55.3	\$ 63.1

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

<i>(unaudited)</i> <i>(millions of dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
BALANCE, JANUARY 1, 2013	\$ 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
Comprehensive income for the remainder of 2013	–	294.2	8.5	302.7
BALANCE, DECEMBER 31, 2013	\$ 280.1	\$ 2,186.4	\$ (6.3)	\$ 2,460.2
Net earnings	–	35.9	–	35.9
Dividends	–	(60.0)	–	(60.0)
Other comprehensive income including future tax expense of \$3.2	–	–	19.4	19.4
BALANCE, MARCH 31, 2014	\$ 280.1	\$ 2,162.3	\$ 13.1	\$ 2,455.5

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31

(unaudited)

(millions of dollars)

	2014	2013
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES (Note 11)		
Net earnings	\$ 35.9	\$ 58.3
Net earnings from discontinued operations	-	(3.2)
Items not involving cash (Note 13)	62.1	41.4
	98.0	96.5
Change in non-cash working capital (Note 14)	(34.1)	(9.6)
Employee future benefits	0.3	1.9
Cash flow from continuing operating activities	64.2	88.8
Cash flow from discontinued operations	-	(11.8)
	64.2	77.0
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(100.2)	(169.6)
Net proceeds from disposal of assets held for sale	-	261.9
Other assets	12.1	(0.9)
Contributions in aid of construction	2.8	3.0
Cash flow from continuing investing activities	(85.3)	94.4
Cash flow from discontinued operations	-	(6.9)
	(85.3)	87.5
FINANCING ACTIVITIES		
Repayment of short-term debt	(159.9)	(1,267.6)
Proceeds of short-term debt	400.8	1,127.9
Repayment of long-term debt and interest rate swaps (Note 3)	(243.4)	(8.7)
Dividend paid	(15.0)	(16.9)
Other long-term liabilities	(1.4)	(0.3)
	(18.9)	(165.6)
Decrease in cash and cash equivalents	(40.0)	(1.1)
Cash and cash equivalents, beginning of period	80.6	45.5
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 40.6	\$ 44.4
Supplementary information:		
Interest paid	\$ 6.2	\$ 7.3
Income taxes paid	1.6	3.8
Cash and cash equivalents consist of:		
Cash	\$ 39.9	\$ 39.6
Short-term investments	0.7	4.8

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, 2013.

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 2013 Financial Report. Amounts are stated in millions of Canadian dollars, except as otherwise noted.

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

2. 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 for comparative periods. Interest rate swaps were settled on March 17, 2014. 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 (OCI).
- Changes in the fair value of derivative instruments that are not designated as hedges, that are fair value hedges or that are ineffective cash flow hedges are recorded in earnings.

- Foreign currency balances, principal and notional amounts are based on amounts as at March 31, 2014 and 2013.
- Interest rate sensitivities are based on Canadian Dealer Offered Rate.
- Sensitivities are exclusive of any potential income tax impacts.

SENSITIVITIES OF MARKET RISKS

As at March 31

(millions of dollars)

	2014		2013	
	Earnings	OCI	Earnings	OCI
Interest rates increase 100 basis points (1% pure rate change)	–	–	+ 0.5	+ 13.2
Canadian dollar strengthens compared with the U.S. dollar by 10%	-13.0	+0.6	- 8.2	+ 1.0
Forward price of natural gas increases by 10%	+0.5	+13.3	-0.1	+6.0
Forward price of electricity increases by 10%	–	+9.9	–	+12.1

(1) 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 or taxes. These sensitivities are not necessarily indicative of actual future results.

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 significant 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 one per cent increase (decrease) in interest rates as at March 31, 2014, would have an effect on fair value of fixed interest rate debt of \$93.1 million increase (decrease) (2013—\$95.8 million).

Changes in the value of the Canadian dollar relative to the U.S. dollar could impact the Canadian dollar cost of natural gas, which affects the input cost of the Corporation's natural-gas-fired generation capacity, as well as the cost to the Corporation of offering fixed price gas contracts to its customers. The foreign exchange impact on these gas purchases is offset, when possible, by foreign exchange contracts. Foreign exchange exposure resulting from procurement contracts has also been mitigated by foreign exchange contracts.

CREDIT RISK

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

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

FINANCIAL ASSETS

<i>As at</i> <i>(millions of dollars)</i>	March 31, 2014	December 31, 2013
Cash and cash equivalents (Note a)	40.6	80.6
Accounts receivable (Note b)	704.6	665.5
Other current assets (Note c)	54.2	42.6
Other long-term assets (Note c)	36.2	57.0

(a) Cash and Cash Equivalents

Credit risk associated with cash and cash equivalents is minimized substantially by ensuring 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.

(b) 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 that serve residential, commercial and industrial customers. The risk represents the loss that may be incurred due to the non-payment of a customer's accounts receivable balance, as well as the loss that may be incurred from the resale of energy previously allocated to serve the customer.

Charges to earnings as a result of credit losses for the Corporation during the three-month period ended March 31, 2014, totalled \$3.2 million (2013—\$2.0 million). Management monitors credit risk exposure and has implemented measures to mitigate 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

<i>As at</i> <i>(millions of dollars)</i>	March 31, 2014	December 31, 2013
1-30 days past due	17.5	36.1
31-60 days past due	4.1	3.4
61 days or more past due	29.9	10.0
Total past due	51.5	49.5

CHANGES IN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS

<i>As at</i> <i>(millions of dollars)</i>	March 31, 2014	December 31, 2013
Provision at the beginning of the period	7.8	6.7
Increase to allowance	3.2	6.8
Recoveries and write-offs	(2.0)	(5.7)
Provision at end of the period	9.0	7.8

The remainder of the accounts receivable balance outstanding at March 31, 2014, consists of unbilled revenue accruals. No provision has been recorded due to the minimal credit risk at the consolidated balance sheet date.

(c) 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 that 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

<i>As at</i> <i>(millions of dollars)</i>	March 31, 2014	December 31, 2013
2014	825.2	581.2
2015	107.0	123.0
2016	118.6	136.4
2017	95.9	115.2
2018	384.8	405.8
Thereafter	919.2	1,124.2

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

CONTRACTUAL MATURITIES OF DERIVATIVE FINANCIAL LIABILITIES

As at (millions of dollars)	March 31, 2014	December 31, 2013
2014	26.9	29.0
2015	11.1	21.5
2016	2.2	9.6
2017	1.9	6.4
2018	1.7	4.4
Thereafter	3.5	6.0

As at March 31, 2014, the Corporation is in compliance with all financial covenants related to debt.

DERIVATIVE ASSETS AND LIABILITIES

Financial derivative instruments are recorded on the consolidated balance sheet at fair value. As at March 31, 2014, the mark-to-market adjustment based on the fair value of these hedge contracts resulted in unrealized gains or losses on derivative instruments, which are included in the consolidated balance sheets as per the table below:

As at (millions of dollars)	March 31, 2014		December 31, 2013	
	Hedge Instruments	Non-Hedge Derivatives	Hedge Instruments	Non-Hedge Derivatives
Assets				
Current	38.0	3.1	19.7	9.9
Non-current	16.3	1.4	18.3	8.1
Liabilities				
Current	24.0	5.1	19.6	9.4
Non-current	12.2	6.0	22.8	25.1

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 OCI and recognized in net earnings during the periods when the variability in cash flows of the hedged item is realized. In the first quarter of 2014, there was no impact (2013—nil) recognized in earnings as a reflection of the ineffectiveness of the relevant hedges. Gains and losses on cash flow hedges are reclassified immediately to net earnings when the hedged item is sold or terminated early, or when a hedged anticipated transaction is no longer likely to occur. During the three months ended March 31, 2014, there was an \$11.2 million impact to earnings (2013—nil) related to hedges that no longer qualified for hedge accounting. The interest rate swap hedge was terminated upon repayment of the non-recourse term financing.

Foreign exchange exposures on the Corporation's futures margin trading account are managed through economic hedges. For these hedges, the change in the fair value of the hedging derivative and the hedged items are recognized directly in net earnings. In the first quarter of 2014, there was no impact (2013—nil) recognized.

The Corporation estimates that, of the \$13.1 million of gains reported in accumulated OCI as at March 31, 2014, gains of \$14.0 million are expected to be realized within the next 12 months, which will be offset by long-term losses at market prices in effect at the time of settlement.

Non-hedge derivatives are classified as held for trading and recognized at fair market value with changes in fair market value being recorded through earnings. In the three months ended March 31, 2014, there were gains of \$9.9 million (2013—\$1.2 million gain) recorded in net earnings.

FAIR VALUE

Level Determination and Classifications

The Level I, II and III classifications in the fair value hierarchy used 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 and the Natural Gas Exchange.

Level II

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

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

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

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

Level III

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

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

FAIR VALUES OF THE CORPORATION'S FINANCIAL ASSETS AND LIABILITIES

As at March 31, 2014 (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	0.2	45.0	9.3	54.5
Foreign currency forward contracts	–	4.3	–	4.3
Financial assets total	0.2	49.3	9.3	58.8
Financial liabilities measured at fair value:				
Energy trading forward contracts	(0.3)	(46.5)	–	(46.8)
Foreign currency forward contracts	–	(0.5)	–	(0.5)
Financial liabilities total	(0.3)	(47.0)	–	(47.3)
Net risk management assets (liabilities)	(0.1)	2.3	9.3	11.5

(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, 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	–	27.1	11.1	38.2
Foreign currency forward contracts	–	6.9	–	6.9
Interest rate swap	–	10.9	–	10.9
Financial assets total	–	44.9	11.1	56.0
Financial liabilities measured at fair value:				
Energy trading forward contracts	–	(41.4)	–	(41.4)
Interest rate swap	–	(35.5)	–	(35.5)
Financial liabilities total	–	(76.9)	–	(76.9)
Net risk management assets (liabilities)	–	(32.0)	11.1	(20.9)

(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 are not available. Fair values are determined using valuation techniques.

The following table summarizes the key factors impacting the change in the fair value of the Corporation's Level III net risk management assets and liabilities separately by source of valuation during the period ended March 31, 2014:

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

<i>(millions of dollars)</i>	Hedges
Net risk management assets as at December 31, 2013	11.1
Changes attributable to:	
Commodity price changes	(1.2)
Transfers in/out of Level III	(0.6)
Net risk management assets as at March 31, 2014	9.3
Total change in fair value included in OCI	(1.8)
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

<i>As at</i> <i>(millions of dollars)</i>	March 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt ⁽¹⁾ , consisting of:				
Debentures, with remaining terms of				
Less than 5 years	58.9	62.3	34.0	35.4
6–10 years	90.7	98.3	122.4	132.4
11–15 years	14.4	16.4	14.4	16.1
16–20 years	187.1	209.8	187.1	205.6
21–25 years	557.6	584.3	557.6	571.6
Private debentures				
Series 1 (6.15%)	298.2	344.4	298.2	338.8
Non-recourse Kettles term financing (2013 amount includes CEC ⁽²⁾)	19.9	21.9	220.5	207.2
Promissory note	4.7	4.9	4.8	4.9
	1,231.5	1,342.3	1,439.0	1,512.0

(1) Includes current portion of \$54.4 million (December 31, 2013—\$63.7 million). Maturity dates range from June 2014 to June 2038.

(2) On March 17, 2014, \$200.6 million of non-recourse term financing related to CEC was repaid.

3. NON-RECOURSE TERM FINANCING REPAYMENT

On March 17, 2014, \$200.6 million of non-recourse term financing and \$35.6 million of a fixed-for-floating interest rate swap related to CEC was repaid prior to maturity on September 2026. In addition, ENMAX settled back-to-back swaps that were initially executed as a hedging relationship in relation to the fixed-for-floating swap. The settlement of the back-to-back swaps was \$0.4 million. Settlement costs of \$20.7 million associated with the termination of the interest rate swaps were recorded as interest expense.

4. FINANCIAL STATEMENT EFFECTS OF RATE REGULATION

Under regulatory accounting, the timing of recognition of certain assets, liabilities, revenues and expenses may differ from what is otherwise expected under GAAP for non-regulated operations. ENMAX has recorded the following regulatory assets and liabilities:

REGULATORY ASSETS AND LIABILITIES

As at (millions of dollars)	March 31, 2014	December 31, 2013
Regulatory assets		
Accounts receivable: purchased power variances (Note a)	9.6	41.5
Distribution assets: intercompany profit on regulated assets (Note b)	38.5	38.4
Other regulatory assets (Note c)	42.4	42.2
Total regulatory assets	90.5	122.1
Regulatory liabilities		
Other regulatory liabilities (Note d)	3.7	1.9
Total regulatory liabilities	3.7	1.9

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

(a) Purchased Power Variances

Purchased power costs are included in allowed rates on a forecast basis. For rate-setting purposes, differences between forecast and actual purchased power costs in the rate year are held until the following year. ENMAX Power recognizes purchased power cost variances as a regulatory asset or liability based on the expectation that amounts held from one year to the next for rate-setting purposes will be approved for collection from, or refund to, future customers. The regulatory asset represents the excess of actual over forecast purchased power costs. In the absence of rate regulation, GAAP would require that actual purchased power costs be recognized as an expense when incurred. In this case, operating results for the three months ended March 31, 2014, would have been \$31.9 million higher (2013—\$0.7 million higher). The regulatory assets are included in accounts receivable.

(b) Intercompany Profit

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. If these intercompany profits had been eliminated, the impact on earnings for the three months ended March 31, 2014, would be a decrease of \$0.1 million (2013—\$0.7 million reduction) representing the profit or loss on these services. The balances for property, plant and equipment (PPE) and retained earnings at March 31, 2014, would be further reduced by \$38.5 million (December 31, 2013—\$38.4 million reduction).

(c) Other Regulatory Assets

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

(d) 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 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 Tax (PILOT). Accordingly, ENMAX Power has not recognized current or future corporate income taxes on tax-exempt earnings. In the event regulations change, it would be expected that when these amounts became payable, they would be recovered through future rate revenues.

Gains and losses on the disposal and retirement of regulated depreciable assets are deferred and amortized over the estimated remaining service life of similar assets, through a charge to accumulated amortization equal to the net book value of the disposed or retired asset. In the absence of rate regulation, under GAAP the difference between the proceeds and net book value would be charged or credited to earnings in the period the asset is disposed of or retired. The amount deferred from current period earnings for the three months ended March 31, 2014, was nil (2013—\$5.7 million loss) representing the gains and losses on disposals and retirements of regulated assets.

5. OTHER ASSETS AND LIABILITIES

<i>As at</i> <i>(millions of dollars)</i>	March 31, 2014	December 31, 2013
Other current assets		
Hedge instruments	38.0	19.7
Non-hedge derivatives	3.1	9.9
Prepaid expenses	12.0	12.3
Inventory	1.1	0.7
	54.2	42.6
Other long-term assets		
Hedge instruments	16.3	18.3
Non-hedge derivatives	1.4	8.1
Restricted cash	–	8.4
Shares in other companies	0.1	0.1
Prepaid expenses	3.9	3.6
Long-term accounts receivable	5.4	9.2
Other	9.1	9.3
	36.2	57.0
Other current liabilities		
Hedge instruments	24.0	19.6
Non-hedge derivative	5.1	9.4
Deposits	19.3	18.6
Deferred revenue	7.8	5.2
	56.2	52.8
Other long-term liabilities		
Hedge instruments	12.2	22.8
Non-hedge derivative	6.0	25.1
Long-term payables	7.0	8.0
Deferred revenue	4.7	4.8
	29.9	60.7

6. PROPERTY, PLANT AND EQUIPMENT

As at March 31, 2014

(millions of dollars)

	Cost	Accumulated Amortization	Net Book Value
Transmission, distribution and substation equipment	2,051.8	(589.0)	1,462.8
Generation facilities and equipment	1,041.2	(228.9)	812.3
Construction in progress	968.5	–	968.5
Buildings and site development	208.9	(67.1)	141.8
Tools, systems and equipment	95.4	(67.0)	28.4
Land	34.5	–	34.5
Capital spares and other	35.9	–	35.9
Vehicles	32.7	(12.9)	19.8
	4,468.9	(964.9)	3,504.0
Government grants	(20.0)	2.5	(17.5)
Contributions in aid of construction	(516.8)	101.5	(415.3)
	3,932.1	(860.9)	3,071.2

As at December 31, 2013

(millions of dollars)

	Cost	Accumulated Amortization	Net Book Value
Transmission, distribution and substation equipment	2,024.7	(577.6)	1,447.1
Generation facilities and equipment	1,040.1	(218.6)	821.5
Construction in progress	922.5	–	922.5
Buildings and site development	208.9	(65.9)	143.0
Tools, systems and equipment	93.9	(65.4)	28.5
Land	34.5	–	34.5
Capital spares and other	33.6	–	33.6
Vehicles	32.8	(12.7)	20.1
	4,391.0	(940.2)	3,450.8
Government grants	(20.0)	2.3	(17.7)
Contributions in aid of construction	(509.4)	98.9	(410.5)
	3,861.6	(839.0)	3,022.6

7. 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. 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 statement of earnings and comprehensive income for the three months ended March 31, 2014, is \$6.2 million (2013—\$6.0 million).

8. SHORT-TERM DEBT

The Corporation has unsecured credit facilities amounting to \$1,150.0 million (December 31, 2013—\$1,150.0 million) to fund general operating requirements and to provide liquidity support for commercial paper and commodity marketing programs. Combined, all of the facilities encompass \$900.0 million in bilateral credit facilities and \$250.0 million of syndicated credit facilities. As at March 31, 2014, \$352.3 million (2013—\$319.0 million) of operating facilities and \$30.0 million (2013—\$30.0 million) of syndicated facilities were used in support of outstanding letters of credit.

Short-term debt is comprised of commercial paper that is guaranteed by the Corporation's credit facilities. At March 31, 2014, the Corporation had \$240.9 million in commercial paper at a weighted average rate of 1.13 per cent (December 31, 2013—nil).

9. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

<i>As at</i> <i>(millions of dollars)</i>	March 31, 2014	December 31, 2013
Unrealized losses on available-for-sale financial assets	(0.1)	(0.1)
Unrealized gains (losses) on derivatives designated as cash flow hedges	13.2	(6.2)
Accumulated other comprehensive income (losses), including a future income tax expense of \$4.9 million (2013—recovery of \$1.0 million)	13.1	(6.3)

10. COMMITMENTS AND CONTINGENCIES

PROPERTY, PLANT AND EQUIPMENT

As at March 31, 2014, the Corporation is committed to major capital expenditures over the next five years and thereafter, with minimum annual payments (including cancellation costs) totalling \$80.7 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 \$98.0 million.

ENVIRONMENTAL

Provincial regulations aimed at reducing the levels of greenhouse gas (GHG) emissions took effect July 2007. Due to the change of law provisions in ENMAX Energy's PPAs and tolling agreements, ENMAX Energy is exposed to the associated compliance costs.

For the three-month period ended March 31, 2014, the cost of electricity services provided includes a charge to earnings in the amount of \$4.3 million (2013—\$4.5 million), relating to estimated compliance costs under the provincial GHG regulations for ENMAX Energy's interests in coal and natural-gas-fired generation facilities through its PPAs and owned assets. Compliance payments are due to the Province of Alberta directly, or via plant owners, by June 30 of the year following the compliance year. ENMAX Energy has taken steps, including acquiring qualified offset credits from both its wind-generation assets and purchases on the wholesale market, to mitigate impacts of the GHG regulations.

LETTERS OF CREDIT

In the normal course of operations, letters of credit are issued to facilitate the extension of sufficient credit for counterparties having credit exposure to the Corporation or its subsidiaries. As at March 31, 2014, the Corporation had issued letters of credit amounting to \$382.3 million (December 31, 2013—\$303.9 million).

11. COMPARATIVE FIGURES

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

At January 1, 2014, there was a reporting presentation change. Billing recoveries related to electricity, natural gas and penalty revenues were previously netted against operations, maintenance and administration (OM&A) expense. Based on the nature of the recoveries and revenues, it was management's decision that it was appropriate to attribute billing recoveries to the margins of electricity, natural gas and contractual services and other, respectively. The reclassification for the three-month period ended March 31, 2013, was an increase in electricity revenue of \$8.6 million, natural gas revenue of \$2.0 million, other revenue of \$2.7 million, electricity costs of \$0.1 million and OM&A of \$13.0 million. This presentation change does not impact net earnings. The change in presentation has been applied to the comparative periods.

During 2013, the presentation of cash flow provided by operating activities changed. Cash flow provided by operating activities provides detail of net earnings from discontinued operations and gain on sale of subsidiary. There was a decrease in funds generated by operations and increase in cash flow from discontinued operations of \$3.2 million for the three-month period ended March 31, 2013. The presentation change does not impact the total cash provided by operating activities for March 31, 2013. The change in presentation has been applied to the comparative periods.

12. SEGMENTED INFORMATION

	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
THREE MONTHS ENDED MARCH 31 (millions of dollars)	2014	2013	2014	2013	2014	2013	2014	2013
REVENUE (Note 11)								
Electricity	677.5	619.5	37.4	42.3	(97.3)	(94.3)	617.6	567.5
Natural gas	231.4	137.5	–	–	(0.5)	(0.3)	230.9	137.2
Transmission and distribution	–	–	92.0	76.8	–	–	92.0	76.8
Local access fees	–	–	35.7	31.2	–	–	35.7	31.2
Contractual services	0.5	0.8	17.9	19.4	3.1	0.1	21.5	20.3
Other	5.0	10.8	1.2	1.3	(1.4)	(1.7)	4.8	10.4
TOTAL REVENUE	914.4	768.6	184.2	171.0	(96.1)	(96.2)	1,002.5	843.4
COST OF SERVICES PROVIDED								
Electricity	596.9	526.3	31.6	36.4	(97.1)	(94.0)	531.4	468.7
Natural gas	217.6	123.6	–	–	–	–	217.6	123.6
Transmission and distribution	–	–	27.1	24.9	–	–	27.1	24.9
Local access fees	–	–	35.7	31.2	–	–	35.7	31.2
Contractual services	0.1	–	13.4	14.1	–	(0.2)	13.5	14.4
Operations, maintenance and administration (OM&A) (Note 11)	41.1	44.6	42.5	35.9	(1.7)	(3.5)	81.9	77.0
Foreign exchange loss (gain)	(5.1)	(1.6)	0.1	–	0.1	–	(4.9)	(1.6)
TOTAL COSTS OF SERVICES PROVIDED	850.6	693.4	150.4	142.5	(98.7)	(97.7)	902.3	738.2
EARNINGS BEFORE AMORTIZATION INTEREST AND INCOME TAXES	63.8	75.2	33.8	28.5	2.6	1.5	100.2	105.2
Amortization	27.0	26.5	13.5	12.8	1.3	0.9	41.8	40.2
EARNINGS BEFORE INTEREST AND INCOME TAXES	36.8	48.7	20.3	15.7	1.3	0.6	58.4	65.0
Interest	–	–	–	–	–	–	27.7	6.8
Income tax expense (recovery)	–	–	–	–	–	–	(5.2)	3.1
NET EARNINGS FROM CONTINUING OPERATIONS							35.9	55.1
Net earnings from discontinued operations	–	–	–	–	–	–	–	3.2
NET EARNINGS							35.9	58.3
GOODWILL	16.0	16.0	–	–	–	–	16.0	16.0
CAPITAL ADDITIONS	35.4	77.8	37.4	29.9	3.7	4.1	76.5	111.8

SEGMENTED TOTAL ASSETS

As at (millions of dollars)	March 31, 2014	December 31, 2013
ENMAX Energy	2,949.8	2,881.8
ENMAX Power	1,531.4	1,540.0
Corporate and eliminations	103.3	143.7
	4,584.5	4,565.5

13. ITEMS NOT INVOLVING CASH

For the three months ended March 31
(millions of dollars)

	2014	2013
Amortization	41.8	40.2
Future income taxes	(6.1)	2.4
Change in unrealized market value of financial contracts	26.1	(1.2)
Other	0.3	-
	62.1	41.4

14. CHANGE IN NON-CASH WORKING CAPITAL

For the three months ended March 31
(millions of dollars)

	2014	2013
Accounts receivable	(39.3)	38.0
Income tax receivable	(0.9)	(6.3)
Other current assets	0.1	1.0
Accounts payable and accrued liabilities	2.8	(43.4)
Other current liabilities	3.2	1.1
	(34.1)	(9.6)

15. JOINT VENTURE INVESTMENTS

In 2002, the Corporation entered into a joint venture agreement (JVA) with Vision Quest Windelectric Inc. to build and operate 114 wind turbines in southern Alberta (McBride). The turbines began generating electricity in 2003, and the Corporation has a 50 per cent ownership interest. The Corporation has also agreed to purchase 100 per cent of the output from the wind farm under a 20-year PPA.

In 2010, the Corporation entered into a JVA with SNC-Lavalin Constructions Inc. (SNC-Lavalin) to design and construct certain portions of the West LRT in Calgary. Construction was completed and the West LRT was operational as of December 10, 2012.

In 2012, Capital Power LP (CPLP) agreed to purchase a 50 per cent interest in Shepard Energy Center (Shepard) and enter into a JVA to construct and operate the facility. The sale of the 50 per cent interest in Shepard was completed September 30, 2013.

PROPORTIONATE SHARE OF THE JOINT VENTURES' NET ASSETS

For the period ended
(millions of dollars)

	March 31, 2014				December 31, 2013			
	Shepard	McBride	SNC-Lavalin	Total	Shepard	McBride	SNC-Lavalin	Total
Cash and cash equivalents	12.3	-	0.6	12.9	7.4	-	0.6	8.0
Accounts receivable	8.6	-	-	8.6	6.8	0.2	0.1	7.1
Other current assets	5.4	-	-	5.4	6.2	-	-	6.2
PPE	779.3	32.8	-	812.1	745.0	33.4	-	778.4
Other long term assets	5.0	-	-	5.0	5.0	-	-	5.0
Accounts payable	(23.2)	(0.7)	-	(23.9)	(25.8)	(0.3)	-	(26.1)
Other current liabilities	-	-	(0.1)	(0.1)	-	-	-	-
Other long-term liabilities	-	(4.1)	-	(4.1)	-	(4.3)	-	(4.3)
Proportionate share in net assets of joint ventures	787.4	28.0	0.5	815.9	744.6	29.0	0.7	774.3

PROPORTIONATE SHARE OF THE JOINT VENTURES' CASH FLOWS

For the period ended
(millions of dollars)

	March 31, 2014				December 31, 2013			
	Shepard	McBride	SNC-Lavalin	Total	Shepard	McBride	SNC-Lavalin	Total
Operating activities	-	1.2	-	1.2	-	4.5	(4.3)	0.2
Investing activities	(33.4)	-	-	(33.4)	273.5	-	-	273.5
Financing activities	38.3	(1.2)	-	37.1	(266.1)	(4.5)	-	(270.6)
Proportionate share in the increase(decrease) in cash and cash equivalents of joint venture	4.9	-	-	4.9	7.4	-	(4.3)	3.1

16. RELATED PARTY TRANSACTIONS

ENMAX's related party transactions are comprised of both revenues from and expenditures to The City. The City is the sole shareholder of the Corporation. Total revenues received from The City for the three months ended March 31, 2014, were \$40.6 million (2013—\$37.8 million). The significant components include contract sales of electricity, construction of infrastructure, provision of non-regulated power distribution services and billing and customer care services relating to The City's utilities departments. ENMAX has committed to a water supply agreement with The City, to commence upon completion of Shepard, whereby The City will supply a specified amount of water annually to facilitate Shepard operations.

As at March 31, 2014, amounts owing to the Corporation from The City for services provided were \$36.5 million (December 31, 2013—\$31.2 million).

Total expenditures for goods and services received from The City for the three months ended March 31, 2014, were \$37.0 million (2013—\$34.0 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 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 that would be used for a third-party arm's-length transaction.

In 2009, the Corporation entered into a capital lease agreement with The City for the use of its land and buildings. As at March 31, 2014, the assets under the capital lease were \$4.2 million (December 31, 2013—\$4.3 million), and the capital lease obligation was \$4.6 million (December 31, 2013—\$4.6 million).

The total amount of debt owed to The City was \$908.7 million at March 31, 2014 (December 31, 2013—\$915.5 million). Interest paid for the three months ended March 31, 2014, was \$2.5 million (2013—\$2.8 million). Principal payments of \$6.8 million were made during the three months ended March 31, 2014 (2013—\$6.5 million). In addition, ENMAX is required to pay an administration fee to The City of 0.25 per cent on the average monthly outstanding debenture balance held by the City on behalf of ENMAX. The administration fee paid for the three months ended March 31, 2014, was \$0.6 million (2013—\$0.5 million).

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

ADDITIONAL INFORMATION

ENMAX welcomes questions from stakeholders.

Additional information relating to ENMAX can be found at enmax.com.

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