ENMAX Corporation

2016 | Q1 INTERIM REPORT

ENMAX Corporation |

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 Financial 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 Financial 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 Financial Report. Intended, planned, anticipated, believed, estimated or expected and other forward-looking statements included in this Financial Report herein should not be unduly relied upon. These statements speak only as of the date of this Financial 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.

BUSINESS OVERVIEW

ENMAX is a wholly owned subsidiary of The City of Calgary (The City), headquartered in Calgary, Alberta, Canada. ENMAX's vision is to be Canada's leader in the electricity industry through its mission of powering the potential of people, businesses and communities by safely and responsibly providing electricity and energy services in a way that matters to them now and in the future. ENMAX and its predecessors have a proud history of providing Albertans with electricity for over 100 years, and continue to explore ways to improve the province's electricity system and provide progressive solutions for its customers.

In order to support the execution of the strategy in serving its customers, its shareholder and stakeholders, ENMAX has streamlined its organization beginning January 1, 2016. ENMAX's core operations include the competitive generation and sale of electricity across Alberta through an operating segment named ENMAX Competitive Energy, and the regulated transmission and distribution of electricity in the City through an operating segment named ENMAX Power Delivery:

- ENMAX Competitive Energy carries out competitive energy supply and retail functions through various legal entities and affiliated companies. ENMAX Competitive Energy controls its physical electricity supply through owned generation capacity and a Power Purchase Arrangement (PPA)[(1)]. It purchases electricity and natural gas on the wholesale market with terms and conditions to meet the sales commitments of its retail marketing operations and for the operational requirements of its natural-gas-fuelled generating facilities. ENMAX Competitive Energy now also includes engineering, procurement, construction and maintenance service (previously under ENMAX Power) as well as Customer Service (previously under ENMAX Corporate).
- ENMAX Power Delivery owns and operates electricity transmission and distribution assets in the Calgary service area. In addition, it has the legislated responsibility to provide electricity for customers who elect to stay with the Regulated Rate Option (RRO). The RRO is the default rate established by regulation and is automatically provided to all eligible customers who have not entered into a contract with a competitive electricity retailer. ENMAX Power Delivery's objective is to safely maintain the high reliability of its transmission and distribution system while meeting Calgary's infrastructure needs.

ENMAX Corporate, both directly or indirectly through its subsidiaries, provides shared services and financing to ENMAX Competitive Energy and ENMAX Power Delivery.

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

[(1)] On May 5, 2016, the Corporation issued a notice to the Balancing Pool of the decision to terminate the Keephills PPA. See further discussion in the Subsequent Event section on page 8. As of that date, ENMAX has provided notices to terminate all its PPAs.

MARKET CONDITIONS

Lower gas prices and low demand growth in 2016 continue to put downward pressure on power prices in Alberta. As the price of natural gas declines, the wholesale price for power reflects the lower generation costs. Low demand growth is related to the general economic conditions in Alberta, which has been impacted by depressed oil prices. The Alberta power market continues in a state of uncertainty as the provincial Government has yet to provide further important details relating to the climate change policies announced in November 2015.

OVERALL FINANCIAL PERFORMANCE

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Three months ended March 31 *(millions of dollars)*	**2016**	**2015**
Total revenue	**746.4**	869.8
Adjusted EBITDA [(1)]	**108.7**	138.1
EBIT [(1)]	**54.4**	89.3
Net Earnings	**34.5**	70.4

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

The decrease in net earnings in Q1 2016 was due to lower commodity prices and lower sales volume for both electricity and gas, and was further compounded by an increase in depreciation and a decrease in capitalized interest associated with the Shepard Energy Centre (Shepard) becoming operational in March 2015. Also decreasing net earnings was the reduction in foreign exchange gains in 2016 and increased spending on IT software as a service (SaaS) projects in 2016, which are not capitalized.

Results of operations are not necessarily indicative of future performance due to fluctuating commodity prices, receipt of regulatory decisions, the performance and retirement of existing generation facilities, and the addition of new generation facilities.

ENMAX COMPETITIVE ENERGY BUSINESS AND UPDATE

Effective January 1, 2016, ENMAX Competitive Energy terminated its Battle River Unit 5 PPA contract, in accordance with the terms of the PPA, with respect to a change in law that makes the PPA unprofitable or more unprofitable. ENMAX will dispatch power from the facility on behalf of Alberta's Balancing Pool until the Balancing Pool implements the capability to do so themselves. The Balancing Pool has notified the Corporation that it accepted the termination. However, the Balancing Pool and the Corporation differ in opinion as to the effective date of termination. Although there can be no assurance that this dispute will be resolved in the Corporation's favor, the Corporation does not believe that the outcome of this dispute will have a material adverse effect on its financial position.

As at March 31, 2016, ENMAX Competitive Energy's capacity ownership interest is 2,380 megawatts (MW) of electricity generation to supply customer demands. The remaining power and natural gas required to meet ENMAX Competitive Energy's consumer electricity and natural gas demand is acquired through the competitive wholesale power and natural gas markets. ENMAX Competitive Energy actively manages its portfolio to ensure it has contracted retail and wholesale purchases for its anticipated generation capacity.

During times when ENMAX Competitive Energy has excess generation capacity, it sells the energy to the market.

KEY BUSINESS STATISTICS

Three months ended March 31 *(millions of dollars)*	**2016**	**2015**
Plant availability (%) [1]	**94.37**	91.06
Average flat pool price ($/MWh)	**18.09**	29.15

[1] Plant availability includes planned maintenance and forced outages. Without incorporating the Shepard heat recovery steam generator (HRSG) outage, plant availability for the three months ended March 31, 2015, was 99.21 per cent.

Plant availability for the three months ended March 31, 2016 improved over the same period in 2015. This is primarily due to Shepard becoming operational only in March 2015 with lower availability in the beginning.

For the three months ended March 31, 2016, ENMAX Competitive Energy experienced a decrease in the average flat pool price from 2015 levels. The Alberta Power market remained well supplied during Q1 2016. When combined with lower demand due to warmer weather and lower gas prices (which drove down generation costs), realized power prices were lower in this period.

ENMAX POWER DELIVERY BUSINESS AND UPDATE

ENMAX Power Delivery submits applications to the Alberta Utilities Commission (AUC) to request the approval for the need to construct or replace utility related facilities, to set rates, or to allocate costs related to the operation of providing energy-related services to Albertans. On April 30, 2015, the AUC initiated the 2016–2017 Generic Cost of Capital proceeding. In this proceeding, the AUC will approve a generic return on equity (ROE) value and deemed capital structures for regulated utilities in Alberta for the years 2016 and 2017 that will be used to determine the return ENMAX Power Delivery can recover from customers for its capital investments.

ENMAX Power Delivery filed an application with the AUC on December 18, 2015, requesting approval of its 2015-2017 Performance-Based Regulation (PBR) application. In February 2016, ENMAX Power Delivery participated in a technical meeting with respect to the PBR application, and on April 11 and 13 ENMAX Power Delivery commenced a negotiated settlement with intervener groups and has achieved an agreement in principle on all but two items.

On May 8, 2015, the AUC initiated a generic proceeding on the parameters to be considered with respect to PBR plans for Alberta utilities, including ENMAX Power Delivery, commencing 2018.

The above three proceedings will determine the distribution rates that ENMAX Power Delivery will be able to charge customers from 2015 onward. The approved PBR rates and billing determinants (the measures of consumption used to calculate customers' bills) will ultimately determine ENMAX Power Delivery's distribution revenue.

In 2016, ENMAX Power Delivery expects to file an application to set its transmission revenue requirements for 2016 and 2017. A transmission revenue requirement is the amount of money that ENMAX Power Delivery will be paid to cover its costs, operating expenses, interest paid on debt, and a reasonable return (profit) on its transmission facilities.

KEY BUSINESS STATISTICS

Three months ended March 31 *(millions of dollars)*	2016	2015
Distribution volumes (GWh)	**2,388**	2,424
System average interruption duration index (SAIDI) [1]	**0.06**	0.13
System average interruption frequency index (SAIFI) [2]	**0.10**	0.10

[1] SAIDI equals the total duration of a sustained interruption per average customer during a predefined period of time. A sustained interruption has a 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 has a duration greater than or equal to one minute.

Total electricity delivered in the Calgary service area for the three months ended March 31, 2016, was slightly lower than the same period in 2015. Electricity volumes of 2,388 gigawatt hours (GWh) were delivered during the three months ended March 31, 2016, compared to 2,424 GWh in the same period in 2015. The decrease was primarily due to lower demand as a result of a relatively warm winter and weak economic conditions.

SAIDI results for the period ended March 31, 2016 improved over the same period in the prior year partly due to fewer outages experienced in the first quarter of 2016 and partly due to milder weather in the first quarter of 2016. The improved results also reflect ENMAX Power Delivery's investment in distribution automation. SAIFI results were consistent with the same period last year.

ENMAX FINANCIAL RESULTS

EARNINGS BEFORE INTEREST AND INCOME TAXES (EBIT) COMPARED WITH THE SAME PERIOD IN 2015

(millions of dollars)	ENMAX Competitive Energy	ENMAX Power Delivery	ENMAX Corporate	Consolidated
EBIT[1] for the period ended March 31, 2015	71.6	18.1	(0.4)	89.3
Increased (decreased) margins attributable to:				
Electricity	(21.7)	(0.3)	0.7	(21.3)
Natural gas	(2.0)	-	-	(2.0)
Transmission and distribution	-	3.3	-	3.3
Contractual services and other	5.1	0.6	0.8	6.5
Decreased (increased) expenses:				
Operation, maintenance & administration[2]	(3.3)	2.2	-	(1.1)
Foreign exchange	(14.5)	-	(0.3)	(14.8)
Amortization	(3.6)	(1.7)	(0.2)	(5.5)
EBIT for the period ended March 31, 2016	31.6	22.2	0.6	54.4

[1] EBIT is a non-IFRS measure see IFRS non-financial measures.

[2] *Normalized to exclude impact of intercompany transactions with no consolidated impact.*

Electricity margins for the three months ended March 31, 2016 decreased $21.3 million or 19.0 per cent compared to the same period in 2015. This was driven by a decrease in volumes on retail contracts and the impact of contract renewals at lower prices. Partially offsetting this decrease were lower supply costs resulting from the Corporation's expanded natural-gas fuelled generation portfolio (Shepard commercial operation date March 11, 2015) and the Battle River PPA termination. The decreased margin was also

attributed to mark-to-market losses experienced on natural gas positions for 2016 fuel supply for the natural-gas-fuelled plants, resulting from the decrease in natural gas prices during the three months ended March 31, 2016.

Natural gas margins for the three months ended March 31, 2016 decreased $2.0 million, or 11.4 per cent, compared to the three months ended March 31, 2015. The decrease in margins was primarily driven by lower volumes and warmer weather.

For the three months ended March 31, 2016, transmission and distribution margins increased $3.3 million or 5.1 per cent. The increase in transmission and distribution margins was due to higher interim rates for Distribution Access Service compared to the same period in 2015, and a non-recurring revenue reduction adjustment related to a regulatory decision received in Q1 2015.

For the three months ended March 31, 2016, contractual services and other revenues increased $6.5 million or 37.6 per cent compared to the first quarter of 2015. The increase in 2016 was due to a one-time recovery of capital costs.

Operation, maintenance and administration (OM&A) costs for the three months ended March 31, 2016 increased $1.1 million or 1.3 per cent from the three months ended March 31, 2015. The increase in the year was due to investments in non-recurring IT software as a service (SaaS) projects that cannot be capitalized under International Financial Reporting Standards (IFRS). This increase in IT investments is partially offset by reductions in staff costs due to a restructuring in Q4 2015.

For the three months ended March 31, 2016, a net foreign exchange loss of $1.1 million was recognized compared to a gain of $13.7 million in the first quarter of 2015. These gains and losses represent the mark-to-market position of foreign exchange hedges associated with certain long-term service agreements and purchases denominated in foreign currencies.

Amortization expense for the three months ended March 31, 2016 was $54.3 million compared with $48.8 million in the same period in 2015 primarily the result of Shepard becoming operational in the latter part of Q1, 2015.

OTHER NET EARNINGS ITEMS

Finance charges increased $9.2 million, or 91.1 per cent, for the three months ended March 31, 2016 compared to the three months ended March 31, 2015. The increase in finance charges in 2016 was due to a decrease in interest costs being capitalized as Shepard became operational in March 2015.

Current and deferred income tax decreased $8.2 million compared to the three months ended March 31, 2015 as a result of lower taxable activity.

OTHER COMPREHENSIVE INCOME

Other comprehensive income (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 and foreign exchange exposures. For the three months ended March 31, 2016, OCI losses totaled $13.5 million compared with gains of $11.7 million in the same period in 2015. 2016 OCI primarily reflects the fair value changes in electricity and commodity positions.

NON-IFRS FINANCIAL MEASURES

The Corporation uses adjusted earnings before interest, income taxes, depreciation and amortization (adjusted EBITDA); earnings before interest and income taxes (EBIT); and funds from operations (FFO) as financial performance measures. These measures do not have any standard meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The purpose of these financial measures and their reconciliation to IFRS financial measures are shown below. These non-IFRS measures are consistently applied in the previous period.

Adjusted EBITDA

Three months ended March 31

(millions of dollars)	**2016**	**2015**
Adjusted EBITDA (non-IFRS financial measure)	**108.7**	138.1
Deduct:		
Depreciation and amortization	**54.3**	48.8
Finance charges	**19.3**	10.1
Income tax expense	**0.6**	8.8
Net earnings (IFRS financial measure)	**34.5**	70.4

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)	**2016**	**2015**
Operating profit (IFRS financial measure)	**65.1**	135.0
Net movement in regulatory deferral account	**(10.7)**	(45.7)
EBIT (non-IFRS financial measure)	**54.4**	89.3
Deduct:		
Finance charges	**19.3**	10.1
Income tax expense	**0.6**	8.8
Net earnings (IFRS financial measure)	**34.5**	70.4

EBIT is a useful measure of business performance as it provides an indication of the operating results generated by primary business activities, including the cost of amortization. It does not consider how those activities are financed or how the results are taxed in various business jurisdictions.

Funds from operations

Three months ended March 31

(millions of dollars)	**2016**	**2015**
Cash flow from operations (IFRS financial measure)	**47.0**	139.5
Changes in non-cash working capital	**69.9**	(11.9)
Post-employment benefits	**0.8**	(1.4)
Contributions in aid of construction	**(6.9)**	(4.6)
Funds from operations (non-IFRS financial measure)	**110.8**	121.6

Funds from operations are used as an additional metric of cash flow without regard to changes in the Corporation's non-cash working capital and adjusted for contributions in aid of construction.

FINANCIAL CONDITION

SIGNIFICANT CHANGES IN THE CORPORATION'S FINANCIAL CONDITION

(millions of dollars, except % change)	March 31, 2016	December 31, 2015	$ Change	% Change	Explanation for Change
ASSETS					
Cash and cash equivalents	**112.5**	143.7	(31.2)	(22%)	Primarily due to lower sales volume and collateral paid on margin calls.
Accounts receivable	**484.8**	504.7	(19.9)	(4%)	Decrease due to timing of receipts, decreased electricity sales on commercial fixed-price contracts and lower natural gas sales volumes.
Property, plant and equipment (PPE)	**3,952.1**	3,960.9	(8.8)	0%	General capital additions partially offset by amortization.
LIABILITIES AND SHAREHOLDER'S EQUITY					
Accounts payable	**322.9**	367.6	(44.7)	(12%)	Mainly attributable to lower gas volumes and lower capital accruals.
Dividend payable	**35.3**	-	35.3	100%	Dividend declared in March 2016 to be paid in equal quarterly instalments during 2016.
Financial (assets) liabilities [1]	**62.9**	39.6	23.3	59%	Change in fair value of hedging instruments.

[1] Net current and long-term asset and liability positions.

SUBSEQUENT EVENT

On May 5, 2016, the Corporation issued a notice to the Balancing Pool of the decision to terminate the Keephills PPA effective May 5, 2016. The termination is pursuant to the change in law provisions of the PPA. As a result of the decision, the Corporation expects to record a non-cash impairment loss of $51.4 million (net of tax) in the second quarter of 2016.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Contents

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at *(unaudited)* *(millions of Canadian dollars)*		March 31, 2016		December,31, 2015
ASSETS				
Cash and cash equivalents	$	**112.5**	$	143.7
Accounts receivable		**484.8**		504.7
Income taxes receivable		**118.4**		118.8
Current portion of financial assets (Note 4)		**51.5**		34.6
Other current assets (Note 6)		**78.7**		44.2
		845.9		846.0
Property, plant and equipment (Note 7)		**3,952.1**		3,960.9
Power purchase arrangements		**52.3**		55.1
Intangible assets		**148.7**		145.8
Deferred income tax assets		**101.3**		93.9
Financial assets (Note 4)		**81.4**		40.7
Other long-term assets (Note 6)		**24.6**		21.2
TOTAL ASSETS		**5,206.3**		5,163.6
REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES (Note 5)		**22.9**		34.5
TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES	$	**5,229.2**	$	5,198.1
LIABILITIES				
Accounts payable and accrued liabilities	$	**322.9**	$	367.6
Dividend payable (Note 10)		**35.3**		-
Current portion of long-term debt (Note 4)		**66.5**		66.2
Current portion of financial liabilities (Note 4)		**101.6**		61.8
Current portion of deferred revenue		**8.5**		7.7
Current portion of asset retirement obligations and other provisions		**1.4**		2.7
Other current liabilities (Note 6)		**30.6**		39.7
		566.8		545.7
Long-term debt (Note 4)		**1,638.9**		1,646.6
Deferred income tax liabilities		**86.4**		83.1
Post-employment benefits		**39.4**		39.9
Financial liabilities (Note 4)		**94.2**		53.1
Deferred revenue		**398.1**		395.3
Other long-term liabilities (Note 6)		**14.2**		16.8
Asset retirement obligations and other provisions		**105.4**		104.9
TOTAL LIABILITIES		**2,943.4**		2,885.4
REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES (Note 5)		**12.6**		13.5
SHAREHOLDER'S EQUITY				
Share capital		**280.1**		280.1
Retained earnings		**2,030.4**		2,042.9
Accumulated other comprehensive loss (Note 8)		**(37.3)**		(23.8)
		2,273.2		2,299.2
TOTAL LIABILITIES, REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES AND SHAREHOLDER'S EQUITY	$	**5,229.2**	$	5,198.1

Commitments and contingencies (Note 13)
See accompanying Notes to Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

Three months ended March 31 *(unaudited)* *(millions of Canadian dollars)*		**2016**		**2015**
REVENUE (Note 3)				
Electricity	**$**	**428.4**	$	507.9
Natural gas		**116.9**		145.3
Transmission and distribution		**137.3**		161.9
Local access fees		**25.4**		26.3
Other revenue (Note 9)		**38.4**		28.4
TOTAL REVENUE		**746.4**		869.8
OPERATING EXPENSES (Note 3)				
Electricity and fuel purchases		**337.4**		395.2
Natural gas and delivery		**101.4**		127.8
Transmission and distribution		**56.2**		53.2
Local access fees and grid charges		**25.4**		26.3
Depreciation and amortization		**54.3**		48.8
Other expenses (Note 9)		**106.6**		83.5
TOTAL OPERATING EXPENSES		**681.3**		734.8
OPERATING PROFIT		**65.1**		135.0
Finance charges		**19.3**		10.1
NET EARNINGS BEFORE TAX		**45.8**		124.9
Current income tax expense		**2.0**		7.3
Deferred income tax (recovery) expense		**(1.4)**		1.5
NET EARNINGS—BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES		**45.2**		116.1
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES (Notes 3 and 5)		**(10.7)**		(45.7)
NET EARNINGS	**$**	**34.5**	$	70.4

See accompanying Notes to the Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

Three months ended March 31 *(unaudited)* *(millions of Canadian dollars)*		**2016**		**2015**
NET EARNINGS	**$**	**34.5**	$	70.4
OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX				
Items that will be reclassified subsequently to statement of earnings				
Unrealized gains (losses) on derivatives designated as cash flow hedges, net deferred income tax recovery of $5.8 (2015—$1.1 tax expense)		**(22.4)**		1.1
Realized losses (gains) on derivatives designated as cash flow hedges in prior periods transferred to net earnings in the current period, net deferred income tax recovery of $1.5 (2015—$1.3 tax recovery)		**8.9**		10.6
Other comprehensive income (loss), net of income tax		**(13.5)**		11.7
TOTAL COMPREHENSIVE INCOME	**$**	**21.0**	$	82.1

See accompanying Notes to the Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(unaudited) *(millions of Canadian dollars)*	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
As at January 1, 2016	$ 280.1	$ 2,042.9	$ (23.8)	$ 2,299.2
Net earnings	-	34.5	-	34.5
Other comprehensive income, net of income tax	-	-	(13.5)	(13.5)
Total comprehensive income	-	34.5	(13.5)	21.0
Dividends (Note 10)	-	(47.0)	-	(47.0)
As at March 31, 2016	**280.1**	**2,030.4**	**(37.3)**	**2,273.2**
As at January 1, 2015	$ 280.1	$ 2,050.2	$ (49.2)	$ 2,281.1
Net earnings	-	70.4	-	70.4
Other comprehensive income, net of income tax	-	-	11.7	11.7
Total comprehensive income (loss)	-	70.4	11.7	82.1
Dividends (Note 10)	-	(56.0)	-	(56.0)
As at March 31, 2015	$ 280.1	$ 2,064.6	$ (37.5)	$ 2,307.2

See accompanying Notes to the Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Three months ended March 31
(unaudited)
(millions of Canadian dollars)

	2016	2015
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings	**$ 34.5**	$ 70.4
Contributions in aid of construction	**6.9**	4.6
Amortization of customer contributions	**(3.4)**	(3.4)
Depreciation and amortization	**54.3**	48.8
Finance charges	**19.3**	10.1
Income tax expense	**0.6**	8.8
Change in unrealized market value of financial contracts	**5.5**	(13.1)
Post-employment benefits	**(0.8)**	1.4
Change in non-cash working capital (Note 11)	**(69.9)**	11.9
Cash flow from operations	**47.0**	139.5
Interest paid	**(1.7)**	(3.2)
Income taxes paid	**-**	(2.8)
Net cash flow from operating activities	**45.3**	133.5
INVESTING ACTIVITIES		
Purchase of PPE and intangibles[1]	**(56.8)**	(93.4)
Cash flow (used in) investing activities	**(56.8)**	(93.4)
FINANCING ACTIVITIES		
Repayment of short-term debt	**(20.0)**	(157.3)
Proceeds of short-term debt	**20.0**	160.7
Proceeds of long-term debt	**0.1**	-
Repayment of long-term debt	**(8.1)**	(7.8)
Dividend paid	**(11.7)**	(14.0)
Cash flow (used in) financing activities	**(19.7)**	(18.4)
Increase (decrease) in cash and cash equivalents	**(31.2)**	21.7
Cash and cash equivalents, beginning of period	**143.7**	16.7
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 112.5**	$ 38.4
Cash and cash equivalents consist of:		
Cash	**58.9**	37.8
Short-term investments	**$ 53.6**	$ 0.6

[1] Purchase of PPE and intangibles include $0.9 million (2015–9.9 million) of capitalized borrowing costs.
See accompanying Notes to Condensed Consolidated Interim Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

1. DESCRIPTION OF THE BUSINESS

ENMAX Corporation (ENMAX or the Corporation), a wholly owned subsidiary of The City of Calgary (The City), was incorporated under the Business Corporation Act (Alberta) in July 1997 to carry on the electric utility transmission and distribution operations previously carried on by the Calgary Electric System (CES), a former department of The City. Operations of the Corporation began on January 1, 1998, with the transfer of substantially all of the assets and liabilities of the CES by The City into the Corporation at net book value for consideration of one common share issued to The City. Since 1998, the Corporation has grown from its transmission and distribution wires roots to include electricity generation, commercial and residential solar and electricity and natural gas retail businesses.

The Corporation's registered and head office is at 141 - 50 Ave SE, Calgary, AB, T2G 4S7. The Corporation's principal place of business is Alberta.

2. BASIS OF PRESENTATION

These condensed consolidated interim financial statements have been prepared by management in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting. The condensed consolidated interim financial statements do not include all disclosures required for the preparation of annual financial statements and should be read in conjunction with the Corporation's 2015 annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).The Corporation's consolidated financial statements for the year ended December 31, 2015 are available on ENMAX's website at www.enmax.com.

These condensed consolidated interim financial statements have been prepared following the same accounting policies and methods as those used in preparing the most recent consolidated financial statements for the year ended December 31, 2015, and have been prepared under the historical cost basis, except for the revaluation of financial derivative instruments to fair value and to reflect asset impairment (if any).

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on May 18, 2016.

3. SEGMENT INFORMATION

Effective January 1, 2016, the Corporation has restructured its organization structure to enhance its competitiveness and execution of its strategy. ENMAX's core operations include the competitive generation and sale of electricity and natural gas across Alberta through ENMAX Competitive Energy, and the regulated transmission and distribution of electricity in the City through ENMAX Power Delivery.

The Corporation uses a shared service allocation model to allocate cost between segments.

ENMAX COMPETITIVE ENERGY

ENMAX Competitive Energy is an operating segment established to carry out competitive energy supply and retail functions through various legal entities and affiliated companies. ENMAX Competitive Energy now also includes engineering, procurement, construction and maintenance service (previously under ENMAX Power) as well as Customer Service (previously under ENMAX Corporate).

ENMAX POWER DELIVERY

ENMAX Power Delivery is primarily a regulated operating segment established to carry out electricity transmission and distribution service functions and the regulated-rate option (RRO) retail function through various legal entities and affiliated companies.

SEGMENTED TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT BALANCES

As at *(millions of dollars)*	**March, 31, 2016**	**December, 31, 2015**
ENMAX Competitive Energy	**2,969.9**	2,905.0
ENMAX Power Delivery	**2,106.0**	2,103.0
Corporate and eliminations	**130.4**	155.6
Total Assets	**5,206.3**	5,163.6
Regulatory Deferral Account Debit Balances	**22.9**	34.5
Total Assets and Regulatory Deferral Account Debit Balances	**5,229.2**	5,198.1

Three months ended March 31, 2016 *(millions of dollars)*	**ENMAX Competitive Energy**	**ENMAX Power Delivery**	**Corporate & Intersegment Eliminations**	**Adjusted Consolidated Totals**	**Movement in Regulatory Deferral Account**	**Consolidated Totals**
REVENUE						
Electricity	**508.3**	**20.6**	**(100.5)**	**428.4**	**-**	**428.4**
Natural gas	**117.2**	**-**	**(0.3)**	**116.9**	**-**	**116.9**
Transmission and distribution	**-**	**136.1**	**-**	**136.1**	**1.2**	**137.3**
Local access fees	**-**	**25.4**	**-**	**25.4**	**-**	**25.4**
Other revenue	**40.4**	**7.1**	**(4.5)**	**43.0**	**(4.6)**	**38.4**
TOTAL REVENUE	**665.9**	**189.2**	**(105.3)**	**749.8**	**(3.4)**	**746.4**
OPERATING EXPENSES						
Electricity and fuel purchases	**423.1**	**14.7**	**(100.4)**	**337.4**	**-**	**337.4**
Natural gas and delivery	**101.4**	**-**	**-**	**101.4**	**-**	**101.4**
Transmission and distribution	**-**	**68.0**	**-**	**68.0**	**(11.8)**	**56.2**
Local access fees and grid charges	**-**	**25.4**	**-**	**25.4**	**-**	**25.4**
Depreciation and amortization	**30.7**	**21.3**	**2.3**	**54.3**	**-**	**54.3**
Other expenses	**79.1**	**37.6**	**(7.8)**	**108.9**	**(2.3)**	**106.6**
TOTAL OPERATING EXPENSES	**634.3**	**167.0**	**(105.9)**	**695.4**	**(14.1)**	**681.3**
OPERATING PROFIT (LOSS)	**31.6**	**22.2**	**0.6**	**54.4**	**10.7**	**65.1**
Finance charges	**42.0**	**10.1**	**(32.8)**	**19.3**	**-**	**19.3**
NET EARNINGS (LOSS) BEFORE TAX	**(10.4)**	**12.1**	**33.4**	**35.1**	**10.7**	**45.8**
Current income tax expense	**-**	**-**	**-**	**2.0**	**-**	**2.0**
Deferred income tax recovery	**-**	**-**	**-**	**(1.4)**	**-**	**(1.4)**
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL BALANCES	**-**	**-**	**-**	**34.5**	**10.7**	**45.2**
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES	**-**	**-**	**-**	**-**	**(10.7)**	**(10.7)**
NET EARNINGS	**-**	**-**	**-**	**34.5**	**-**	**34.5**

Three months ended March 31, 2015 *(millions of dollars)*	ENMAX Competitive Energy	ENMAX Power Delivery	Corporate & Intersegment Eliminations	Adjusted Consolidated Totals	Movement in Regulatory Deferral Account	Consolidated Totals
REVENUE						
Electricity	567.5	28.8	(88.8)	507.5	0.4	507.9
Natural gas	145.6	-	(0.3)	145.3	-	145.3
Transmission and distribution	-	124.2	-	124.2	37.7	161.9
Local access fees	-	26.3	-	26.3	-	26.3
Other revenue	35.0	7.1	(5.2)	36.9	(8.5)	28.4
TOTAL REVENUE	748.1	186.4	(94.3)	840.2	29.6	869.8
OPERATING EXPENSES						
Electricity and fuel purchases	460.6	22.6	(88.0)	395.2	-	395.2
Natural gas and delivery	127.8	-	-	127.8	-	127.8
Transmission and distribution	-	59.4	-	59.4	(6.2)	53.2
Local access fees and grid charges	-	26.3	-	26.3	-	26.3
Depreciation and amortization	27.1	19.6	2.1	48.8	-	48.8
Other expenses	61.0	40.4	(8.0)	93.4	(9.9)	83.5
TOTAL OPERATING EXPENSES	676.5	168.3	(93.9)	750.9	(16.1)	734.8
OPERATING PROFIT (LOSS)	71.6	18.1	(0.4)	89.3	45.7	135.0
Finance charges	29.7	9.0	(28.6)	10.1	-	10.1
NET EARNINGS BEFORE TAX	41.9	9.1	28.2	79.2	45.7	124.9
Current income tax expense	-	-		7.3	-	7.3
Deferred income tax expense	-	-		1.5	-	1.5
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL BALANCES	-	-	-	70.4	45.7	116.1
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES	-	-		-	(45.7)	(45.7)
NET EARNINGS	-			70.4	-	70.4

COMPARATIVE SEGMENT INFORMATION

Organization structure changes

Operating segment information has been retroactively reclassified to reflect the changes in the organization structure. These changes had no impact on reported consolidated net earnings.

Net movement in regulatory deferral account

IFRS 14 *Regulatory Deferral Accounts* requires the separation of the net movement in the regulatory deferral account in the statement of earnings on its own line. The Q1 2015 net movement in regulatory deferral accounts has been adjusted to conform to the accounting policy in the 2015 annual consolidated financial statements, the Corporation's first IFRS financial statements. The adjustments resulted in an increase in electricity revenue of $0.1 million, an increase in transmission and distribution revenue of $30.8 million, a decrease in transmission and distribution costs of $32.5 million and a decrease in other expenses of $1.2 million, offset by a change in net movement in regulatory deferral account of $64.6 million. These changes had no impact on reported consolidated net earnings.

4. FINANCIAL INSTRUMENTS, HEDGES AND RISK MANAGEMENT

The Corporation 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.

VALUATION OF DERIVATIVE ASSETS AND LIABILITIES

Financial derivative instruments are recorded on the statement of financial position at fair value. As at March 31, 2016, the fair value of these contracts were as follows:

As at *(millions of dollars)*	**March 31, 2016**		**December 31, 2015**	
	Hedge Instruments	**Non-Hedge Derivatives**	**Hedge Instruments**	**Non-Hedge Derivatives**
Assets				
Current	**36.1**	**15.4**	26.9	7.7
Non-current	**75.8**	**5.6**	38.7	2.0
Liabilities				
Current	**73.4**	**28.2**	49.3	12.5
Non-current	**85.0**	**9.2**	45.0	8.1

Cash flow hedges are used to manage the variability of cash flows resulting from the purchase and sale of electricity and natural gas, and foreign exchange exposure. For cash flow hedges, changes in the fair value of the effective portion of the hedging derivative are accumulated in other comprehensive income (OCI) and recognized in net earnings during the periods when the variability in cash flows of the hedged item is realized. During the three months ended March 31, 2016, there was no ineffectiveness in the cash flow hedges recognized in electricity and fuel purchases (2015–nil). 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, 2016, there was no impact to earnings (2015–nil) related to hedges that no longer qualified for hedge accounting.

Non-hedge derivatives are classified at fair value through profit and loss, and recognized at fair market value with changes in fair market value being recorded. In the three months ended March 31, 2016, there were losses of $5.5 million (2015–$13.1 million gain) recorded in net earnings.

NON-DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Fair values for cash and cash equivalents, 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 Corporation estimated the fair value of its long-term debt 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 for comparable entities.

CARRYING AMOUNTS AND FAIR VALUES OF LONG-TERM DEBT

As at *(millions of dollars)*	March 31, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt [(1)] consisting of:				
Debentures, with remaining terms of				
Less than 5 years	**117.6**	**124.3**	62.8	64.6
5–10 years	**14.4**	**14.9**	76.7	83.5
10–15 years	**31.1**	**36.1**	31.1	36.0
15–20 years	**387.1**	**451.2**	387.1	450.4
20–25 years	**653.4**	**682.6**	653.4	683.3
Private debentures				
Series 1 (6.15%)	**299.0**	**333.7**	298.9	333.2
Series 3 (3.81%)	**198.7**	**206.7**	198.6	206.6
Promissory note	**4.1**	**4.4**	4.2	4.5
	1,705.4	**1,853.9**	1,712.8	1,862.1

[(1)] Includes current portion of $66.5 million (December 31, 2015–$66.2 million). Maturity dates range from June 2016 to June 2040.

5. REGULATORY DEFERRAL BALANCES

The timing of recognition of certain regulatory debits, credits, revenues and expenses may differ from what is otherwise expected under IFRS for non-regulated operations. The Corporation has recorded the following regulatory deferral debit and credit balances:

As at *(millions of dollars)*	January 1, 2016	Balances Arising in the Period[1]	Recovery (Reversal)[2]	March 31, 2016	Expected Recovery/Reversal period (months)
Regulatory deferral account debit balances					
Accounts receivable (a)	19.8	32.4	(44.2)	**8.0**	2 Mo
Un-eliminated inter-company profit on underground residential development (b)	2.0	0.5	-	**2.5**	
Other regulatory debits (c)	12.7	-	(0.3)	**12.4**	12 Mo
Total regulatory deferral account debit balances	34.5	32.9	(44.5)	**22.9**	
Regulatory deferral account credit balances					
Other regulatory credits (d)	13.5	0.6	(1.5)	**12.6**	12 Mo
Total regulatory deferral account credit balances	13.5	0.6	(1.5)	**12.6**	

As at *(millions of dollars)*	January 1, 2015	Balances Arising in the Period[1]	Recovery (Reversal)[2]	March 31, 2015	Expected Recovery/Reversal Period (months)
Regulatory deferral account debit balances					
Accounts receivable (a)	18.5	26.3	(32.5)	12.3	2 Mo
Un-eliminated inter-company profit on underground residential development (b)	1.5	(0.2)	-	1.3	
Other regulatory debits (c)	46.6	1.0	(33.5)	14.1	6 Mo
Total regulatory deferral account debit balances	66.6	27.1	(66.0)	27.7	
Regulatory deferral account credit balances					
Other regulatory credits (d)	2.5	7.6	(0.7)	9.4	12 Mo
Total regulatory deferral account credit balances	2.5	7.6	(0.7)	9.4	

[1] "Balances arising in the period" column consists of new additions to regulatory deferral debits and credit balances.
[2] "Recovery/reversal" column consists amounts collected through rate riders or transactions reversing existing regulatory balances.

The following describes each of the circumstances in which rate regulation affects the accounting for a transaction or event. Regulatory deferral debit balances 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 deferral credit balances 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) Accounts receivable

Accounts receivable represent a price-only deferral account for transmission charges from the Alberta Electric System Operator (AESO). In the absence of rate regulation and the interim standard, IFRS would require that actual costs be recognized as an expense when incurred.

(b) Inter-company profit on underground residential development

A subsidiary of the Corporation performs construction work for the regulated operations of ENMAX Power Delivery at a profit. 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 of distribution assets. In the absence of rate regulation and the interim standard, IFRS would require that intercompany profits be eliminated upon consolidation.

(c) Other regulatory debits

Other regulatory debits primarily relate to the Alberta Utilities Commission (AUC) flow-through items and other costs that will be collected from customers via future rates such as access service charges. Timing of the decision on collection of these items can result in significant fluctuation in balances from year to year.

(d) Other regulatory credits

Other regulatory credits primarily relate to items that will be refunded to customers through 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, the Corporation'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 Delivery to absorb cost variances in a particular year. Similarly, there is a risk that the regulator may disallow a portion of certain costs incurred in the current period for recovery through future rates or disagree with the proposed recovery period. Any impairment related to regulatory deferral account debit balances is recorded in the period in which the related regulatory decisions are received.

6. OTHER ASSETS AND LIABILITIES

As at *(millions of dollars)*	March 31, 2016	December 31, 2015
Other current assets		
Prepaid expenses	**14.2**	13.0
Collateral paid	**25.0**	-
Deferred asset	**0.3**	0.3
Other	**39.2**	30.9
	78.7	44.2
Other long-term assets		
Prepaid expenses	**3.7**	3.8
Long-term accounts receivable	**2.6**	2.7
Deferred asset	**4.1**	4.1
Long-term collateral paid	**3.1**	-
Other	**11.1**	10.6
	24.6	21.2
Other current liabilities		
Capital lease	**0.8**	0.6
Deposits	**22.4**	31.7
Other	**7.4**	7.4
	30.6	39.7
Other long-term liabilities		
Capital lease	**5.2**	5.6
Other	**9.0**	11.2
	14.2	16.8

7. PROPERTY, PLANT AND EQUIPMENT

	Transmission, Distribution and Substation Equipment	Generation Facilities and Equipment	Buildings and Site Development	Tools, Systems and Equipment	Land	Capital Spares and Other	Vehicles	Construction in progress	Government Grants	Total
Cost										
As at January 1, 2015	1,561.6	1,486.6	207.8	87.2	36.9	39.2	24.9	999.4	(20.0)	4,423.6
Additions	-	-	-	-	-	-	-	282.7	-	282.7
Transfers	253.4	903.0	18.8	10.7	0.8	4.4	2.6	(1,193.7)	-	-
Disposals	(16.1)	(0.2)	(1.1)	(1.6)	-	-	(2.5)	-	-	(21.5)
Changes to asset retirement costs	-	4.3	-	-	-	-	-	-	-	4.3
As at December 31, 2015	1,798.9	2,393.7	225.5	96.3	37.7	43.6	25.0	88.4	(20.0)	4,689.1
Additions	1.9	-	1.1	-	-	0.2	-	36.4	-	39.6
Disposals	(1.7)	-	-	-	-	-	(1.0)	-	-	(2.7)
Transfers	(2.9)	(152.2)	177.2	9.3	(0.2)	-	1.2	(32.4)	-	-
As at March 31, 2016	1,796.2	2,241.5	403.8	105.6	37.5	43.8	25.2	92.4	(20.0)	4,726.0
Accumulated Depreciation										
As at January 1, 2015	(58.1)	(439.0)	(30.9)	(53.8)	-	-	(4.4)	-	3.0	(583.2)
Depreciation	(67.9)	(82.0)	(13.7)	(8.9)	-	-	(2.8)	-	0.7	(174.6)
Disposals	24.5	-	1.1	1.5	-	-	2.5	-	-	29.6
As at December 31, 2015	(101.5)	(521.0)	(43.5)	(61.2)	-	-	(4.7)	-	3.7	(728.2)
Depreciation	(18.4)	(23.1)	(3.0)	(2.3)	-	-	(0.5)	-	0.2	(47.1)
Disposal	0.8	-	-	-	-	-	0.6	-	-	1.4
Transfers	-	16.4	(15.7)	0.2	-	-	(0.9)	-	-	-
As at March 31, 2016	(119.1)	(527.7)	(62.2)	(63.3)	-	-	(5.5)	-	3.9	(773.9)
Net Book Value										
As at December 31, 2015	1,697.4	1,872.7	182.0	35.1	37.7	43.6	20.3	88.4	(16.3)	3,960.9
As at March 31, 2016	1,677.1	1,713.8	341.6	42.3	37.5	43.8	19.7	92.4	(16.1)	3,952.1

On March 31 2016, the Corporation performed an impairment test of its power generating assets organized into four distinct cash generating units (CGUs), using the same methodology as at December 31, 2015 and giving consideration to new externally available information related to future pricing of electricity and natural gas. No impairment expenses were recognized in the three months ended March 31, 2016. Please refer to Note 3(c) in the 2015 annual consolidated financial statements on Significant Accounting Estimates for additional information on the impairment methodology and qualitative and quantitative information on the most sensitive assumptions.

8. ACCUMULATED OTHER COMPREHENSIVE LOSS

As at *(millions of dollars)*	March 31, 2016	December 31, 2015
Net unrealized (losses) on available-for-sale financial assets	**(0.1)**	(0.1)
Net unrealized (losses) on derivatives designated as cash flow hedges, including deferred income tax recovery of $5.3 (December 31, 2015–recovery of $0.9 million)	**(41.2)**	(27.8)
Net actuarial gains (losses) on defined benefit plans, including deferred income tax recovery of $0.1 (December 31, 2015–recovery of $0.2 million)	**4.0**	4.1
Accumulated other comprehensive losses, including deferred income tax recovery $5.4 million (December 31, 2015–recovery of $1.1 million)	**(37.3)**	(23.8)

9. OTHER REVENUE AND EXPENSES

OTHER REVENUE
Three months ended March 31

(millions of dollars)	2016	2015
Contractual service	**25.3**	20.9
Interest and penalty revenue	**2.6**	2.3
Amortization of CIAC	**3.4**	3.4
Miscellaneous	**7.1**	1.8
	38.4	28.4

OTHER EXPENSES
Three months ended March 31

(millions of dollars)	2016	2015
Salaries and wages	**60.6**	64.6
Materials and supplies	**6.4**	4.2
Goods and services	**20.2**	16.5
Administrative and office expenses	**2.3**	1.1
Building expense	**11.5**	10.0
Vehicles and other	**4.5**	0.8
Foreign exchange losses (gains)	**1.1**	(13.7)
	106.6	83.5

10. DIVIDEND

On March 16, 2016, the Corporation declared a dividend of $47.0 million to The City (2015–$56.0 million). The dividend will be paid in equal quarterly instalments during 2016.

11. CHANGE IN NON-CASH WORKING CAPITAL

Three months ended March 31 *(unaudited)* *(millions of dollars)*	2016	2015
Accounts receivable	**19.9**	1.3
Regulatory deferral account debit balance	**11.6**	38.9
Other assets	**(38.0)**	(7.4)
Accounts payable and accrued liabilities	**(49.6)**	(34.7)
Regulatory deferral account credit balances	**(0.9)**	6.9
Other liabilities	**(11.7)**	7.2
Provisions	**(1.2)**	(0.3)
Change related to operating activities	**(69.9)**	11.9

12. RELATED-PARTY TRANSACTIONS

The City is the sole shareholder of the Corporation. The following tables summarize the related party transactions between the Corporation and The City.

Statements of earnings

Three months ended March 31 *(unaudited)* *(millions of dollars)*	2016	2015
Revenue [1]	**33.4**	29.2
Local access fees and other expenses [2]	**26.4**	27.7

(1) 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.
(2) This cost is passed through the Corporation directly to transmission and distribution customers.

Statements of financial position

As at *(millions of dollars)*	March 31, 2016	December 31, 2015
Accounts receivable	**23.8**	22.8
Other long-term assets	**1.7**	1.9
PPE [1]	**3.9**	3.9
Accounts payable and accrued liabilities	**8.5**	9.7
Long-term debt [2]	**1,203.6**	1,211.1
Other long-term liabilities [3]	**5.1**	5.1

(1) Assets under the lease.
(2) Interest and principal payments for the three months ended March 31, 2016 were $1.8 million (2015 - $2.2 million) and $7.4 million (2015 - $7.1 million) respectively. In addition, the Corporation paid a management fee of $0.8 million to The City for the three month period ended March 31, 2016, (2015 - $0.7 million).
(3) Finance lease obligation and other

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.

The Corporation has committed to a water supply agreement, whereby The City supplies a specified amount of water annually to facilitate Shepard operations.

13. COMMITMENTS AND CONTINGENCIES

The Corporation has commitments, including PPE capital expenditures and obligations under other agreements. The Corporation assesses for potential contingencies for regulatory requirements, legal claims, power purchase arrangements, income tax, environmental liabilities, letters of credit, director/officer indemnifications and other indemnifications. A detailed description of the Corporation's commitments and contingencies was provided in Note 28 of the 2015 Consolidated Financial Statements.

In December 2015, the Corporation notified the Balancing Pool of the decision to terminate the Battle River Power Purchase Arrangement (PPA) effective January 1, 2016. The Balancing Pool has notified the Corporation that it accepted the termination. However, the Balancing Pool and the Corporation differ in opinion as to the effective date of termination. Although there can be no assurance that this dispute will be resolved in the Corporation's favor, the Corporation does not believe that the outcome of this dispute will have a material adverse effect on its financial position.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. Refer to Note 3 for further information.

15. SUBSEQUENT EVENT

On May 5, 2016, the Corporation issued a notice to the Balancing Pool of the decision to terminate the Keephills PPA effective May 5, 2016. The termination is pursuant to the change in law provisions of the PPA. As a result of the decision, the Corporation expects to record a non-cash impairment loss of $51.4 million (net of tax) in the second quarter of 2016.

ADDITIONAL INFORMATION

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

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