



2021 Financial Report

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 many 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.

For further information, see the Management’s Discussion & Analysis (MD&A) section, Risk Management and Uncertainties.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A, dated March 17, 2022, is a review of the results of operations of ENMAX Corporation for the year ended December 31, 2021, compared with 2020, 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 set out.

ENMAX's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Consolidated Financial Statements and MD&A were reviewed by ENMAX's Audit Committee, and the Consolidated Financial Statements were approved by ENMAX's Board of Directors (the Board). All amounts are in millions of Canadian dollars unless otherwise specified.

The Corporation reports on certain non-IFRS financial performance measures that are used by management to evaluate performance of business segments. Because non-IFRS financial measures do not have a standard meaning prescribed by IFRS, the Corporation has defined and reconciled them with their nearest IFRS measure. For the reader's reference, the definition, calculation and reconciliation of non-IFRS financial measures are provided in the Non-IFRS Financial Measures section.

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Glossary of terms can be found on page 98 of the Consolidated Financial Statements.

ENMAX OVERVIEW

ENMAX is a private corporation and The City of Calgary (The City) is its sole shareholder. Headquartered in Calgary, Alberta, Canada, ENMAX's mission is to power the potential of people, businesses and communities by safely and responsibly providing electricity and energy services in ways that matter today and in the future. ENMAX has a proud history of providing Albertans with electricity, and through the acquisition of Versant Power, serves a greater North American customer base.

ENMAX has core operations through three main business segments: ENMAX Power, Versant Power and ENMAX Energy. In addition, a Corporate segment provides financing and shared corporate services to the operating segments.

- ENMAX Power is primarily a regulated operating segment established to own and operate electricity transmission and distribution assets in the Calgary service area through various legal entities and affiliated companies. ENMAX Power's objective is to safely and efficiently operate and maintain the high reliability of its transmission and distribution system while meeting Calgary's power delivery infrastructure needs. ENMAX Power also delivers project execution for customer infrastructure in areas such as power infrastructure, light rail transit, and commercial and residential development.
- Versant Power operates as a separate and distinct regulated electricity transmission and distribution utility, serving customers in northern and eastern Maine, USA. Versant Power's role includes planning for the needs of the system, safely and efficiently maintaining the transmission and distribution system within the service area, evaluating new technologies that can enable greater reliability, resiliency, and customer choice, and timing investments so that benefits for customers exceed costs.
- ENMAX Energy is an Alberta-based integrated competitive generation and retail business, providing electricity, natural gas, distributed energy resource solutions and customer care services to approximately 700,000 customers throughout Alberta. ENMAX Energy also carries out retail energy supply and related functions for the Calgary Regulated Rate Option (RRO) through affiliated legal entities.
- The Corporate segment provides financing and shared legal, finance, human resources, governance, information technology and other corporate functions to the operating segments.

MARKET CONDITIONS

The COVID-19 global pandemic continues to influence the way ENMAX operates as a company and how customers consume electricity. Pandemic response measures are unique to jurisdictions and have changed over the course of 2021, with varied impacts on businesses and individuals. Economic recovery plans are still underway in both Alberta and Maine and a variety of government programs to aid consumers and businesses have operated throughout the pandemic.

ENMAX sustained pandemic impacts in all business segments, including a shift in energy consumption from commercial to residential sites, changes in credit risk and expected credit losses, and changed work practices, which include increased safety protocols and remote work where practical. While ENMAX has proven to be resilient and agile during the pandemic, the full extent of these impacts remains unknown. ENMAX remains committed to safe, reliable and efficient delivery of electricity to customers, and the health and safety of its workforce.

ENMAX POWER

ENMAX Power's highest priority is providing safe, reliable and efficient delivery of electricity to customers while prudently managing capital investment and operating costs.

ENMAX Power continues to invest in its electricity transmission and distribution system infrastructure to meet Calgary's needs. Distribution projects include investments to accommodate residential, commercial and industrial growth, as well as replacement and modification of existing assets required to meet industry safety and reliability standards. Transmission projects can include capacity upgrades to existing substations, existing transmission lines, new substations and new transmission lines to deliver reliable electricity. In addition to its regulated transmission and distribution business, ENMAX Power also delivers project execution for customer infrastructure in areas such as power infrastructure, light rail transit, and commercial and residential development.

The Transmission business is regulated by the Alberta Utilities Commission (AUC or the Commission) under a cost of service approach. Under this model, ENMAX Power applies to recover the forecast cost of providing transmission service, including an allowed return on capital in service. After public review of the application, AUC issues a decision approving the revenue requirement and the monthly transmission tariff that is ultimately recovered from Alberta customers.

The Distribution business is regulated under a Performance-Based Regulation (PBR) model for the 2018 to 2022 term. Under this model, distribution rates are set annually using a formula that determines distribution rates paid by customers in Calgary. PBR is intended to create additional incentives for utilities to find efficiencies in their operations as these efficiencies can lead to higher returns during the PBR term.

In February 2021, AUC released a report on Alberta's changing electric distribution system as a result of the evolving nature of electricity generation, consumption and storage. AUC committed to modernizing the regulatory framework for energy storage and to adapting distribution rates. This may lead to future changes in ENMAX Power's investment in infrastructure and how customers are charged for services.

VERSANT POWER

Versant Power is a transmission and distribution utility operating in the Maine Public District (MPD) and Bangor Hydro District (BHD), covering six counties in Maine. Versant Power's total operating area is approximately 27,000 square kilometres (10,400 square miles) serving approximately 162,000 customers. Versant Power's business is focused on safe and reliable transmission and distribution of electricity to its customers and investments in infrastructure to maintain the transmission and distribution system.

Versant Power's regulated operations are subject to the regulatory authority of the Maine Public Utilities Commission (MPUC) relating to distribution rates, service standards, territories served, issuance of securities and other matters. Versant Power is also subject to the jurisdiction of the United States Federal Energy Regulatory Commission (FERC) pertaining to various matters, including rates for transmission services and wholesale power sales. BHD is a member of the New England Power Pool and is interconnected with other New England utilities to the south and with New Brunswick Power Corporation to the north. MPD is a member of the Northern Maine Independent System Administrator.

Versant Power earns revenue by charging customers for delivery of electricity across its transmission and distribution facilities. This retail revenue is divided into separate transmission, distribution and stranded cost rates. Currently, approximately 42 per cent of Versant Power's electricity revenue is from distribution operations, 48 per cent is associated with local transmission operations, and 10 per cent relates to stranded cost recoveries and conservation charges. Rates for each element are established in distinct regulatory proceedings.

On July 1, 2021, Maine legislature passed a new Net Energy Billing (NEB) bill. The main components include a continuation of the current NEB program for any project smaller than 2 Megawatts (MW), the safe-harboring of existing projects from 2 to 5 MW if they satisfy certain benchmarks within certain time periods, and a MPUC-led stakeholder process to develop a recommended NEB 2.0. This program will result in reduced sales by Versant Power as distributed generation will be netted against customers' energy consumption, thereby reducing the amount billed by Versant Power to its customers. Versant Power has regulatory mechanisms to recover the value of the reduced sales due to the NEB program.

On July 13, 2021, Governor Mills vetoed LD 1708 (Public Power Bill). The Public Power Bill sought to direct MPUC to use existing statutory authority to require divestiture of Maine's investor-owned utilities (IOUs). A consumer-owned utility structured entity would replace the IOUs. Proponents of the Public Power Bill filed ballot initiatives with the Maine Secretary of State but failed to gather the minimum number of signatures required to place this initiative on the November 2022 ballot. Versant Power expects the initiative to be tabled again on the November 2023 ballot. Versant Power continues to monitor the public power initiative.

Another ballot initiative is directed at foreign interference and is in response to Governor Mills' veto of LD 194. This would prohibit contributions, expenditures and participation by entities where a foreign government has at least 10 per cent ownership, from influencing a citizen referendum. This also failed to gather the minimum number of signatures required to place this question in front of voters in November 2022.

ENMAX continues to monitor the potential impacts of all initiatives and legislation on Versant Power and its operations in the State of Maine.

ENMAX ENERGY

ENMAX Energy is an integrated business providing customers with competitively priced electricity, natural gas and distributed energy resource solutions. ENMAX Energy's advantage is its ability to hedge low-cost generation assets through its retail business – the largest in Alberta by number of customers and energy consumed. The competitive retail business provides customers with fixed-price electricity linked to wind and natural gas-fuelled generation assets and provides opportunities to offer additional energy services, such as solar installations. As at December 31, 2021, ENMAX Energy owned an interest in 1,512 MW of electricity generation capacity: 1,295 MW from natural gas-fuelled plants and 217 MW from wind power.

Natural gas retail contracts are backed by market transactions to provide supply certainty, margin stability and risk mitigation. Natural gas fuel requirements for the portfolio are balanced through the purchase and sale of natural gas in the Alberta market.

In 2021, carbon emission costs in Alberta reached \$40 per tonne of CO₂. On March 25, 2021, the Supreme Court of Canada determined in a 6-3 decision that the federal government's climate policy regarding carbon pricing is constitutional, further reinforcing the trend on carbon emission costs. Based on current government projections, the minimum carbon emission price in Canada will rise to \$65 per tonne of CO₂ by 2023 and will increase \$15 each year until it reaches \$170 per tonne of CO₂ by 2030. ENMAX continues to monitor the evolving carbon price landscape as current projections may result in higher input costs for our natural gas generation fleet and increased costs to our customers.

FINANCIAL PERFORMANCE

Management believes that a measure of operating performance is more meaningful if the impacts of specific items are excluded from the financial information. As a result, the table below presents ENMAX's adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA), adjusted earnings before interest and taxes (adjusted EBIT) and comparable net earnings (CNE). These financial metrics exclude unrealized gain (loss) on commodities where settlement on derivatives will occur in a future period, foreign exchange gain (loss), Versant Power acquisition-related costs (see Significant Events section), Alberta Electric System Operator (AESO) historical line loss provisions and impairments. Refer to the Non-IFRS Financial Measures section on page 15 for definitions and further description of the financial measures.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Year ended December 31,

(millions of Canadian dollars)

	2021	2020
Total revenue - Consolidated	3,097	2,626
Adjusted EBITDA ⁽¹⁾⁽²⁾		
ENMAX Power	244	255
Versant Power	131	101
ENMAX Energy	236	214
Corporate	(2)	(1)
Adjusted EBITDA - Consolidated	609	569
Adjusted EBIT ⁽¹⁾⁽²⁾		
ENMAX Power	100	120
Versant Power	80	62
ENMAX Energy	119	86
Corporate	1	3
Adjusted EBIT - Consolidated	300	271
Comparable net earnings ⁽¹⁾⁽²⁾⁽³⁾	200	173
Net earnings	296	288
Capital expenditures ⁽³⁾	499	438

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

⁽²⁾ Does not include:

- Realized and unrealized foreign exchange losses of \$2 million (2020 – \$129 million gains) for the year ended December 31, 2021.
- Unrealized electricity and gas mark-to-market gains for the year ended December 31, 2021 of \$127 million (2020 - \$47 million gains).
- Versant Power acquisition related costs of \$nil (2020 – \$37 million) for the year ended December 31, 2021. This includes finance charges of \$nil (2020 - \$9 million) that are included in calculating comparable net earnings.

⁽³⁾ Capital expenditures excludes \$nil (2020 - \$1,393 million) investment in the acquisition of Versant Power, net proceeds from the disposal of assets, and liabilities held for sale. See Significant Events section.

For the year ended December 31, 2021, as compared with 2020, ENMAX's adjusted EBIT increased by \$29 million. The primary drivers for the change in adjusted EBIT were:

- **ENMAX Power:** Reduced development activity and higher depreciation contributed to lower EBIT in 2021. The regulated business continues to grow as a result of load and customer site growth in the Calgary service area, and the need to make investments to replace aging infrastructure provides a positive trend forward.
- **Versant Power:** 2021 included a full year of Versant Power earnings, while 2020 included roughly nine months of earnings.
- **ENMAX Energy:** Higher spark spreads, gains from sales of emissions offsets, and lower credit losses from commercial customers led to higher adjusted EBITDA in 2021 when compared to 2020. This was partially offset by lower plant availability in 2021 as a result of a planned outage at Shepard Energy Centre.

ENMAX's net earnings increased by \$8 million for the year ended December 31, 2021, compared to 2020. Net earnings in 2021 also included higher unrealized commodity gains than 2020 but did not include foreign exchange gains or one-time Versant Power acquisition-related costs and AESO historical line loss provisions that were included in 2020 results.

Comparable net earnings for the year ended December 31, 2021 increased by \$27 million from 2020 due to the changes noted in adjusted EBIT and small movements in finance charges and income taxes.

As at December 31, 2021, ENMAX continues to carefully manage debt to cash flow ratios and capital investment and continues to repay Versant Power acquisition-related debt (see Liquidity section).

Additional details on the financial performance of the Corporation are discussed in the ENMAX Financial Results section.

Results of operations are not necessarily indicative of future performance, due to factors including fluctuating commodity prices, timing of receipt of regulatory decisions, performance and retirement of existing generation facilities, addition of new generation facilities, and impact of government policies.

SIGNIFICANT EVENTS

DISTRICT ENERGY CENTRE

On November 6, 2020, the Corporation announced that it entered into a definitive agreement to sell its District Energy Centre assets for \$27 million. The sale of District Energy Centre, which represents less than half of one per cent of the Corporation's total asset base, was undertaken in support of ENMAX's enhanced focus on strategic growth.

The sale was completed on May 14, 2021, following regulatory approval.

VERSANT POWER ACQUISITION

On March 24, 2020, the Corporation completed its acquisition of BHE Holdings, Inc., the parent company of Emera Maine. On May 11, 2020, the Corporation changed the name of Emera Maine to Versant Power. Versant Power's business is aligned with ENMAX's long-term strategy to grow regulated cash flows and diversify revenue streams within North America. The aggregate purchase price was \$1,393 million (\$962 million USD) on closing, including the assumption of \$567 million (\$391 million USD) of existing debt.

ENMAX POWER BUSINESS UPDATE

On March 4, 2021, AUC issued a decision on the 2022 Generic Cost of Capital proceeding, extending the 2021 Return on Equity (ROE) of 8.5 per cent and deemed equity ratio of 37 per cent for 2022. The Utilities Consumer Advocate filed an appeal of this decision, which was ultimately denied by the Commission, leaving the previous decision unchanged.

On June 16, 2021, AUC issued a decision on ENMAX Power's 2021-2022 Transmission General Tariff Application. The Commission approved ENMAX Power's Negotiated Settlement Agreement which covered most issues in the proceeding. On issues excluded from the settlement, the Commission disallowed ENMAX Power's proposed depreciation expense and Enhanced Asset Management Strategy costs. ENMAX Power applied to recover approximately \$230 million of costs in transmission revenue over two years and was approved to recover approximately \$207 million. On July 16, 2021, ENMAX Power filed an application for permission to appeal this decision as it relates to the disallowed depreciation recovery. On October 19, 2021, the Alberta Court of Appeal dismissed the application for permission to appeal.

ENMAX Power will file a new transmission cost of service application in 2022. Once approved by AUC, this will set new transmission revenues effective for 2023.

On June 17, 2021, ENMAX Power filed an application to recover costs associated with relocating ENMAX Power infrastructure needed to accommodate The City of Calgary's Green Line Light Rail Transit project. On November 24, 2021, AUC disallowed ENMAX Power's application.

On June 18, 2021, the Commission issued a decision requiring ENMAX Power to file a 2023 distribution cost-of-service application by January 17, 2022. The outcome of this proceeding will form the starting distribution rates to be charged in ENMAX Power's service territory for the next PBR term starting in 2024. On June 30, 2021, the Commission determined that PBR will continue after 2023 and it established a proceeding to determine the parameters of the next PBR plan.

On September 10, 2021, ENMAX Power filed its 2022 Annual PBR Rate Adjustment Application. In this application, ENMAX Power sought approval for the collection of \$268 million in PBR revenue through 2022 rates. On December 3, 2021, the Commission issued a decision on ENMAX Power's 2022 PBR Rate Adjustment filing, where it approved ENMAX Power's application for 2022 Distribution revenue requirement, except for the Green Line Type 1 capital placeholder amounts which were previously denied by the Commission on November 24, 2021.

On January 3, 2022, AUC initiated a process to establish a fair return (ROE and deemed equity ratio) for 2023, 2024 and beyond. For 2023, the Commission is considering extending the cost-of-capital parameters currently in place, ROE of 8.5 per cent and deemed equity ratio of 37 per cent. AUC is expected to issue its decision on the 2023 cost-of-capital parameters by March 31, 2022.

KEY BUSINESS STATISTICS

<i>Year ended December 31,</i>	2021	2020
Distribution volume in Gigawatt Hours (GWh)	9,186	9,050
System average interruption duration index (SAIDI) ⁽¹⁾	0.57	0.47
System average interruption frequency index (SAIFI) ⁽²⁾	0.64	0.54

⁽¹⁾ SAIDI represents 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. The lower the SAIDI, the better the reliability.

⁽²⁾ SAIFI represents 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. The lower the SAIFI, the better the reliability.

Total electricity delivered to the Calgary service area for the period ended December 31, 2021 was higher than 2020, as pandemic related restrictions had less impact on energy consumption in 2021. Extreme temperatures in the summer months and colder winter months also pushed energy consumption higher. ENMAX Power continues to monitor impacts of the COVID-19 pandemic.

During 2021, SAIDI and SAIFI were unfavourable compared to 2020. SAIDI and SAIFI increases were primarily due to cable failures, public interference and animal contacts.

VERSANT POWER BUSINESS UPDATE

On March 24, 2020, the Corporation completed the acquisition of Versant Power (see Significant Events section). Key business statistics for the years ended December 31, 2021 and 2020 have been disclosed for comparative purposes.

KEY BUSINESS STATISTICS

<i>Year ended December 31,</i>	2021	2020
Distribution volume in gigawatt hours (GWh)	2,065	1,938
System average interruption duration index (SAIDI) ⁽¹⁾⁽⁴⁾	3.63	5.03
System average interruption frequency index (SAIFI) ⁽²⁾⁽⁴⁾	1.97	2.27
Customer average interruption duration index (CAIDI) ⁽³⁾⁽⁴⁾	1.84	2.21

⁽¹⁾ SAIDI represents 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 five minutes. The lower the SAIDI, the better the reliability.

⁽²⁾ SAIFI represents 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 five minutes. The lower the SAIFI, the better the reliability.

⁽³⁾ CAIDI represents the average hours of service interruption for customers who experience a service interruption. The lower the CAIDI, the better the reliability.

⁽⁴⁾ The Institute of Electrical Electronics Engineers defines a 'sustained' outage as one that is five minutes or longer. This is a known distinction from Canadian utilities.

Total electricity delivered for the year ended December 30, 2021 was higher than 2020. The increase was driven by an overall rise in the residential segment, predominantly due to warmer temperatures in July through September and an increase in commercial usage as businesses re-opened or returned to higher capacities than prior year.

Versant Power achieved favourable SAIDI, SAIFI and CAIDI for the year ended December 31, 2021 compared to 2020. This improved performance was driven by fewer service interruptions and fewer service interruption hours due to weather, public interference and animal contacts. This was slightly offset by higher quantities of service interruptions and service interruption hours resulting from equipment failure, vegetation contact and no fault found outages. Versant customers experienced approximately 48,000 fewer service interruptions and approximately 238,000 fewer service interruption hours in 2021 compared to 2020.

In response to the COVID-19 pandemic, MPUC directed all electric utilities not to engage in disconnection activity until further notice. This direction applied equally to residential and business customers. On November 1, 2020, MPUC reinstated limited collection activity for all customers, as well as disconnections for business customers. On April 15, 2021, normal collection activity for all customers resumed.

In October 2021, MPUC approved a 17.5 per cent distribution rate increase. This increase was effective November 1, 2021 and was based on a 9.35 per cent ROE and a common equity ratio of 49 per cent.

ENMAX ENERGY BUSINESS UPDATE

2021 AESO pool prices were the highest since the beginning of retail competition in Alberta, which began in 2001. The pool price averaged \$102/megawatt hour (MWh) for the year, about 117 per cent higher than last year's price of \$47/MWh. Q4 2021 was the strongest quarter of the year with an average price of \$107/MWh, which was \$61/MWh higher than Q4 2020.

In 2021, Alberta experienced a number of market changes which contributed to stronger pricing: Power Purchase Arrangement (PPA) units returned to the original owners, resulting in more commercial offer behaviour; and several coal units were retired or converted to natural gas, reducing baseload capacity. In addition, there were several prolonged extreme weather events leading to strong demand and prices.

Despite the ongoing COVID-19 pandemic, Alberta set a demand record in 2021 with peak load of 11,792 MW in February, closely followed by peak demand in June of 11,721 MW. These peaks were the result of extreme temperatures: a polar vortex in February and a heat dome in June. For Alberta, typically a winter peaking system, nearly setting a peak demand record in June is unusual, but it was the result of changes to residential demand driven by air conditioning and more individuals working from home during the pandemic. Average load in 2021 was 9,728 MW, compared to 9,462 MW in 2020.

Alberta natural gas prices had their strongest year since 2014, averaging \$3.39/gigajoule (GJ) for 2021, an increase of \$1.27/GJ over the prior year. The strongest quarter was Q4, with the daily index price averaging \$4.42/GJ, up \$1.93/GJ from Q4 2020. Entering Q4, the market supply/demand balance for the winter was tight, as production and storage levels were below expectations. However, by December much of the concern had abated as the supply picture improved and winter weather failed to materialize across much of North America.

With increased price volatility in the spot markets and the strengthening of both natural gas and power forward markets, ENMAX's hedging strategy continues to play an integral role in managing exposure therefore protecting a portion of ENMAX's commodity margin from market impacts.

KEY BUSINESS STATISTICS

<i>Year ended December 31,</i>	2021	2020
Plant availability (%) ⁽¹⁾	91.9	98.7
Average flat pool price (\$/MWh)	102.37	46.53
Average spark spread (\$) ⁽²⁾	76.94	30.69

⁽¹⁾ Plant availability (%) reflects planned maintenance and forced outages.

⁽²⁾ Based on market prices.

Plant availability in 2021 was lower than 2020 due to a planned major outage at Shepard Energy Centre. ENMAX Energy continued to focus on safe and reliable operations during the outage, which was successfully completed within the scheduled time frame.

Spark spread, which is the difference between the wholesale electricity price and cost of natural gas to produce the electricity, represents the gross margin contribution of a natural gas-fuelled power plant from generating an unhedged unit of electricity. The increase from 2020 levels was driven by a higher average pool price, partially offset by an increase in the price of natural gas.

In the retail business, fixed price electricity volume in 2021 decreased mainly due to a reduction in demand at commercial sites as a result of the COVID-19 pandemic.

To mitigate risk, ENMAX Energy contracts most of its market position, delivering most of its electricity margin with less exposure to volatility from near-term spark spreads.

ENMAX Energy manages its portfolio to deliver on cash flow targets by using a combination of retail sales and forward market hedges. As a result, hedging and contracting strategies temper the impact of in-year price movements, which reduces volatility of cash flows with respect to market prices. Entering the year, ENMAX Energy hedged a significant portion of its capacity. This largely insulated commodity margins from market impacts and led to increased certainty on cash flows throughout the year. Only a small percentage of the portfolio positions were impacted by volatility in the current market environment, as electricity prices significantly increased, leading to higher than expected spark spreads.

ENMAX FINANCIAL RESULTS

ADJUSTED EBIT COMPARED WITH 2020

<i>(millions of Canadian dollars)</i>	ENMAX Power	Versant Power	ENMAX Energy	Corporate	ENMAX Consolidated
Adjusted EBIT ⁽¹⁾ for the year ended December 31, 2020	120	62	86	3	271
Increased (decreased) margins attributable to:					
Transmission and distribution	(18)	57	-	-	39
Electricity	-	-	(14)	2	(12)
Natural gas	-	-	-	-	-
Contractual services and other	(13)	(2)	9	(1)	(7)
Decreased (increased) expense:					
Operations, maintenance & administration (OM&A) ⁽²⁾	20	(25)	27	(2)	20
Depreciation and amortization	(9)	(12)	11	(1)	(11)
Adjusted EBIT ⁽¹⁾ for the year ended December 31, 2021	100	80	119	1	300

⁽¹⁾ Adjusted EBIT is a non-IFRS measure. See Non-IFRS Financial Measures section.

⁽²⁾ Normalized to exclude impact of intercompany transactions with no consolidated impact.

Transmission and distribution margins for the year ended December 31, 2021 increased by \$39 million or 8 per cent from 2020. The favourable variance was largely due to inclusion of Versant Power results for the full year in 2021, as compared to a partial year in 2020, as well as continued investment in ENMAX Power.

Electricity margins for the year ended December 31, 2021 decreased by \$12 million or 4 per cent compared to 2020, excluding AESO historical line loss provisions, primarily due to lower plant availability as a result of a planned major outage at Shepard Energy Centre, partially offset by increased spark spreads.

Natural gas margins for the year ended December 31, 2021 remained flat compared to prior year due to higher consumption volumes, offset by higher costs to serve and customer product preferences shifting to lower margin fixed price natural gas offerings.

Contractual services and other margins decreased by \$7 million or 7 per cent for the year ended December 31, 2021, compared to 2020, primarily due to lower construction service activity.

Management characterizes operations, maintenance and administration (OM&A) costs as other expenses recognized on the consolidated statement of earnings, excluding foreign exchange (loss) gain, Versant Power acquisition costs, and costs that are included in contractual service margins. For the year ended December 31, 2021, OM&A decreased \$20 million or 4 per cent, when compared to 2020. The favourable variance from prior period was largely due to decreased staffing costs and collection of previously recorded credit loss, offset by the inclusion of Versant Power results for the full year in 2021.

The Corporation recorded no Versant Power acquisition-related costs during 2021. In 2020, the Corporation recorded acquisition related costs of \$37 million, of which \$9 million related to finance charges. Acquisition costs are not included in adjusted EBIT.

Depreciation and amortization expense for the year ended December 31, 2021 increased \$11 million or 4 per cent, when compared to 2020. This increase in the year ended December 31, 2021 was due to capital asset additions and 2021 included a full year of Versant Power capital additions.

OTHER NET EARNINGS ITEMS

Finance charges for the year ended December 31, 2021 decreased \$5 million or 4 per cent, compared to the same period in 2020. This decrease was primarily driven by the financing portion of the AESO historical line loss provision, that was incurred in 2020.

The Corporation recorded total income tax recovery of \$29 million for the year ended December 31, 2021, compared to a recovery of \$20 million in 2020. The change in this amount is primarily due to changes in taxable income.

OTHER COMPREHENSIVE INCOME AND SHAREHOLDER'S EQUITY

Other Comprehensive Income (OCI) illustrates earnings under the assumption of full income recognition of gain and loss on the market value of securities and derivatives, otherwise treated as hedges of future revenue and expense, cumulative effects of currency translation of foreign operations, as well as remeasurement gain and loss on pension retirement benefits.

For the year ended December 31, 2021, OCI includes total gains of \$61 million, compared with losses of \$157 million in 2020. OCI gains in 2021 primarily reflect cumulative foreign exchange translation impacts on consolidation of foreign operations and remeasurement gains on retirement benefits.

Accumulated other comprehensive income (loss) is reflected in shareholder's equity along with retained earnings and share capital. Retained earnings for the period increased \$238 million, largely from earnings during the period, partially offset by the \$58 million dividend declared on common shares.

NON-IFRS FINANCIAL MEASURES

The Corporation uses adjusted EBITDA, adjusted EBIT, and comparable net earnings as financial performance measures. Management considers adjusted EBITDA 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. Adjusted EBITDA is also used to evaluate certain debt coverage ratios. Management believes adjusted EBIT is a useful measure of business performance, which provides an indication of operating results generated by primary business activities.

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 is shown below. These non-IFRS measures are consistently applied in the previous period.

ADJUSTED EBITDA, ADJUSTED EBIT AND COMPARABLE NET EARNINGS

<i>Year ended December 31, (millions of Canadian dollars)</i>	2021	2020
Net earnings (IFRS financial measure)	296	288
Add (deduct):		
Unrealized (gain) on commodities	(127)	(47)
Foreign exchange loss (gain)	2	(129)
Versant Power acquisition related costs (including finance charges) ⁽¹⁾	-	37
Impairment (recovery)	16	(1)
Historical line loss provisions (including finance charges) ⁽²⁾	-	33
Net income tax expense on unrealized (gain) on commodities, and foreign exchange loss (gain), Versant Power acquisition related costs and impairments	13	(8)
Comparable net earnings (non-IFRS financial measure)	200	173
Add (deduct):		
Finance charges (excludes Versant Power acquisition related costs)	129	118
Remaining income tax (recovery)	(29)	(20)
Adjusted EBIT (non-IFRS financial measure)	300	271
Add (deduct):		
Depreciation and amortization (excludes regulatory deferral movement)	309	298
Adjusted EBITDA (non-IFRS financial measure)	609	569

⁽¹⁾ Comprised of \$28 million in OM&A costs and \$9 million in net financing charges for the year ended December 31, 2020.

⁽²⁾ Comprised of \$26 million included in electricity costs and \$7 million in net financing charges for the year ended December 31, 2020.

Management believes these measures of operating performance are more meaningful, as results not related to normal operations are excluded. Unrealized (gain) on commodities reflects the impact of changes in forward natural gas and power prices and the volume of positions for these derivatives over a certain period. This unrealized (gain) does not necessarily reflect the actual gain and loss that will be realized on settlement. Furthermore, unlike commodity derivatives, ENMAX's generation capacity and future sales to retail customers are not fair valued under IFRS.

FINANCIAL POSITION

SIGNIFICANT CHANGES IN THE CORPORATION'S FINANCIAL POSITION

<i>As at December 31, (millions of Canadian dollars, % change)</i>	2021	2020	\$ Change	% Change	Explanation for Change
ASSETS					
Cash and cash equivalents	65	40	25	63%	Refer to Liquidity section
Accounts receivable	919	736	183	25%	Increase is mainly attributable to the timing of receipts and revenue growth
Net assets held for sale	-	27	(27)	(100%)	The Corporation completed the sale of its District Energy Centre assets on May 14, 2021
Property, plant and equipment (PP&E)	5,915	5,773	142	3%	Capital additions partially offset by amortization
Intangible assets	321	290	31	11%	Additions in the period partially offset by amortization
Net financial assets (liabilities) ⁽¹⁾	42	(10)	32	520%	Change in fair value of derivatives
LIABILITIES AND SHAREHOLDER'S EQUITY					
Short-term financing	218	166	52	31%	Refer to Liquidity section
Accounts payable and accrued liabilities	733	564	169	30%	Increase is mainly attributable to the timing of disbursements and expense growth
Long-term debt ⁽¹⁾	3,332	3,442	(110)	(3%)	Additional \$271 million in repayments of debt offset by \$160 million City promissory notes issued
Asset retirement obligation and other provisions	128	149	(21)	(14%)	Change in discount rates

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

LIQUIDITY AND CAPITAL RESOURCES

ENMAX actively monitors its cash position and anticipated cash flows to optimize funding levels. ENMAX finances working capital requirements, capital investments and maturities of long-term debt through a combination of cash flow from operations, drawings on the Corporation's bank credit facilities, and issuance of long-term debt.

Cash and cash equivalents increased to \$65 million as at December 31, 2021, compared to \$40 million as at December 31, 2020. Short-term financing of \$218 million as at December 31, 2021 reflects working capital management to address timing of expenditures.

ENMAX's credit facility agreements and trust indenture include standard events of default and covenant provisions, whereby accelerated repayment and/or termination of agreements may result if the Corporation were to default on payment or violate certain covenants. As at December 31, 2021, the Corporation was compliant with all debt covenants and expects to remain so throughout 2022.

As at December 31, 2021, ENMAX issued \$100 million in commercial paper with a fair value of \$100 million and average interest rate of 0.96 per cent (December 31, 2020 - \$nil), and had drawn \$118 million on existing credit facilities with an average all-in interest rate of 1.90 per cent (December 31, 2020 - \$166 million at 1.92 per cent). ENMAX's total debt balance as at December 31, 2021 was \$3,550 million (December 31, 2020 - \$3,608 million).

In March 2020, the Corporation entered a \$250 million two-year syndicated credit facility in connection with the Versant Power acquisition. \$55 million of this facility was repaid in 2020, \$115 million was repaid in March 2021, and the remaining \$80 million was repaid in April 2021.

In January 2022, Versant Power completed the issuance of an unsecured \$100 million USD senior note, bearing interest at a rate of 3.15 per cent, payable semi-annually, and maturing on January 28, 2052. The net proceeds of the senior note were used to refinance the \$62 million USD senior unsecured notes maturing January 31, 2022.

On June 11, 2021 S&P revised ENMAX's outlook from BBB- with a stable outlook to BBB- with a negative outlook due to leverage taken on during the Versant acquisition. On July 8, 2021, DBRS confirmed ENMAX's long-term rating at BBB (high) with a stable outlook.

CREDIT FACILITIES

<i>As at December 31,</i>	2021		2020	
	Borrowing capacity	Available	Borrowing capacity	Available
Committed Credit Facilities ⁽¹⁾	800	582	1,100	655
Demand Credit Facilities	850	459	-	-
Total	1,650	1,041	1,100	655

⁽¹⁾ The Corporation's committed syndicated credit facilities mature in 2025 and are provided by national and regional lenders.

⁽²⁾ Demand credit facilities currently have \$810 million allocated to letters of credit, and the remaining \$40 million allocated for general corporate purposes.

During the year ended December 31, 2021, ENMAX restructured and extended its bank credit facilities. The new credit facilities consist of a \$800 million committed syndicated credit facility, maturing in 2025, and \$850 million in demand credit facilities, with no maturity.

CASH PROVIDED BY OPERATING ACTIVITIES

Cash provided by operating activities for the year ended December 31, 2021 is \$619 million, compared to \$535 million in 2020, resulting from additional operating cash flow from Versant Power operations.

INVESTING ACTIVITIES

The following table outlines investment in capital additions and other changes for the year ended December 31, 2021.

<i>Year ended December 31,</i> <i>(millions of Canadian dollars)</i>	2021	2020
Property, plant and equipment	435	368
Intangibles	53	43
Capital accruals	(2)	16
Capitalized interest	8	11
Investment entities	5	-
Proceeds of disposition ⁽¹⁾	(27)	-
Acquisition of Versant Power	-	1,393
Total	472	1,831

⁽¹⁾ Proceeds related to the sale of District Energy Centre (see Significant events section).

During 2021, ENMAX continued to execute its strategic direction by investing in property, plant and equipment to better serve its growing customer base.

FINANCING ACTIVITIES

During the year ended December 31, 2020 ENMAX made regularly scheduled debt repayments of \$272 million, compared with \$172 million in 2020.

On March 24, 2021, ENMAX declared a dividend of \$58 million payable to The City in quarterly instalments throughout 2021. All quarterly instalments of this dividend were paid by the end of 2021. On March 17, 2022 a total dividend of \$62 million was declared payable to The City in four quarterly instalments payable throughout 2022.

ENMAX has historically paid The City annual dividends calculated as the greater of 30 per cent of prior year comparable net earnings, or \$30 million. Dividends for a fiscal year are established in the first quarter of the same fiscal year. As per normal course, the payment and level of dividends is affected by such factors as financial performance and ENMAX's liquidity requirements.

RISKS AND RISK MANAGEMENT

ENMAX's approach to risk management addresses risk exposures across the Corporation's entire portfolio of business activities and risk types. ENMAX utilizes an Enterprise Risk Management (ERM) program to identify, analyze, evaluate, treat and communicate the Corporation's risk exposures in a manner consistent with ENMAX's business objectives and risk tolerance.

Risk exposures are managed within levels approved by the Board and the Chief Executive Officer and monitored by personnel in the business units, the planning and risk departments, and the senior management team. At a management level, each accountability area is responsible for assessing its risk exposures and implementing risk management plans. An enterprise risk assessment process and consolidated risk reporting is coordinated. Risk oversight is provided through the Board's Governance Committee, the Risk Management Committee (RMC) and the Commodity Risk Management Committee (CRMC) which are comprised of members of the Board of Directors and the Executive Team. Together, the RMC, CRMC and the Board oversee identified risk exposures and risk management programs, including the ERM program.

ENMAX's overall risk control environment includes:

- Clearly articulated corporate values, principles of business ethics
- Published enterprise-wide policies and standards in key risk areas, such as delegation of authority
- Documented commodity trading and position limits
- An internal audit function to test compliance with internal controls and policies
- Regular reporting of risk exposures and mitigations, including insurance programs, to the RMC, CRMC and Board, as appropriate
- Regular monitoring of ENMAX's financial exposure to changing market conditions
- The use of industry-accepted tools and methodologies for assessing risk exposures
- A Safety and Ethics Line for employees to anonymously report suspected illegal or unethical behaviour

These risk management programs and governance structures are designed to manage and mitigate several risk factors affecting ENMAX's business. In addition, by its nature, a discussion of enterprise risks typically focuses on mitigation of downside risk, as many of the risks ENMAX faces also present opportunities. The following discussion focuses predominantly on the mitigation of risks as opposed to leveraging of opportunities. The following discussion does not consider the result of any interrelationship among the factors.

COVID-19 PANDEMIC RISK

In response to the COVID-19 pandemic, among other measures, the Government of Alberta introduced legislation to provide residential, farm and small business customers the option of deferring payment of utility bills for a three-month period that ended in 2020. During this time, utilities could not disconnect customers for non-payment. Under Bill 14, the Government of Alberta and the Balancing Pool made funds available to ENMAX and other utility providers to reduce the cashflow impact of deferred customer payments. In Maine, among other measures, similar customer relief was implemented with disconnection for non-payment being suspended and this program has also ended.

In March 2020, the Corporation implemented operational protocols to manage COVID-19 risk, shifting to a remote operating environment to protect employees and customers and continue operations as an essential service. The Corporation continues to operate remotely where practicable in Alberta and Maine. In July 2020, a return to office pilot program was established to initiate planning for the future return to office for some or all staff currently working from home. The program has been retired, and the insights gained will be used to inform longer-term assessments. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that these developments will have on the financial results and condition of the Corporation in future periods. ENMAX continues to actively monitor these events while implementing activities to mitigate the impact and continue to operate safely.

MARKET RISK

ENMAX is affected by demand for energy based on changing customer patterns. General economic conditions, consumer focus on energy efficiency, weather and new technologies impact the demand for energy. Government policies promoting distributed generation and new technology developments enabling those policies have the potential to impact how electricity users connect to and utilize the system. Changes in how and where consumers work and increasing electrification of transportation may influence both the amount and distribution of energy consumption across service areas. These changes could impact ENMAX's operations, rate base, net earnings and cash flows. Versant Power and ENMAX Power's regulatory construct partially mitigates the impact of changes in demand on long-term financial performance. Versant Power and ENMAX Power are focused on understanding customer demand, energy efficiency and government policy to ensure that the impact of these activities benefit customers, do not negatively impact the reliability of energy service, and are addressed by regulators and appropriately reflected in rates.

ENMAX has inherent risk in electricity and natural gas commodity positions arising from owned and controlled supply assets and demand obligations. ENMAX also purchases and sells these commodities in wholesale markets to manage such positions. While ENMAX's business model is designed to achieve a balanced portfolio, in the near-term, electricity and natural gas positions may experience periodic imbalances and result in exposures to price volatility from spot or short-term contract markets. In the longer term, if ENMAX had fewer fixed-price retail contracts, there would be greater exposure to market prices.

ENMAX Energy uses numerous tools to forecast electricity consumption and generation, as well as the pattern of consumption and generation between hours (load shape). However, it is not possible to hedge all positions every hour. As such, there is exposure to volume and load shape risk. ENMAX actively manages supply by matching generation and market purchases to consumption volumes. ENMAX owns generation facilities that allow for quick reaction to unexpected supply and demand factors.

ENMAX may have future earnings variability as it relates to the sustainability and diversification of its portfolio, valuation modelling errors and commodity price levels, as well as demand volatility from retail residential, small business, industrial, commercial and institutional customers that could reduce retail margins or decrease renewal and acquisition rates. ENMAX Energy uses derivative instruments, such as swaps and forwards, to manage exposure to commodity price risk. Financial gains and losses could be recognized as a result of volatility in the market values of these contracts. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these derivative instruments may involve management's judgement or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. The inability or failure to effectively hedge its portfolio and prevent financial losses from derivative instruments could adversely affect ENMAX's business, results of operations, financial condition or prospects of the Corporation. ENMAX's hedging strategies control and mitigate these commodity price risks. Occasionally, hedging is ineffective as it may require a minimum level of market liquidity to actively manage positions.

ENMAX has foreign exchange (FX) rate exposures arising from certain procurement and energy commodity business activities. ENMAX hedges most FX risk exposures as they arise. However, such hedges may not be sufficient to cover FX exposure in the event of timing mismatches or extreme FX rate movements.

Changes in interest rates can impact borrowing costs on ENMAX's variable rate debt as well as the fair value of fixed rate debt. ENMAX holds long-term debt comprising of promissory notes and private debentures. This structure effectively mitigates exposure to interest rate fluctuations in the near-term. Short-term debt is generally variable rate, and long-term debt will need to be replaced at maturity leading to longer-term exposure. In some cases, the cost of debt is a component of rates and prudently incurred debt costs are recovered from customers. Regulated ROE will generally follow the direction of interest rates, such that regulated ROEs are likely to fall in times of reducing interest rates and rise in times of increasing interest rates. This relationship is indirect and generally has a lag period that reflects the regulatory process causing lesser impact to the Corporation over time.

For additional details on ENMAX's market risk exposures and sensitivities, refer to Note 7 in the Notes to the Consolidated Financial Statements.

OPERATIONAL RISK

ENMAX owns, controls or operates several electricity generation, transmission and distribution assets and facilities. The operation of such assets and facilities involves many risks, including: public safety incidents; start-up risks; breakdown or failure of generation, transmission or distribution facilities or pipelines; use of new technology; cyber security risk; dependence on a specific fuel source, including the transportation of fuel; impact of unusual or adverse weather conditions, including natural disasters; and performance below expected or contracted levels of output or efficiency. Renewable energy resource operating facilities are subject to weather-driven risks such as wind availability. There is risk of inadequate or failed internal processes, people and systems within the competitive and regulated businesses, shared services departments and certain outsourced service organizations.

Breakdown or failure of a facility may prevent it from performing as expected under applicable agreements, which, in certain situations, could result in terminating the agreements or incurring a liability for damages. Unanticipated transmission and distribution outages can cause interruptions in service. Unanticipated generation facility outages or operations at lower-than-full capacity can cause periodic imbalances in ENMAX's electricity and natural gas positions. Weather conditions can materially affect the level of demand for electricity and natural gas, the prices for these commodities and the generation of electricity at certain facilities. In addition, demand obligations may fluctuate based on commodity prices, season, day and time of use, and specific customer requirements. Weather conditions can also cause significant damage to the transmission and distribution system resulting in excessive capital investment to rebuild or operating expense to repair and restore the system.

ENMAX is exposed to commercial relationship risk with respect to its reliance on certain key partners, suppliers and customers. The Corporation manages its commercial relationship risk by monitoring credit risk and significant developments with its customers, partners and suppliers.

Events that could result from war, terrorism, global pandemic, civil unrest or vandalism may cause damage to ENMAX and its assets and have an impact on its generation, transmission and distribution operations or administrative functions in unpredictable ways.

These operational risks may affect ENMAX's ability to execute its strategy in an effective and efficient manner, affect the quality of customer service, and result in lost revenues and/or increased costs. These risks are actively managed using asset management plans, site planning, controls, safety, security and insurance programs, and incentives. In addition to several other measures within certain critical areas, ENMAX has implemented security measures, the development of business continuity plans and emergency response plans within certain critical areas.

ENMAX has obtained property, business interruption and other insurance coverage to mitigate some of these risk exposures, although such programs and measures may not prevent or cover the occurrence of any or all of these events and the adverse effects they may generate. There can be no assurance that ENMAX will be able to obtain or maintain adequate insurance in the future at rates the Corporation considers reasonable, that insurance will continue to be available on terms as favourable as the existing arrangements, or that insurance companies will pay claims.

Earnings could be affected by a regulated transmission or distribution blackout/brownout, failure of metering equipment or loss of communication services. Fuel supply shortages, failure of third-party services or infrastructure, human error, labour disruption, weather conditions, hazards to facilities and regulatory decisions could cause earnings variability. Earnings variability could also be a result of the non-performance of contracted physical electricity or natural gas by counterparties.

ENVIRONMENTAL RISK

ENMAX is subject to regulation by federal, provincial, or state and local authorities regarding air, land and water quality and other environmental matters. The generation, transmission and distribution of electricity results in and requires disposal of certain hazardous materials, which are subject to these laws and regulations. In addition to imposing continuing compliance obligations, these laws and regulations authorize the imposition of substantial penalties for non-compliance, including fines, injunctive relief and other sanctions. New environmental laws and regulations affecting ENMAX operations may be adopted and new interpretations of existing laws and regulations could be invoked or become applicable, which may substantially impact future operations. New facilities or modifications of existing facilities may require new environmental permits or amendments to existing permits. Delays in the environmental permitting process, denials of permit applications, and conditions imposed in permits may materially affect the cost and timing of projects. Non-compliance with environmental laws and regulations or incurrence of new costs or liabilities could adversely affect the business, results of operations, financial condition or prospects of the Corporation. Such regulations tend to increase operating costs and prices paid by customers. ENMAX has implemented various programs to manage environmental risk exposures, many of which focus on prevention of and preparedness for adverse events. Overall, moderate earnings variability exposure is possible if ENMAX fails to comply with its Environmental Management System. Exposure to further moderate volatility is possible due to potential of spills, releases, and fire from hazardous materials, or as a result of greenhouse gas (GHG) emissions policy changes.

Public interest in the environment and greenhouse gases is growing, and ENMAX expects regulation of greenhouse gases to become more restrictive over time. Utilities around the world are grappling with the challenge of meeting reliability targets while reducing air pollution. Industry best practice for minimizing air pollution currently involves increasing intermittent renewable generation, backed by clean-burning, flexible natural gas-fuelled generation. Since renewable generation is highly variable, it must be supplemented by flexible generation sources. Power storage will play a bigger role in the future as costs decline. ENMAX also expects future demand-side management to increase, especially with the growing use of smart meters. However, power storage and demand management are currently too small to replace firm, flexible natural gas-fuelled generation as backup for renewables. Therefore, the best large-scale, economical alternative is clean-burning natural gas generation. ENMAX's wholesale generation portfolio is comprised entirely of wind power and natural gas-fuelled generation, so ENMAX is well positioned for Alberta's green future.

Current provincial regulations seek to reduce emissions from large emitters by increasing their exposure to carbon prices. Recent amendments to the federal coal-fuelled and natural-gas-fuelled electricity regulations largely align with provincial regulations in requiring coal plants either to retire on or before December 31, 2029 or convert to natural gas-fuelled power plants. The approach to large emitters indirectly rewards efficient natural gas facilities by raising coal facilities' variable costs, forcing them to offer their electricity output at higher prices.

Besides investing in clean, environmentally friendly generation and emissions abatement technology, ENMAX manages environmental regulatory risk by advocating for well-designed and cost-effective policy at the provincial and federal levels. ENMAX also has internal compliance procedures in place to monitor and control plant emissions. ENMAX purchases emissions offsets as required.

CLIMATE RISK

ENMAX is subject to a number of risks that may arise from weather and climate change. Fluctuations in the amount of electricity used by customers can vary significantly in response to seasonal changes in weather and could impact the operations, results of operations, financial condition and cash flows. In the absence of a regulatory recovery mechanism for unanticipated revenue losses, such events could have an adverse impact on operations.

Extreme weather events create a risk of physical damage to ENMAX's transmission and distribution infrastructure. The Corporation has programs related to weather events, including minimizing disruptions and reducing restoration times for the transmission and distribution facilities to minimize damage, but there can be no assurance that these measures will fully mitigate the risk. This risk to transmission and distribution facilities is generally not insured, and as such the restoration cost is generally recovered through regulatory processes after the fact, through the establishment of regulatory assets. Recovery is not assured and is subject to prudence review.

REGULATORY RISK

ENMAX operates in competitive and regulated sectors of the electricity and natural gas industries. It is subject to regulation by federal, provincial or state and municipal authorities.

Oversight of ENMAX Power's operations is provided by the Alberta Department of Energy, AUC, Market Surveillance Administrator, AESO, National Energy Board, North American Electric Reliability Corporation and other agencies.

ENMAX Energy and ENMAX Power are subject to regulations established to help ensure Alberta's electric and natural gas markets operate in a fair, efficient and openly competitive manner.

ENMAX Power is a transmission and distribution system owner that is rate regulated by the AUC. Regulations and regulatory decisions may affect: ENMAX Power's allowed rate of return and deemed capital structure; rate structure; the development of transmission and distribution assets; acquisitions, asset disposal, depreciation and amortization; service quality and reliability levels; and recovery of operating costs.

ENMAX is also subject to AUC oversight for the provision of the RRO. ENMAX has arranged for ENMAX Energy to provide the RRO service within the service territory. ENMAX Energy is an affiliated retailer of ENMAX and must comply with general energy marketing regulations and the Code of Conduct Regulation.

Versant Power operates as a cost-of-service utility, provides reliable transmission and distribution of electricity to its customers and invests in infrastructure to maintain the transmission and distribution system. Oversight of Versant Power operations is provided by the MPUC or FERC, and other agencies. Versant Power is subject to regulations established to ensure it meets the obligation to serve customers.

Versant Power must obtain regulatory approval to change general electricity rates. The recovery of costs and investments is subject to the approval of the MPUC or FERC through the adjustment of rates, which normally requires a public hearing process.

The Corporation's regulatory risk is managed through transparent regulatory disclosure, ongoing stakeholder and government consultation, and multi-party engagement on aspects such as utility operations, rate filings and capital plans. ENMAX employs a collaborative regulatory approach through technical conferences and, where appropriate, negotiated settlements.

ENMAX cannot predict future government policies that may impact the development of regulation over ENMAX's business, or the ultimate impact that any changes to the regulatory environment may have on its business. Regulatory policies and decisions may cause delays in or impact business planning and transactions, increase costs or restrict ENMAX's ability to grow earnings, recover costs and achieve a targeted ROE in certain parts of its competitive and regulated businesses.

Non-compliance with laws or regulations or changes to the regulatory environment could adversely impact the business, results of operations, financial condition or prospects of the Corporation.

The timing of regulatory decisions may result in delays to revenue recognition, and therefore earnings, although this may be partially mitigated with approved interim rates.

ENMAX actively participates in various regulatory processes that influence its business environment and operations. ENMAX actively monitors business activities that are subject to regulation and has implemented compliance programs to mitigate regulatory risk exposures.

ENMAX is potentially exposed to financial impacts from changes to existing, new or upcoming policies, protocols, standards, administrative orders or regulations that can have an impact on ENMAX activities and operations. ENMAX is also potentially exposed to financial impacts from regulatory decisions and matters related to generation operations.

HUMAN RESOURCES RISK

ENMAX is subject to workforce risks, including: loss or retirement of key executives or other employees; availability of and ability to attract, develop and retain qualified personnel; collective bargaining agreements with union employees, who represent more than half of the Corporation's workforce; and performance of key suppliers and service providers. Certain personnel with highly specialized knowledge, skills and experience are required to lead and operate competitive and regulated businesses and shared services departments. Failure to manage human resources risk could adversely affect the business, results of operations, financial condition or prospects of the Corporation. ENMAX has mitigated this risk by implementing various programs to attract, develop and retain personnel, including recruitment, talent development, recognition and competitive compensation and benefits programs.

ENMAX is committed to maintaining effective relationships with the Corporation's unions. There are risks that successful negotiations will not be completed with collective bargaining units on mutually agreeable terms. Difficulties in negotiating these agreements or continuing these programs could lead to higher employee costs, a work stoppage or strike, and attraction or retention rates below expectations. ENMAX has three collective bargaining agreements covering its workforce. The Canadian Union of Public Employees (CUPE) collective bargaining agreement has a three-year term that expires on December 31, 2022. The International Brotherhood of Electrical Workers (IBEW) Local 254 collective bargaining agreement expired on December 31, 2021 and ENMAX is in the initial stages of bargaining at this time. The IBEW Local 1837 expires June 30, 2022. The inability to maintain or negotiate future agreements on acceptable terms could result in higher labour costs and work disruptions, which could adversely affect service to customers and have an adverse effect on earnings, cash flows and financial position. ENMAX seeks to manage this risk through ongoing discussions and working to maintain positive relationships with the unions.

TECHNOLOGICAL RISK

ENMAX operates a variety of complex technology systems across the business, including operational technology in transmission and distribution assets and generation plants, as well as enterprise data and information technology. Ongoing investments are required to ensure reliable and efficient technologies to support current operations and enable strategic company initiatives. Such investments include upgrading, replacing and modernizing the technology landscape as well as improving cybersecurity and disaster recovery capabilities.

ENMAX has a technology governance framework to mitigate inherent risks associated with its complex technical ecosystem, including the need to embrace industry disruptions triggered by digital innovations. At the strategic level, this framework aligns to ENMAX'S ERM guidelines and risk mitigation mandates. Operationally, the framework includes investment and technology architecture oversight to apply appropriate control and management of technology risks. This ensures technology management decisions align with corporate strategic objectives and are compliant with legal and regulatory requirements.

Cyber security is a key business risk associated with technology advancements and increasing need for operational reliance across technology platforms—notably, ENMAX has seen an increase in its cyber risk profile as a result of threats amplified by higher levels of remote work due to the COVID-19 pandemic. Given the evolving nature of these cyber threats, there is the potential that ENMAX may experience security incidents that could materially impact the business. With the objective of safeguarding ENMAX assets, operations, reputation, customer and enterprise data, ENMAX has a vigilant, risk-based cyber security program that applies significant focus on employee cyber awareness training, collaboration with industry experts and effective incident response procedures.

The potential imbalance of risk and reward in technology innovation adoption can be a risk to ENMAX. The rapid and sometimes exponential advancement in technology within the utilities industry is transforming the traditional energy generation, transmission and distribution business models. From one view, keeping up with new technology innovation is key to a future ready utility organization. The risk of not investing in innovation and modernizing the technology landscape means reduced competitive advantage for ENMAX. From a regulatory perspective, ENMAX's obligation requires the Corporation to balance investment risks between protecting customer value and achieving long-term corporate strategy. This risk is mitigated through the technology investment governance framework noted above and transforming the underlying operating model to enable agility and scalability of technology solution delivery.

LIQUIDITY RISK

A need to raise additional capital may occur if cash flow from operations and sources of liquidity are insufficient to fund activities. Such additional capital may not be available when it is needed or on favourable terms for several potential reasons, including changes in market conditions or perceptions of the investment community. ENMAX may be required to post collateral to support certain contracts that were executed to hedge commodity positions. Downgrades to credit ratings by credit rating agencies could affect ENMAX's ability to access capital on favourable terms and within a desired time frame and could also increase the amount of collateral required to be provided to counterparties. ENMAX actively monitors its cash position and anticipated flows to achieve adequate funding levels and communicates regularly with credit rating agencies and the investment community regarding its capital position. ENMAX also strives to maintain an investment grade credit rating from credit rating agencies.

The Corporation ensures that Versant Power, as a separate and distinct entity, can maintain adequate capital for normal obligations. This requires Versant Power to raise their own capital and maintain their own credit rating. Versant Power's assets and credit are not available to satisfy the debts and other obligations of the Corporation whether through collateral or guarantees.

ENMAX offers a defined benefit (DB) pension plan for qualifying employees. Contributions to the pension plan are based on periodic actuarial valuations, the most recent being completed for December 31, 2019. The actual amount of contributions required in the future will depend on future investment returns, changes in benefits and actuarial assumptions. Failure to effectively manage financial resources and related exposures could affect the business, results of operations, financial condition or prospects of the Corporation. To manage this risk, ENMAX engages expert investment managers and has investment policies and procedures in place to set out the investment framework of the funds, including permitted investments and various investment constraints. These policies and procedures are approved annually by the Safety and Human Resources Committee of the Board, which also monitors the performance of the pension plan. ENMAX's contribution to its pension plan satisfy, and are expected to continue to satisfy, minimum funding requirements.

Versant Power has DB pension plans that cover qualifying employees and retirees. All DB plans are closed to new entrants. Contributions to the pension plans are based on periodic actuarial valuations. The actual amount of contributions required in the future will depend on future investment returns and actuarial assumptions. Adverse global financial and capital markets and changing interest rates may impact investment performance, and Versant Power could be required to make larger contributions to fund the plans, which could affect the Corporation's financial condition and operations. To manage this risk, Versant Power engages expert investment managers and has investment policies and procedures in place to set out the investment framework of the plan assets.

For accounting purposes, as at December 31, 2021 the pension plans had a total accrued benefit liability of \$102 million (December 31, 2020 - \$166 million). For additional details on ENMAX's liquidity risk exposures, refer to Note 9 in the Notes to the Consolidated Financial Statements. For additional details on its pension plan, refer to Note 18 in the Notes to the Consolidated Financial Statements.

CREDIT RISK

ENMAX enters into agreements and engages in transactions with a number of external parties, including suppliers, service providers, customers and other counterparties. In such arrangements, exposure exists to counterparty credit risks and the risk that one or more counterparties may fail to fulfill their obligations, including paying for or delivery of commodities. These risks are often exacerbated during periods of sustained low commodity prices, which may negatively affect customers or counterparties and create tighter credit markets.

ENMAX has implemented an effective credit risk management program to mitigate its exposures to credit risk. While it seeks to manage credit exposure by evaluating creditworthiness before and after entering into such agreements, monitoring business activity and obtaining collateral when prudent to do so, ENMAX may not be able to identify and avoid all counterparties that are not creditworthy. Defaults by suppliers, service providers, customers and other counterparties could adversely affect the business, results of operations, financial condition or prospects of the Corporation.

ENMAX's credit and collections activities include monitoring credit risk exposures and initiating mitigation measures to protect against any future losses. In specific situations, this includes, but is not limited to, a reduction of credit limits, requests for credit assurances in the form of collateral, as well as requirements for performance bonds on significant projects or restriction of new transaction terms. Financial results could be affected as a result of industrial, commercial or institutional customer default or as a result of default by residential, small commercial and wholesale customers. During the COVID-19 pandemic, ENMAX has enhanced credit mitigation strategies to limit the potential financial impact, such as accelerating collections timelines for those counterparties whose ability to perform contractual obligations are impacted by the pandemic.

DEVELOPMENT RISK

ENMAX's asset ownership strategy requires the development and construction of transmission and distribution projects, as well as capital improvements to existing assets. Its ability to complete these projects in a timely manner and within established budgets is contingent upon many variables and subject to a variety of risks, some of which are beyond the Corporation's control. ENMAX could be subject to additional costs, delays to the in-service dates of these projects, termination payments under committed contracts and/or the write-off of the investment. In addition, while ENMAX's business model is designed to mitigate exposure to risks, the Corporation's strategy is to manage construction costs by seeking fixed price contracts with vendors.

ENMAX's ability to successfully identify, value, evaluate, complete and integrate new acquisition or organic growth opportunities and major capital projects is subject to risk. These include increased competition for acquisition targets, capital and other resources, the performance of the Alberta economy, and regulatory or legislative intervention by the Government of Alberta. Such business development challenges could adversely affect the business, operations, financial condition and growth prospects of the Corporation.

ENMAX budgets for capital programs and projects on an annual basis, and sources funding for specific approved capital programs and projects on an ongoing basis. ENMAX performs risk assessments and develops risk mitigation plans for major capital programs and projects and uses a phase gate approval process on developments and acquisitions to mitigate risks. Project performance relative to expectations is regularly reported to senior management and the Board, and any corrective measures are taken as required. Delays and overspending in the development and construction of capital projects could affect ENMAX's financial results.

LEGAL RISK

ENMAX is subject to costs and other effects of legal and administrative proceedings, settlements, investigations, claims and actions. New or revised tax laws, rates or policies, accounting standards, securities laws and corporate governance requirements may also impact ENMAX. Non-compliance with existing laws, resolution of legal actions and changes to the legal environment could adversely impact the business, results of operations, financial condition or prospects of the Corporation.

ENMAX reviews and actively monitors business activity that could be subject to public or private legal actions, including changes to certain legislation, contracts with outside parties, and incidents or claims allegedly involving the Corporation. Programs have been implemented to mitigate ENMAX's legal risk exposures. The Corporation could experience earnings variability as it relates to matters including: legal or regulatory action; litigation; a breach of a material contract; or a material non-compliance with legislation, regulation or rules.

The Corporation is occasionally named as a party in various claims and legal proceedings that arise during the normal course of its business. The Corporation reviews each of these claims, including the nature of the claim and the amount in dispute. Although there is no assurance that each claim will be resolved in favour of the Corporation, the Corporation does not believe that the outcome of any claims or potential claims it is currently aware of will have a material adverse effect on the financial results or position of the Corporation, after taking into account amounts previously reserved by the Corporation. For further information, refer to Note 31 in the Notes to the Consolidated Financial Statements.

CORPORATE STRUCTURE RISK

ENMAX conducts a significant amount of business through subsidiaries and joint arrangements. The ability to meet and service debt obligations is dependent on the operational results of these investments and their ability to distribute funds to ENMAX. Any restrictions on the ability of these investments to distribute funds to ENMAX may affect the ability to service the corporate debt. ENMAX closely monitors the financial performance of these entities and is the operator of the largest joint arrangement it invests in.

REPORTING/DISCLOSURE RISK

The application of critical accounting policies reflects complex judgements and estimates. These policies include industry-specific accounting applicable to regulated public utilities, to pensions and to derivative instruments. Adoption of new accounting standards, or changes to current accounting policies or interpretations of such policies, could adversely affect the business, results of operations, financial condition or prospects of the Corporation.

The Corporation is required to convert Versant Power's transactions under U.S. Generally Accepted Accounting Principles (U.S. GAAP) to ENMAX's basis of presentation in accordance with IFRS. In addition, the difference in Versant Power's functional currency and ENMAX's presentation currency must be translated in accordance with IAS 21. ENMAX has implemented various programs to reinforce its Internal Control over Financial Reporting, including quarterly review of the financial statements by executive management and quarterly certification of key controls facilitated by Internal Audit and review of certain disclosures by the Board.

INCOME TAX RISK

Prior to January 1, 2001, legal entities comprising the ENMAX group of companies were not subject to federal or provincial income taxes based on an exemption for municipally owned corporations in the *Canadian Income Tax Act*. This exemption generally requires corporations to be wholly owned by a municipality, with all or substantially all income derived from sources within the geographic boundaries of the municipality. Entities that do not annually meet these requirements are no longer exempt and are subject to federal and provincial income tax regimes.

In 2001, the Government of Alberta introduced a Payment in Lieu of Tax (“PILOT”) Regulation under the *Electric Utilities Act* in conjunction with deregulation of the Alberta energy market. The purpose of this regulation was to level the playing field between municipally owned tax-exempt entities and non-tax-exempt organizations participating in the competitive part of the electricity market, by requiring tax-exempt organizations to make a payment in lieu of federal and provincial income taxes. This payment was computed as the amount an entity would have paid if they did not maintain a tax-exempt status. This regulation required municipally owned retailers and municipally owned PPA holders to remit PILOT payments to the Balancing Pool, based on the retail and commodity components of their electricity operations. The *Electric Utilities Act*, however, precludes municipally owned corporations competing in the electricity generation business from realizing a tax subsidy or financing advantage as a result of their association with the municipality. Accordingly, ENMAX holds generation assets in entities that do not qualify for the income tax exemptions noted above and are subject to federal and provincial income tax regimes.

Certain legal entities were created and acquired as a result of the Versant Power acquisition. These entities are taxable and subject to U.S. Federal and the State of Maine corporate income tax regimes. For U.S. tax purposes, commonly controlled corporations are permitted to file a consolidated tax return.

The determination of the Corporation’s provision for income taxes is impacted by changes in tax legislation that governs each legal entity. Any such changes could affect future earnings, cash flows and financial position, as well as the existing deferred tax assets and liabilities. ENMAX monitors the status of existing tax laws to ensure that changes are appropriately reflected in the tax compliance filings and financial results. The computation of the income tax provision is an inherently complex process, requiring management to interpret continually changing regulations and to make certain professional judgements.

Tax filings of all legal entities comprising the ENMAX group of companies are subject to audit examinations by taxation authorities, and the outcome of such audits may increase tax liabilities. Audit examinations and formal audit disputes are ongoing and in various stages of completion. The Corporation estimates and monitors any uncertain tax position and recognizes an income tax expense when it is probable that examination by taxation authorities would result in an additional tax liability. Therefore, there can be variability in earnings as a result of audit examinations and other contingent tax liabilities. Considering the above, the tax risk of the Corporation is considered moderate to low in the one-year time frame.

STRATEGIC RISK

ENMAX’s business model and strategic direction are predicated on certain assumptions, including the long-term viability of the competitive and regulated businesses, benefits associated with holding each of these businesses, evolution of technology used in the industry and attractiveness of growth opportunities. While ENMAX believes these assumptions will remain valid in the future, significant changes to the overall business environment or other factors could cause ENMAX to re-evaluate its business model or strategic direction. ENMAX routinely monitors industry trends and the business environment.

ENMAX has several competitors that operate in the electricity and natural gas markets where it serves customers. Competitors vary in size from small companies to large corporations with significant financial, marketing and procurement resources. ENMAX Energy must also compete with the RRO service provided by various parties throughout Alberta. Failure to attract and retain customers could adversely affect the business, results of operations, financial condition or prospects of the Corporation. ENMAX could potentially see earnings variability as it relates to constraints on its growth targets for market share. To mitigate this risk, ENMAX continually monitors the market and adjusts its offerings and marketing to remain competitive.

ENMAX faces considerable risk with respect to its strategy due to changing government policies. Political uncertainties and changing provincial governments with different perspectives and policies could potentially impact ENMAX's ability to deliver on its strategy. ENMAX's strategy factors in these uncertainties and attempts to mitigate this risk by focusing resources on regulated businesses and industries. By focusing on stable predictable cash flows and contracted revenue ENMAX helps reduce the exposure to market risk and unfavourable consequences of changes in government policy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ENMAX has publicly disclosed its environmental, social and governance (ESG) performance in alignment with the Global Reporting Initiative's Standards for Sustainability Reporting and its accompanying Electric Utility Sector Supplement for 15 years and continuously strives to enhance the robustness of disclosure on ESG performance. In 2021, ENMAX's ESG disclosure was enhanced through alignment with the Sustainability Accounting Standards Board and the Task Force on Climate-related Financial Disclosures standards. The most recent ESG performance report is available on enmax.com.

In 2021, ENMAX undertook a review of existing ESG practices, engaged with key stakeholders, and identified a series of forward-focused objectives and commitments. These commitments reflect ENMAX's priorities of achieving a lower carbon future, advancing electrification, investing in resiliency and innovation, enabling a talented, diverse, and inclusive team, and providing continued access to safe, reliable, and affordable energy for years to come. Details of ENMAX's ESG framework are available on enmax.com.

ENVIRONMENTAL

The advancement of a cleaner energy future is a mandate under which ENMAX has operated for decades. The increasing importance of advancing efforts to address climate change is a core part of the company's strategy and business focus. In 2021, ENMAX announced its commitment to achieving net zero scope 1 (direct) and scope 2 (indirect, i.e. facility energy use) GHG emissions by 2050. As milestones towards achieving this goal, ENMAX is committed to reduce or offset 70 per cent of scope 1 and scope 2 emissions by 2030, from a 2015 baseline, and to electrify 100 per cent of our mobile fleet by 2030.

As Alberta's leading provider of electricity services, ENMAX is committed to delivering safe, reliable, and responsible energy. In 2021, ENMAX:

- Commenced commercial operation of Canada's first Hybrid Electric Gas Turbine, a combination of an existing natural gas-fueled turbine integrated with a new lithium ion energy storage system.
- Shepard Energy Centre completed a turbine upgrade, increasing power capacity and reducing gas turbine emission intensity.
- Completed the first on-site customer implementation of two-way power flow on our secondary network with the installation of solar equipment at Cadillac Fairview (CF) Chinook Centre in Calgary.
- Entered phase two of the Charge Up pilot with the study of electric vehicle (EV) charging behaviour.

ENMAX has been recognized for its sustainable business practices through the achievement of the Sustainable Electricity Company™ designation from Electricity Canada (formerly the Canadian Electricity Association). This designation recognizes the importance member companies place on sustainability, and ENMAX adheres to Electricity Canada's Sustainable Development Corporate Responsibility Policy.

ENMAX continued to provide distributed solar products for residential, commercial and municipal customers. Based on ENMAX's asset portfolio, it is positioned to offer consumers choices and progressive technologies that will help increase revenue from renewable resources as distributed solar adoption grows.

Optimizing water use at the generation facilities remains a key part of ENMAX's environmental commitment. By design, Shepard Energy Centre uses reclaimed water exclusively, the first use of reclaimed water for power production in Alberta. This design feature prevents ENMAX from having to draw nearly six million cubic meters of fresh water from the Bow River every year. ENMAX prioritizes continuous improvement within its operations and implemented engineering innovations that reduced the plant's annual wastewater volume by approximately 25 per cent from original operating conditions.

Environmental liabilities recorded in ENMAX's financial statements include GHG liabilities which relate to electricity generated from certain ENMAX-owned generation facilities. These items have been reflected as liabilities in the Consolidated Financial Statements as at December 31, 2021. ENMAX continues to actively monitor and comply with environmental regulations. ENMAX currently has no outstanding litigation for environmental matters. As at December 31, 2021, there are no other material environmental liabilities.

Refer to the Risk Management and Uncertainties section for discussion regarding environmental risks.

SOCIAL

ENMAX is committed to providing customers access to safe, reliable and affordable energy through programs, resources, and partnerships. The following targets reflect ENMAX's commitment:

- Ensure at least 30 per cent of the community investment budget each year is spent on activities and organizations that support customers at the various stages of the energy affordability lifecycle. By 2025, increase the proportion of spending in this area by 40 per cent.
- Deliver 1,000 energy saving kits to Albertans by 2022.
- By 2025, conduct four pilot projects to test programs or solutions that work towards removing barriers to energy access and affordability.

ENMAX continues to deliver a comprehensive community investment strategy that targets essential needs, well-being of the communities and neighbourhoods, and active employee engagement and opportunities for volunteering. In 2021, ENMAX partnered with a range of community agencies, contributing \$3 million (December 31, 2020 - \$3 million). ENMAX engaged with an annual third-party verification of its community investment commitments via the London Benchmarking Group Canada.

In response to the pandemic, ENMAX enhanced our giving to community partner agencies to support those struggling to meet payments for basic needs across Calgary and Maine. As well, ENMAX remained committed to ensuring stringent health and safety protocols were in place to protect employees and the public, and that service levels to residential, commercial and industrial customers across ENMAX operating areas were not impacted.

GOVERNANCE

ENMAX's Board of Directors and Executive Team are committed to strong and effective standards of corporate governance and ethical conduct. For over 12 years, ENMAX has released an annual disclosure document regarding governance and executive compensation practices that is informed by the requirements applicable to public companies.

ENMAX recognizes that having a majority of independent, highly qualified Board of Directors from diverse backgrounds is essential to effective decision-making. For the year ended December 31, 2021, all Directors were independent, other than the President and CEO. ENMAX's Diversity Policy includes an aspirational target that women continue to comprise not less than 30 per cent of its Directors and has achieved that target since 2017. The Governance Committee of the Board is responsible for monitoring the implementation of the Diversity Policy on an annual basis and reports its findings to the Board with recommendations as appropriate. Currently, 36 per cent of Directors are women and one Director (9 per cent) self-identifies as a member of an underrepresented group. In addition, 50 per cent of the Executive Team are women and one member of the Executive Team self-identifies as a member of an underrepresented group.

In support of ENMAX's commitment to diversity, ENMAX is a signatory to the Leadership Accord on Gender Diversity, headed by Electricity Human Resources Canada and a member of the 30% Club Canada, an organization working towards having women represent 30 per cent of board members in Canada by 2022.

ENMAX has a confidential ethics hotline where employees can anonymously express concerns about inappropriate business conduct through a confidential third party. Every report regarding potential violations of the Business Ethics Policy is reported to ENMAX's Governance Committee. In accordance with the Business Ethics Policy, the Directors and officers of ENMAX are also required to disclose conflicts of interest and declare outside business interests on an annual basis. This assists in ensuring Directors exercise independent judgement when considering transactions and agreements. The Board ensures that a Director does not participate in discussions or vote on matters when she or he is conflicted.

On October 20, 2021, the ENMAX Board of Directors announced the mutually agreed upon departure of ENMAX's President & Chief Executive Officer, Wayne O'Connor, and the appointment of Charles Ruigrok as President & Chief Executive Officer while the Board initiates a search to select a permanent appointment to this role.

BOARD AND EXECUTIVE OVERSIGHT – ESG GOVERNANCE

The Board has ultimate oversight of ENMAX's strategy and approach to its ESG, ensuring alignment with ENMAX's business strategy, priorities, risk profile and decision-making. The Board is supported by the Governance Committee in fulfilling its ESG oversight, an enhancement to ENMAX's governance framework approved by the Board in 2021.

The Governance Committee is responsible to review and recommend to the Board the disclosure of ENMAX's corporate governance and ESG practices included in all annual reports made available on ENMAX's website. In 2021, this mandate was enhanced to include recommendations to the Board on:

- Development and ongoing refinement of ENMAX's ESG objectives and targets in alignment with ENMAX's business strategy, priorities and risk profiles.
- ENMAX's progress and performance with respect to the advancement and achievement of ENMAX's ESG objectives and targets; and
- Receipt and review of periodic reports on external developments, stakeholder expectations, emerging trends, best practices, and risks and issues related to ENMAX's ESG objectives, targets and reporting.

ENMAX's Executive Team is responsible for corporate oversight and advancement of ENMAX's key ESG issues. The Executive Team regularly reports to both the Governance Committee and Board on ESG and climate-related matters and is supported by ENMAX's ESG Working Group, comprised of leaders across the ENMAX enterprise. The ESG Working Group is chaired by ENMAX's Director of ESG Performance and Reporting.

ENMAX's compensation for the President and CEO considers the achievement of short-term objectives and longer-term business and strategic objectives including ENMAX's ESG framework and progress against the commitment to achieve net zero scope 1 and 2 GHG emissions by 2050. ENMAX's most recent Annual Report on Governance and Compensation is available on enmax.com.

INTEREST OF EXPERTS

INDEPENDENT AUDITOR

ENMAX's external auditor is Deloitte LLP, Chartered Professional Accountants, Suite 700, 850 – 2 Street SW, Calgary, Alberta, T2P 0R8. Deloitte LLP is independent with respect to ENMAX within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta.

ACTUARY

ENMAX utilizes external professional services in relation to its employee benefits from Willis Towers Watson and Transamerica Corporation.

Willis Towers Watson, Suite 1600, 111 – 5 Avenue SW, Calgary, Alberta, T2P 3Y6, is independent with respect to ENMAX, as it has no equity interest in the Corporation and is compensated at a contracted fixed rate, regardless of the outcome of its reports.

Transamerica Corporation, 6400 C Street SW, Cedar Rapids, IA, 52499-0001, is independent with respect to ENMAX, as it has no equity interest in the Corporation and is compensated at a contracted fixed rate, regardless of the outcome of its reports.

CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation and presentation of the accompanying consolidated financial statements of ENMAX Corporation are the responsibility of management and have been approved by the Board of Directors (the Board). In management's opinion, the consolidated financial statements have been prepared within reasonable limits of materiality in accordance with International Financial Reporting Standards (IFRS). The preparation of financial statements necessarily requires judgement and estimation when events affecting the current year depend on determinations to be made in the future. Management has exercised careful judgement where estimates were required, and these consolidated financial statements reflect all information available to March 17, 2022. Financial information presented elsewhere in this report is consistent with that in the consolidated financial statements.

To discharge its responsibility for financial reporting, management maintains systems of internal controls designed to provide reasonable assurance that the Corporation's assets are safeguarded, that transactions are properly authorized, and that reliable financial information is relevant, accurate and available on a timely basis. The internal control systems are monitored by management and evaluated by an internal audit function that regularly reports its findings to management and the Audit Committee of the Board.

The consolidated financial statements have been audited by Deloitte LLP, the Corporation's external auditor. The external auditor is responsible for examining the consolidated financial statements and expressing an opinion on the fairness of the financial statements in accordance with IFRS. The auditor's report outlines the scope of their audit examination and states the opinion.

The Board, through the Audit Committee, is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, which is comprised of independent directors, meets regularly with management, the internal auditor and the external auditor to ensure each group is discharging its responsibilities with respect to internal controls and financial reporting. The Audit Committee reviews the consolidated financial statements and annual financial report and recommends their approval to the Board. The external auditor has full and open access to the Audit Committee, with and without the presence of management. The Audit Committee is also responsible for reviewing and recommending the annual appointment of the external auditor and approving the annual external audit plan.

On behalf of management,



Charles Ruigrok
President and Chief Executive Officer



Preet Dhindsa
Executive Vice President
and Chief Financial Officer

March 17, 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ENMAX Corporation

Opinion

We have audited the consolidated financial statements of ENMAX Corporation and its subsidiaries (the "Corporation"), which comprise the consolidated statement of financial position as at December 31, 2021 and 2020, and the consolidated statement of earnings, comprehensive income, changes in shareholder's equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Financial Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Financial Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
March 17, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31,

(millions of Canadian dollars)

	2021	2020
ASSETS		
Cash and cash equivalents (Note 10)	\$ 65	\$ 40
Accounts receivable (Note 7)	919	736
Income taxes receivable (Note 8)	-	11
Current portion of financial assets (Note 7)	169	80
Other current assets (Note 11)	56	62
Assets held for sale (Note 12)	-	38
	1,209	967
Property, plant and equipment (PP&E) (Notes 13 and 16)	5,915	5,773
Intangible assets (Note 14)	321	290
Goodwill (Note 15)	611	610
Deferred income tax assets (Note 8)	60	57
Financial assets (Note 7)	144	44
Other long-term assets (Note 11)	197	227
TOTAL ASSETS	8,457	7,968
REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES (Note 9)	148	189
TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES (Note 9)	\$ 8,605	\$ 8,157
LIABILITIES		
Short-term financing (Note 7)	\$ 218	\$ 166
Accounts payable and accrued liabilities	733	564
Current portion of long-term debt (Note 7 and 17)	480	74
Current portion of financial liabilities (Note 7)	199	88
Current portion of deferred revenue (Note 19)	6	7
Current portion of lease liabilities (Note 16)	5	5
Other current liabilities (Note 11)	38	52
Liabilities held for sale (Note 12)	-	11
Current portion of asset retirement obligations and other provisions (Note 20)	3	6
	1,682	973
Long-term debt (Note 7 and 17)	2,852	3,368
Deferred income tax liabilities (Note 8)	279	268
Post-employment benefits (Note 18)	102	166
Financial liabilities (Note 7)	72	46
Deferred revenue (Note 19)	586	562
Lease liabilities (Note 16)	42	47
Other long-term liabilities (Note 11)	13	17
Asset retirement obligations and other provisions (Note 20)	125	143
TOTAL LIABILITIES	5,753	5,590
REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES (Note 9)	137	151
SHAREHOLDER'S EQUITY		
Share capital	280	280
Retained earnings	2,564	2,326
Accumulated other comprehensive loss (Note 22)	(129)	(190)
	2,715	2,416
TOTAL LIABILITIES, REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES AND SHAREHOLDER'S EQUITY	\$ 8,605	\$ 8,157

Commitments and contingencies (Note 31).

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF EARNINGS

<i>Year ended December 31,</i> <i>(millions of Canadian dollars)</i>	2021	2020
REVENUE (Note 6)		
Transmission and distribution	\$ 1,000	\$ 941
Electricity	1,404	1,105
Natural gas	394	283
Local access fees	157	132
Contractual services	93	128
Contributions in aid of construction (CIAC) revenue (Note 19)	21	20
Other revenue (Note 30)	28	17
TOTAL REVENUE	3,097	2,626
OPERATING EXPENSES (Note 6)		
Transmission and distribution	427	429
Electricity and fuel purchases	938	732
Natural gas and delivery	334	223
Local access fees	157	132
Depreciation and amortization	308	298
Impairment (Notes 6 and 13)	16	(1)
Other expenses (Note 30)	492	430
TOTAL OPERATING EXPENSES	2,672	2,243
OPERATING PROFIT	425	383
Finance charges	129	134
NET EARNINGS BEFORE TAX	296	249
Current income tax (recovery) (Note 8)	(17)	(9)
Deferred income tax expense (recovery) (Note 8)	1	(19)
NET EARNINGS - BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES	312	277
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES (Note 9)	(16)	11
NET EARNINGS	\$ 296	\$ 288

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31,

(millions of Canadian dollars)

	2021	2020
NET EARNINGS	\$ 296	\$ 288
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		
<i>Items that will not be reclassified subsequently to statement of earnings</i>		
Remeasurement gains on retirement benefits (Note 18) ⁽¹⁾	57	3
Cumulative gains (losses) on translation adjustment	2	(154)
<i>Items that will be reclassified subsequently to statement of earnings</i>		
Unrealized (losses) on derivative instruments ⁽²⁾	-	(12)
Reclassification of losses on derivative instruments to net earnings ⁽³⁾	2	5
Other comprehensive income (loss), net of income tax	61	(158)
TOTAL COMPREHENSIVE INCOME	\$ 357	\$ 130

⁽¹⁾ Net deferred income tax expense of \$1 million for the year ended December 31, 2021 (2020 - \$nil)

⁽²⁾ Net deferred income tax of \$nil for the year ended December 31, 2021 (2020 - \$5 million recovery).

⁽³⁾ Net deferred income tax of \$nil for the year ended December 31, 2021 (2020 - \$1 million recovery).

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

<i>(millions of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
As at January 1, 2021	\$ 280	\$ 2,326	\$ (190)	\$ 2,416
Net earnings	-	296	-	296
Other comprehensive income, net of income tax	-	-	61	61
Total comprehensive income	-	296	61	357
Dividends (Note 25)	-	(58)	-	(58)
As at December 31, 2021	\$ 280	2,564	(129)	2,715

As at January 1, 2020	\$ 280	\$ 2,092	\$ (32)	\$ 2,340
Net earnings	-	288	-	288
Other comprehensive (loss), net of income tax	-	-	(158)	(158)
Total comprehensive income (loss)	-	288	(158)	130
Dividends (Note 25)	-	(54)	-	(54)
As at December 31, 2020	\$ 280	\$ 2,326	\$ (190)	\$ 2,416

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31,

(millions of Canadian dollars)

	2021	2020
CASH PROVIDED (USED IN) BY:		
OPERATING ACTIVITIES		
Net earnings	\$ 296	\$ 288
Reconciliation of net earnings to cash flow from operating:		
CIAC additions (Note 19)	45	32
CIAC revenue (Note 19)	(21)	(20)
Depreciation and amortization	308	298
Impairment	16	(1)
Finance charges	129	134
Income tax (recovery)	(16)	(28)
Change in unrealized market value of financial contracts	(129)	(68)
Post-employment benefits	(10)	3
Foreign exchange (gain)	13	9
Change in non-cash working capital (Note 27)	106	35
Cash flow from operations	737	682
Interest paid ⁽¹⁾	(145)	(133)
Income taxes recovered (paid)	27	(14)
Net cash flow provided by operating activities	619	535
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangibles ⁽¹⁾	(499)	(438)
Net proceeds from disposal of assets and liabilities held for sale (Note 12)	27	-
Acquisition of Versant Power (Note 15)	-	(1,393)
Cash flow (used in) investing activities	(472)	(1,831)
FINANCING ACTIVITIES		
Repayment of short-term debt	(3,256)	(3,013)
Proceeds from short-term debt	3,308	3,005
Repayment of long-term debt	(272)	(172)
Proceeds from long-term debt	161	495
Repayment of lease liability	(5)	(5)
Dividend paid (Note 25)	(58)	(54)
Cash flow (used in) provided by financing activities	(122)	256
Increase (decrease) in cash and cash equivalents	25	(1,040)
Cash and cash equivalents, beginning of period	40	1,080
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 65	\$ 40
Cash and cash equivalents, end of period consist of:		
Cash	\$ 41	\$ 23
Restricted cash (Note 10)	24	17
	\$ 65	\$ 40

⁽¹⁾ Interest paid excludes \$8 million of capitalized borrowing costs (2020 - \$11 million), which is included in purchase of PP&E and intangibles. Including capitalized borrowing costs, total interest paid during the year was \$153 million (2020 - \$144 million).

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE BUSINESS

ENMAX Corporation, a wholly owned subsidiary of The City of Calgary (The City), was incorporated under the *Business Corporations Act* (Alberta) in July 1997; operations began on January 1, 1998. ENMAX Corporation's mandate was to carry on the electric utility transmission and distribution operations previously directed by the Calgary Electric System. Since 1998, ENMAX Corporation has grown from its transmission and distribution roots to include electricity generation, commercial and residential solar, and electricity and natural gas retail businesses.

On March 24, 2020, the Corporation closed the acquisition of BHE Holdings, Inc., the parent company of Versant Power (formerly known as Emera Maine). The Corporation, through its subsidiary, Versant Power, engages in transmission and distribution operations in the Bangor Hydro District (BHD) as well as the Maine Public District (MPD), in Maine, U.S.

ENMAX Corporation (ENMAX or the Corporation) is registered and its head office is at 141 - 50 Avenue SE, Calgary AB, T2G 4S7. The Corporation's principal place of business is Alberta.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee.

These consolidated financial statements were approved and authorized for issuance by ENMAX's Board of Directors on March 17, 2022.

BASIS OF MEASUREMENT

These consolidated statements have been prepared on the historical cost basis, except for financial derivative instruments measured at fair value.

FUNCTIONAL AND PRESENTATION CURRENCY

With the acquisition of Versant Power in 2020, the Corporation operates in two functional currencies: Canadian and U.S. dollars. The latter is translated into the Corporation's presentation currency and, unless otherwise stated, these statements are presented in millions of Canadian dollars.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements requires management to select appropriate accounting policies and make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as to disclose contingent assets and liabilities. These estimates and judgements involve matters that are inherently complex and uncertain. Judgements and estimates are continually evaluated and are based on historical experience and expectations of future events. Changes to accounting estimates are recognized prospectively.

Significant judgements and estimates are required in the application of accounting policies. These are referenced in the following tables:

SIGNIFICANT ACCOUNTING JUDGEMENTS

Financial Statement Area	Accounting Policy	Judgement Areas
Investments in associates	Note 4 (d)	Tested for recoverability when events and circumstances indicate a possible impairment
Property, plant and equipment and intangible assets	Note 4 (i & m)	Determination of components and useful lives
Asset impairment	Note 4 (n)	Assessment of impairment indicators and grouping of cash-generating units (CGUs)
Leases	Note 4 (p)	Assessment of contracts for lease arrangements
Provisions	Note 4 (r)	Determination of probability of outflow of resources
Income taxes	Note 4 (v)	Interpretation of uncertain tax positions and application of tax regulations

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Financial Statement Area	Accounting Policy	Estimate and Assumption Areas
Regulatory deferral accounts	Note 4 (e)	Estimates related to regulatory proceedings or decisions
Financial instruments accounts receivable	Note 4 (f)	Assumptions to assess the expected loss rates
Financial instruments fair value measurements and valuation	Note 4 (f)	Estimates of fair value for financial assets and liabilities
Property, plant and equipment and intangible assets	Note 4 (i & m)	Determination of components and useful lives
Asset impairment and goodwill	Note 4 (n & c)	Estimation of future cash flows where impairment indicators exist
Post-employment benefits	Note 4 (o)	Key assumptions are used to calculate post-employment benefits
Leases	Note 4 (p)	Assessment of contracts for lease arrangements
Asset retirement obligation	Note 4 (q)	Estimates of amount and timing of asset retirements
Provisions	Note 4 (r)	Determination of probability of outflow of resources
Revenue	Note 4 (s)	Contributions in aid of construction are contributions received for work performed under various statutory requirements, therefore are determined not to contain significant financing component; and Principal vs. Agent consideration for each revenue stream
Income taxes	Note 4 (v)	Determine tax provisions, using uncertain tax positions and the application of tax legislation

4. SIGNIFICANT ACCOUNTING POLICIES

(a) CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, including Versant Power, which is a separate and distinct standalone legal entity. All intercompany transactions, balances, and unrealized gains and losses from intercompany transactions are eliminated on consolidation, except as disclosed under Note 9 (Regulatory Deferral Account Balances). The consolidated financial statements of the subsidiaries are prepared for the same reporting period and apply accounting policies consistent with the Corporation.

Subsidiaries are consolidated from the date on which control is obtained until the date that control ceases. Control exists when the Corporation possesses power over the investee, has exposure or rights to variable returns from its involvement with the investee, and can use its power over the investee to affect returns. The assets of Versant Power are not available to the Corporation for use as collateral, and the assets and credit facilities of Versant Power are not available for use in settling the Corporation's debts or other obligations.

(b) JOINT ARRANGEMENT

A joint arrangement is an arrangement in which two or more parties have joint control and must act together to direct activities that significantly affect the returns of the arrangement. The Corporation classifies its interest in joint arrangements as either joint operations or joint ventures, depending on the Corporation's rights to the assets and obligations for the liabilities. When making this assessment, the Corporation exercises judgements and considers the structure and contractual terms of the arrangement, as well as the legal form of any separate vehicles, in addition to all other relevant facts and circumstances.

Joint arrangements that provide all parties with rights to the assets and obligations for the liabilities are classified as joint operations. The Corporation's consolidated financial statements include its share of assets, liabilities, revenues, expenses and other comprehensive income (OCI) from the joint operations.

Joint arrangements that provide all parties with rights to net assets of the entities under the arrangements are classified as joint ventures. Joint ventures are accounted for under the equity method of accounting. Under this method, the Corporation's interests in joint ventures are initially recognized at cost and are adjusted thereafter to recognize the Corporation's share of profits or losses, movements in other comprehensive income, and dividends or distributions received.

When the Corporation transacts with a jointly controlled entity of the Corporation, unrealized profits and losses are eliminated to the extent of the Corporation's interest in the joint venture.

(c) BUSINESS COMBINATIONS AND GOODWILL

The Corporation applies the acquisition method of accounting for acquisition of businesses. The determination of whether an acquisition meets the definition of a business under IFRS requires judgement and is assessed on a case-by-case basis. The cost of acquisition is measured as the aggregate fair value at the date of exchange of the assets given and liabilities incurred or assumed. Consideration paid does not include amounts related to the settlement of pre-existing relationships. Transaction costs incurred in connection with an acquisition are expensed as incurred, except for costs to issue debt or equity securities.

Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured at fair value at the acquisition date, as are any contingent consideration payable. Subsequent remeasurement of contingent liabilities are recorded in net earnings.

Goodwill is determined as the excess of fair value of consideration paid over ENMAX's interest in the net fair value of identifiable net assets, liabilities and contingent liabilities of the acquired subsidiary, jointly controlled entity, or associate, recognized at the date of acquisition. In accordance with IFRS 3 *Business Combinations*, goodwill is recorded at cost and not amortized. Goodwill is tested for impairment on an annual basis, and whenever there are conditions that indicate the cash-generating unit (CGU) which goodwill has been allocated to may be impaired. Impairment is determined by assessing the recoverable amount of the CGU to which goodwill relates. When the recoverable amount is less than the carrying amount, an impairment loss is recognized.

If ENMAX's interest in the net fair value of identifiable assets, liabilities and contingent liabilities assumed exceeds the cost of consideration, such excess is recognized immediately in the Statement of Earnings.

(d) ASSOCIATES

Associates are those entities over which the Corporation has significant influence, but not control or joint control, over the financial and operating policies. This generally occurs where the Corporation holds between 20 and 50 per cent of the voting rights. Associates are accounted for under the equity method. Under this method, the Corporation's interests in associates are initially recognized at cost. The Corporation's interests are subsequently adjusted to recognize the Corporation's share of profits or losses, movements in OCI and dividends or distributions received. The Corporation's interests in associates are tested for recoverability when events or circumstances indicate possible impairment. An impairment loss is recognized in earnings when the carrying value of the Corporation's interest in an individual associate is higher than its recoverable amount. The recoverable amount is the higher of fair value less disposal costs and value in use. An impairment loss may be reversed when objective evidence exists that a change in the estimated recoverable amount of the investment is warranted.

(e) REGULATORY DEFERRAL ACCOUNTS

In accordance with IFRS 14 *Regulatory Deferral Accounts*, the Corporation continues to recognize amounts that qualify as regulatory deferral balances in accordance with the basis of accounting used immediately before transition to IFRS. A regulatory deferral account balance is any expense (or income) account that:

- Is included, or expected to be included, by the rate regulator in establishing the rate(s) that can be charged to customers; and
- Would not otherwise be recognized as an asset or liability in accordance with other IFRS.

In accordance with this standard, the Corporation has presented regulatory deferral account debits and credits on a separate line in the consolidated statement of financial position. Net movements in regulatory deferral accounts is also presented on a separate line in the statement of earnings (Note 9).

(f) FINANCIAL INSTRUMENTS

Recognition

Financial assets and liabilities are initially recognized at fair value when the Corporation becomes a party to the contractual provisions of the instrument. The fair value differs on initial recognition from the transaction price when the fair value is measured using unobservable inputs, in which case the instrument is measured at the transaction price. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 7 for disclosures of the fair value of financial instruments. In the case of instruments not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition are accounted for as an adjustment to the carrying amount, and in all other cases such transaction costs are expensed as incurred.

The Corporation evaluates contracts to purchase non-financial items which are subject to net settlement, to determine whether such contracts should be considered derivatives, or if they were entered into and continue to be held for the purpose of receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements ("own use"). If such contracts qualify as own use, they are considered executory contracts outside the scope of financial instrument accounting.

The Corporation evaluates financial and non-financial contracts not measured at FVTPL to determine whether they contain embedded derivatives. An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some cash flows of the combined instrument vary similar to a stand-alone derivative. For such instruments, an embedded derivative is separated where the economic characteristics and risks of the derivative are not closely related to the economic characteristics and risks of the host contract, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or it transfers the financial instrument in a manner that qualifies for derecognition through transfer of substantially all risks and rewards or transfer of control.

Financial liabilities are derecognized upon extinguishment. A modification of a financial liability with an existing lender is evaluated to determine whether the amendment results in substantially different terms, in which case it is accounted for as an extinguishment.

Classification

The classification of the Corporation's financial instruments depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

The financial assets of the Corporation are classified in the following categories:

- **Amortized cost:** assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets of the Corporation include cash and cash equivalents, and current and long-term accounts receivable.
- **Fair value through other comprehensive income (FVOCI):** assets that are held for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Equity investments are included in this category.
- **FVTPL:** assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss.

Financial assets of the Corporation measured at FVOCI and FVTPL are derivative instruments.

Financial liabilities of the Corporation are classified either as held at amortized cost or held at FVTPL. Financial liabilities of the Corporation included at amortized cost are short-term debt, accounts payable, current and long-term debt and other current and some components of other long-term liabilities. Financial liabilities of the Corporation measured at FVTPL are derivative instruments.

Derivatives and hedging activities

Derivatives are initially recognized at fair value at contract inception and subsequently remeasured to fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

Fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 7. Movements in the hedging reserve are recognized in the accumulated other comprehensive income (AOCI) portion of equity and are shown in Note 22. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

Cash flow hedges

The Corporation utilizes forward contracts as hedging instruments to manage commodity price risk associated with its highly probable commodity sales and purchases. At inception of the hedging transaction, the Corporation documents the economic relationship between hedging instruments and hedged items, including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

Sources of hedge ineffectiveness can occur as a result of credit risk, change in hedge ratio, and forecast adjustments leading to over-hedging. If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument, or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in earnings at the time of the hedge relationship rebalancing.

The Corporation can only discontinue hedge accounting prospectively if there is no longer an economic relationship between the hedged item and hedging instrument, the risk management objective changes, the derivative no longer is designated as a hedging instrument, or the underlying hedged item is derecognized. If the Corporation discontinues hedge accounting, the cumulative gain or loss in AOCI is transferred to earnings at the same time as the hedged item affects earnings. The amount in AOCI is immediately transferred to earnings if the hedged item is derecognized or it is probable that a forecast transaction will not occur in the originally specified time frame.

Estimation uncertainty

In estimating the fair value of financial assets or liabilities, the Corporation uses market-observable data when available. When observable data is not available, the Corporation determines fair value using inputs other than observable quoted prices for the asset or liability, or valuation techniques with inputs based on historical data.

Presentation

Financial assets and liabilities are not offset unless they are with a counterparty for which the Corporation has a legally enforceable right to settle the financial instruments on a net basis and the Corporation intends to settle on a net basis.

Impairment of financial assets

Impairment provisions for accounts receivable disclosed in Note 7(b) are based on assumptions on expected credit loss rates. The Corporation uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on history, existing market conditions, as well as forward-looking estimates at the end of each reporting period.

Estimation uncertainty

Estimates are made to set up the impairment provision for accounts receivable, which reflects the amount of accounts receivable that are ultimately expected to be non-collectible based on expected credit losses.

Hedges

In conducting its business, the Corporation uses derivatives and other financial instruments, including swaps, futures, options and forwards to manage its exposure to certain market risks. When documentation and effectiveness requirements are met at inception, these derivatives and financial instruments are designated as hedging instruments for accounting purposes. Hedge effectiveness is measured with reference to the risk management objective and strategy for the hedged item and is evaluated on an ongoing basis.

Cash flow hedges are used to manage the variability of cash flows resulting from the purchase and sale of electricity, natural gas and foreign exchange exposure.

For cash flow hedges, changes in the fair value of the effective portion of the derivative designated in a hedging relationship are accumulated in OCI and recognized in earnings during the periods when the cash flows of the hedged item are realized. Gains and losses on cash flow hedges are reclassified immediately to earnings when a hedged anticipated transaction is no longer probable.

Where the hedged item continues to be probable but is no longer highly probable, the hedging relationship terminates. The accumulated amount in other comprehensive income is retained until the hedged transaction occurs or is no longer probable.

If the cumulative change in fair value of the hedging instrument exceeds the cumulative change in fair value of the hedged item, ineffectiveness is recorded in profit or loss for the excess and a de-designated or discontinued hedge. The unrealized changes in fair value recorded prior to de-designation or discontinuation are reclassified from accumulated other comprehensive income to earnings when the related hedged item is recognized in earnings.

(g) FOREIGN CURRENCY

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the transaction date. Receivables, payables, and other monetary assets and liabilities are translated into the functional currency using the exchange rate at the balance sheet date. The foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet date exchange rates are recognized in the statement of earnings, except when deferred in equity as qualifying cash flow hedges.

Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition and intercompany loans, are translated into the reporting currency using the exchange rates at the balance sheet date. Income and expenses of foreign operations are translated into the reporting currency at exchange rates approximating the exchange rates at the transaction dates. Foreign currency translation differences are recognized in OCI and presented as equity.

(h) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash-on-hand balances with banks and investments in money market instruments with original maturities of three months or less from the date of acquisition.

(i) PROPERTY, PLANT AND EQUIPMENT

PP&E is recorded at cost less accumulated depreciation and any impairment losses. Cost includes contracted services, materials, direct labour, overhead, borrowing costs on qualifying assets, and decommissioning costs. Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Corporation and costs can be measured reliably. Capital spares and inventory are included within PP&E. The carrying amount of an asset is derecognized when the asset is retired or replaced. Major overhauls and inspections are capitalized. Repairs and maintenance are charged to the statement of earnings in the period in which they are incurred.

Depreciation and amortization of PP&E is recorded on a straight-line basis over the estimated useful life of the asset class at the following rates:

Asset Class	Depreciation Rates		
Transmission, distribution and substation	1.55%	to	20.00%
Generation facilities and equipment	1.18%	to	20.00%
Generation overhauls and inspections	9.09%	to	66.67%
Buildings and site development	1.16%	to	10.00%
Tools, systems and equipment	4.74%	to	25.00%
Vehicles	3.70%	to	8.00%

Construction in progress represents assets that are not yet available for use and therefore not subject to depreciation. Capital spares and inventory, excluding rotating capital spares and meter inventory, are not depreciated until they are placed into service.

For regulated PP&E, depreciation rates are derived from the estimated service life of the asset group and net salvage percentages.

Gains or losses on disposal of PP&E are determined by comparing the proceeds from disposal with the carrying amount of PP&E and are recognized in earnings.

Significant judgement

Depreciation rates are developed based on the useful lives derived from past experience and current facts, taking into account future expected usage and potential for technological obsolescence. Where significant parts of PP&E have different useful lives relative to the total cost of the item, they are accounted for and depreciated separately. Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(j) DEFERRED REVENUE

Under various statutory requirements and agreements with customers and developers, the Corporation receives contributions in aid of construction (CIAC) in the form of cash contributions. Such contributions are recorded as deferred revenue when funds are received and recognized into revenue over the useful life of the related underlying asset. The Corporation also receives warranty deposits on long-term contracts in the form of cash. Such contributions are recorded as deferred revenue when funds are received and recognized into revenue over the term of the underlying contract.

(k) GOVERNMENT GRANTS

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received. Government grants received for the purchase of certain items of PP&E are deducted from the carrying amount of the related asset. Amounts received related to expense reimbursement reduce the expense in the period in which it is incurred.

(l) CAPITALIZATION OF BORROWING COSTS

Borrowing costs directly attributable to the construction of a qualifying asset are eligible for capitalization. Qualifying assets are assets for which a substantial period of time is required to prepare the asset for its intended use. The Corporation borrows funds to finance its capital construction projects. The borrowing costs are capitalized until construction is completed, at a rate based on the actual costs of debt used to finance the capital construction projects.

(m) INTANGIBLE ASSETS

Intangible assets are recorded at cost and amortization is recorded on a straight-line basis over the estimated useful life of the assets at the following rates:

Asset Class	Depreciation Rates		
Computer systems	2.81%	to	12.99%
Land easements, rights and lease options	1.73%	to	12.50%

Useful lives of intangible assets are based on past experience, current facts and formal amortization studies. Intangible assets with indefinite lives including land easements and renewable energy certificates are not subject to amortization. These assets are assessed annually for impairment or more frequently if events or changes in circumstances indicate that the asset may be impaired.

(n) ASSET IMPAIRMENT

Carrying amount of long-lived assets, intangible assets and goodwill are reviewed at each reporting date to determine if there is any indication of impairment. For long-lived assets and intangible assets with definite useful lives, recoverable amounts are estimated when an indicator of impairment exists. For goodwill, intangible assets and equity investments with indefinite useful lives, or those that are not available for use, recoverable amounts are estimated at least once a year.

Testing for impairment is performed at the CGU level. The recoverable amount of a CGU is the greater of fair value less costs of disposal and value in use (VIU). VIU is calculated based on the net present value of cash flow projections incorporating estimates of annual revenues, expenses and capital expenditures over the asset's useful life. These estimates incorporate past experience and the Corporation's current view of future cash flow generated by the CGU. The Corporation considers externally available information related to future commodity pricing and current economic conditions when developing certain pricing assumptions. The discount rate used reflects market weighted average cost of capital (WACC) using the capital asset pricing model, considering risks specific to a CGU and risks embedded in the net cash flow projections. Impairment loss is recognized in the statement of earnings if the recoverable amount of a CGU is estimated to be less than its carrying amount.

Impairment losses recognized in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. The impairment loss can be reversed up to the original carrying value of the asset that would have been determined, net of depreciation, had no impairment loss been recognized. A reversal of impairment is recognized immediately in the statement of earnings.

Significant judgement and estimation uncertainty

Impairment indicator assessment and grouping of CGUs are significant judgements in the process of asset impairment analysis. The determination of CGU recoverable amounts involves significant estimates, including timing of cash flows, expected future prices for inputs and outputs, expected usage of the assets, and appropriate discount rates.

During the year ended December 31, 2021, ENMAX recognized impairment losses of \$15 million on the Corporation's investment in Maine Electric Power Company (MEPCO) (Note 24) and \$1 million associated with certain PP&E (Note 13).

(o) POST-EMPLOYMENT BENEFITS

The Corporation sponsors pension plans that contain both defined contribution (DC) and defined benefits (DB) provisions.

For DC pension plans, the Corporation's obligations for contributions are recognized as other expenses in the statement of earnings when services are rendered by employees.

For DB pension plans and other post-employment benefits, the level of benefit provided is based on years of service and earnings of the person entitled. The service cost of DB pension and other post-employment benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and management's best estimate of expected health care costs. The related pension liability recognized in the statement of financial position is the present value of the DB and post-employment benefit obligation, less the market value of the plan assets at the statement of financial position date.

Actuarial valuations for defined benefit plans are carried out as prescribed in applicable regional legislation. The discount rate applied in arriving at the present value of the pension liability represents yields on high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability.

Components of net periodic benefit cost include service cost, net interest on the net liability, and re-measurements of the net liability. Service cost is recognized in other expenses in the statement of earnings. Net interest is calculated by applying the discount rate to the net liability at the beginning of the annual period, considering projected contributions and benefit payments during the period. The net interest is recognized in interest expense in the statement of earnings. Re-measurement gains and losses, resulting from experience adjustments and changes in assumptions used to measure the accrued benefit obligation, are recognized in full in the period in which they occur, through other comprehensive income.

Estimation uncertainty

Significant assumptions and estimates are used in accounting for DB pension plans. The Corporation consults with actuarial specialists when setting the key assumptions used to estimate the post-employment benefits and the costs of providing post-employment benefits. Key assumptions include future return on plan assets, retirement age, mortality rates, discount rates, future health care costs, salary escalation rates and claims experience.

(p) LEASES

When an arrangement is entered into for the use of items of PP&E, the Corporation evaluates the arrangement to determine whether it constitutes a lease. The Corporation recognizes an arrangement as a lease when it has the right to direct the use of the specific asset. The Corporation recognizes right-of-use (ROU) assets and corresponding lease liabilities on the consolidated statement of financial position for lease arrangements with a term of 12 months or longer. Leases of low-value assets are accounted for as an operating lease.

Assets under financing leases are amortized on a straight-line basis over the term of the underlying leases (see Note 16) and are tested for impairment using the same approach as is applied for long-lived assets.

Significant judgement

Lease liabilities and ROU assets require the use of judgement and estimates, which are applied in determining whether an arrangement contains a lease, the term of a lease, appropriate discount rates, and whether there are any indicators of impairment for ROU assets.

(q) ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (ARO) are provisions for legal and constructive obligations for decommissioning the Corporation's assets and the Corporation's share of jointly-operated generation assets.

The estimated future cash flows of the asset retirement costs are risk adjusted and discounted using a pre-tax, risk-free rate that reflects the time value of money. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and then amortized over its estimated useful life. Changes due to revisions of discount rates, the timing, or the amount of the original estimate of the provision are reflected on a prospective basis by adjusting the carrying amount of the related PP&E.

Estimation uncertainty

Significant assumptions and estimates are used in the accounting of ARO that include the amount and timing of asset retirements, the extent of site remediation required, and related future cash flows, inflation rates and discount rates.

(r) PROVISIONS AND CONTINGENCIES

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect of discounting is significant. A pre-tax, risk-free rate is used to discount estimated future risk-adjusted cash outflows. The unwinding of the discount (accretion) is recognized as a finance charge. The Corporation remeasures provisions each reporting period, considering changes in the likelihood and timing of future outflows and changes in discount rates.

The Corporation performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Significant judgement

Judgement is involved to determine the probability of outflow of resources.

(s) REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received and is reduced for rebates and other similar allowances.

Electricity and gas

Contracts with customers within ENMAX Energy mainly consist of agreements to provide and deliver supplies of electricity and/or natural gas (the commodity) to customers' specified locations.

Performance obligations

Typical commodity contracts with customers include two performance obligations, which are to provide supplies of the commodity and to arrange for the delivery of these supplies to the customers' specified locations. These performance obligations are considered to be a series of performance obligations satisfied over time as the customers simultaneously consume the commodity and generate benefits upon receipt. The method of recognition of revenue for the commodity is an output method, which is based on volume of commodity delivered to the customers.

For delivery charges collected within the Calgary city limit, ENMAX is the principal for the provision of supplies of the commodity, with these charges reflected as gross revenue on ENMAX's consolidated financial statements. For delivery charges outside the Calgary city limit, ENMAX is an agent in relation to the performance obligation to arrange for delivery of the commodity and therefore the payment and recovery of the flow-through costs are presented on a net basis.

Transaction price

The transaction price for the commodity contract involves consideration from customers that is variable and constrained due to unknown volume of the commodity that will be consumed. Certain commodity contracts may also include a price constraint as the relevant commodity price would be based on the commodity pool price at the time of the consumption. The variable consideration is no longer constrained when the volume and/or price of the commodity consumed by customers become known at each period. The resolved transaction price for the commodity delivered to customers during each billing period will be allocated to the single performance obligation to provide the commodity.

Revenue recognition

The method utilized to recognize revenue for a commodity contract is an output method, which is based on actual volume of commodity distributed each period.

Estimation uncertainty

By regulation, wire service providers are not required to submit final load settlement data on customer electricity usage until four months after the month in which such electricity was consumed. The Corporation uses processes and systems to estimate electricity revenues and costs, including unbilled consumption. Any changes to electricity revenues and costs arising from these estimation processes will be accounted for as a change in estimate in the period they occur.

Transmission and distribution

Contracts with customers under transmission and distribution operations are ENMAX's agreement to provide transmission and distribution services to end customers through collaboration with electricity retailers.

Performance obligation

The transmission contract includes one performance obligation, which is a stand-ready obligation to provide transmission service for the period. This performance obligation is satisfied when the stand-ready obligation to provide transmission service has been performed each month. The distribution contract includes one performance obligation, which is to provide distribution services. This performance obligation is satisfied when the end customer receives electricity. ENMAX's agreement to provide transmission and distribution services to the customer are performance obligations that are satisfied over time as the customer can simultaneously consume the electricity transmitted and distributed to the customer's location.

Transaction price

The transaction price for the transmission service involves consideration that is variable and constrained. The variable consideration is no longer constrained when the applicable regulator approves the Cost of Service, which allows the Corporation to recover the cost to build, operate and maintain the transmission lines.

The transaction price for the distribution contract involves consideration that is variable and constrained. The variable consideration is no longer constrained when the actual number of customers serviced during each billing period becomes known.

Revenue recognition

The method used to recognize revenue for the transmission contract is an input method, which is based on the passage of time as the stand-ready performance obligation is completed each period. The method utilized to recognize revenue for the distribution contract is an output method, which is based on actual volume of electricity distributed and actual number of customers serviced each period.

Estimation uncertainty

Estimates are necessary given that the regulatory environment in which the Corporation operates often requires amounts to be recorded at estimated values until finalization and adjustment, pursuant to subsequent regulatory proceedings or decisions.

Contractual services

Contractual services contracts are arrangements with a customer where ENMAX agrees to render services mainly to maintain customers' assets or to develop specific assets.

Performance obligation

The rendering of these contracts includes a performance obligation to either provide maintenance or develop an asset. This obligation is satisfied over time, as economic benefits are flowed to the customer from services which enhance existing assets, or through the development of a new asset for which ENMAX has no alternative use.

ENMAX has the right to receive payment for these services performed during each reporting period.

Transaction price

The transaction price for the rendering of a service contract includes consideration from the customer that is fixed.

Certain contracts may also include variable considerations that are constrained, which are not included in the transaction price. The transaction price for all services rendered to the customer at each billing period will be allocated to the single performance obligation to provide a service to the customer.

Revenue recognition

Both input and output methods are used to recognize revenue for rendering of service contracts depending on which method more accurately depicts ENMAX's agreement to transfer services to the customer. For contracts where an input method is used, revenue is recognized based on actual labour cost and materials consumed to perform the required service during each billing period. For contracts where an output method is used, the revenue is recognized based on actual services delivered to the customer during each billing period.

Estimation Uncertainty

The Corporation assesses the stage of completion for outstanding contracts with customers at the end of each reporting period. Estimates may be performed on the costs incurred to date as a percentage of total estimated costs, surveys of the work performed, and estimating the proportion physically complete. Any changes to revenue and costs arising from these estimation processes are accounted for as a change in estimate in the period they occur.

(t) EMISSION CREDITS AND ALLOWANCES

The Alberta Technology Innovation and Emissions Reduction (TIER) Regulation became effective on January 1, 2020. The TIER regulation meets the federal government's stringency requirements for carbon pollution pricing and has been deemed equivalent to the federal *Greenhouse Gas Pollution Pricing Act*.

Purchased emission allowances are recorded on the statement of financial position as part of other assets, at historical cost, and are carried at the lower of weighted average cost and net realizable value. Internally generated emission allowances are not recorded on the statement of financial position and are recognized on the statement of earnings when used or sold externally at fair market value.

The Corporation has recorded emissions liabilities on the statement of financial position as a component of accounts payable and accrued liabilities, using the best estimate of the amount required to settle the obligation in excess of government established emission requirements. These amounts are recognized as cost of electricity services provided and charged to the statement of earnings in the period they are levied.

(u) DIVIDENDS

Dividends on common shares are recognized in the Corporation's consolidated financial statements as a reduction of retained earnings in the period in which the dividends are approved by the Board.

(v) INCOME TAXES

Income tax in Canada is determined on a legal entity basis. Certain subsidiary legal entities of the Corporation are subject to income tax as determined under the *Income Tax Act* and *Alberta Corporate Tax Act* (collectively to be referred to as "Act"). Certain other legal entities are exempt from taxation under the same Act. This exemption from taxation generally requires that corporations be wholly owned by a municipality, with all or substantially all income derived from sources within the geographic boundaries of the municipality. Those entities exempt from taxation under the Act, may instead be subject to the Payment in Lieu of Tax (PILOT) Regulation of the *Electric Utilities Act*, which requires that certain exempt entities compute and remit a similar tax obligation to the Balancing Pool of Alberta.

As a result of the Versant Power acquisition in 2020, certain subsidiary legal entities of the Corporation were created and acquired, and thus also form the consolidated Corporation. These entities are taxable and subject to U.S. Federal and the State of Maine corporate income tax regimes. For U.S. tax purposes, commonly controlled corporations are permitted to file a consolidated U.S. tax return.

Any further reference to income tax recognizes the combined obligations under the Act, PILOT as well as U.S. Federal and State tax regimes.

Current tax liabilities or assets are measured at the amount expected to be paid to or recovered from the taxation authorities for the current and prior periods, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Differences between the financial statement carrying amount and tax base of the assets and liabilities of a legal entity result in taxable and deductible temporary differences. These differences are subject to the expected future tax rates (enacted or substantively enacted at the reporting date) in computing the deferred income tax liabilities and assets.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available, against which the deductible temporary difference may be utilized. A deferred tax liability, however, is recognized for all taxable temporary differences. In certain non-routine scenarios contemplated by IFRS, no recognition of deferred tax assets or deferred tax liabilities may be applicable.

The Corporation recognizes current and deferred income tax in the profit or loss for the period, except to the extent that it relates to a business combination or other transactions that are directly recognized in equity or other comprehensive income.

Significant judgement and estimation uncertainty

Calculation of the Corporation's total income tax expense involves a degree of estimation and judgement where the applicable tax regulation is subject to interpretation. Management periodically evaluates positions taken in tax returns and recognizes an income tax expense when it is probable that examination by taxation authorities would result in an additional tax liability.

Carrying amounts of deferred tax assets are assessed at the end of each reporting period and are adjusted to account for any changes to the probable future taxable profits of the respective entities.

5. ACCOUNTING PRONOUNCEMENTS

The following standards and interpretations are not yet effective under IFRS and have not been applied in preparing these consolidated financial statements. The Corporation is currently assessing the impact of adopting these standards.

IAS 1 Presentation of Financial Statements

The amended IAS 1 provides detailed guidance on how an entity should disclose liabilities as either current or non-current, especially in circumstances where an entity has the right to defer settlement of the obligation past the 12-month operating cycle. IASB also issued amendments to IAS 1 to guide preparers in determining which accounting policies to disclose in financial statements. The amended standard applies to entities with year-ends beginning on or after January 1, 2023 with early adoption, on a retrospective basis.

IFRS 10 Consolidated Financial Statements

The amended IFRS 10 provides guidance on loss of control in a subsidiary and remeasurement of the retained interest in the former subsidiary. The amended standard replaces the requirement to remeasure the retained interest at fair value while restricting the amount of gain or loss that could be recognized on the loss of control. IASB has not set an implementation date for this amended standard but companies have the option of early adopting this standard on a prospective basis.

IAS 28 Investments in Associates and Joint Ventures

The amended IAS 28 provides guidance on gains and losses arising from both upstream and downstream transactions involving assets that do not constitute a business between the parent and its associate or joint venture. The proposed standard limits the amount of gain and loss that could be recorded on such transactions. IASB has not set an implementation date for this amended standard but companies have the option of early adopting this standard on a prospective basis.

Regulatory Assets and Regulatory Liabilities

On January 28, 2021, IASB issued an Exposure Draft on Regulated Assets and Regulated Liabilities which is expected to replace IFRS 14 Regulatory Deferral Accounts. The proposed new standard will give stakeholders better information about the financial performance of companies that are subject to rate regulation. This standard may have an impact on ENMAX Power and Versant Power segments. IASB has not set an implementation date for this new standard.

6. SEGMENT INFORMATION

The Corporation has four main business segments representing separately managed business units, each of which offers different products and services.

ENMAX POWER

ENMAX Power is primarily a regulated operating segment established to own and operate electricity transmission and distribution assets in the Calgary service area through various legal entities and affiliated companies. ENMAX Power's objective is to safely and efficiently operate and maintain the high reliability of its transmission and distribution system while meeting Calgary's power delivery infrastructure needs. ENMAX Power also delivers project execution for customer infrastructure in areas such as power infrastructure, light rail transit, and commercial and residential development.

VERSANT POWER

Versant Power operates as a separate and distinct regulated electricity transmission and distribution utility, serving customers in northern and eastern Maine, U.S. Versant Power's role includes planning for the needs of the system, maintaining the transmission and distribution system within the service area, evaluating new technologies that can enable greater reliability, resiliency, and customer choice, and timing investments so that benefits for customers exceed costs.

ENMAX ENERGY

ENMAX Energy is an Alberta-based integrated competitive generation and retail business, providing electricity, natural gas, distributed energy resource solutions and customer care services to more than 690,000 customers throughout Alberta. ENMAX Energy also carries out retail energy supply and related functions for the Calgary Regulated Rate Option (RRO) through affiliated legal entities.

CORPORATE

The Corporate segment provides financing and shared legal, finance and accounting, human resources, governance, information technology and other administrative functions to the operating segments.

SEGMENTED TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT BALANCES

As at December 31,

(millions of Canadian dollars)

	2021	2020 ⁽¹⁾
ENMAX Power	3,171	2,991
Versant Power	2,277	2,180
ENMAX Energy	2,870	2,656
Corporate	139	141
Total assets	8,457	7,968
Regulatory deferral account debit balances (Note 9)	148	189
Total assets and regulatory deferral account debit balances	8,605	8,157

⁽¹⁾ Reclassified to conform with current period's presentation.

COMPARATIVE SEGMENT INFORMATION

Segment information reflects the presentation regularly reviewed by executive management, who use segmented operating profit as the basis for making decisions around asset allocation or assessing performance. Items such as unrealized gain or loss on commodities, foreign exchange, Versant Power acquisition costs, impairments and net regulatory deferral movement are excluded from the "Total" column below. The "IFRS Financial Total" column reflects what is reported in ENMAX's Consolidated Statement of Earnings.

Year ended December 31, 2021 (millions of Canadian dollars)	ENMAX Power	Versant Power	ENMAX Energy	Corporate	Total	Regulatory Deferral Movement	Other Presentation Reclass	IFRS Financial Total
REVENUE								
Transmission and distribution	670	300	-	-	970	30	-	1,000
Electricity	-	-	1,526	(121)	1,405	(1)	-	1,404
Natural gas	-	-	394	-	394	-	-	394
Local access fees	157	-	-	-	157	-	-	157
Other revenue	114	5	45	(2)	162	(20)	-	142
TOTAL REVENUE	941	305	1,965	(123)	3,088	9	-	3,097
OPERATING EXPENSES								
Transmission and distribution	339	77	-	-	416	11	-	427
Electricity and fuel purchases	-	-	1,186	(121)	1,065	-	(127)	938
Natural gas and delivery	-	-	334	-	334	-	-	334
Local access fees	157	-	-	-	157	-	-	157
Depreciation and amortization	144	51	117	(3)	309	(1)	-	308
Impairment ⁽¹⁾	-	-	-	-	-	-	16	16
Other expenses	201	97	209	-	507	(17)	2	492
TOTAL OPERATING EXPENSES	841	225	1,846	(124)	2,788	(7)	(109)	2,672
OPERATING PROFIT	100	80	119	1	300	16	109	425
Unrealized (gain) on commodities					(127)	-	127	-
Foreign exchange loss					2	-	(2)	-
Impairment ⁽¹⁾					16	-	(16)	-
Finance charges					129	-	-	129
NET EARNINGS BEFORE TAX					280	16	-	296
Current income tax (recovery)					(17)	-	-	(17)
Deferred income tax expense					1	-	-	1
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					296	16	-	312
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					-	(16)	-	(16)
NET EARNINGS					296	-	-	296

⁽¹⁾ During the year ended December 31, 2021, ENMAX recognized impairment losses of \$15 million on the Corporation's investment in MEPCO (Note 24) and \$1 million impairment loss associated with certain PP&E (Note 13).

Segment information for the year ended December 31, 2020 has been reclassified to conform with the current period's presentation. The presentation change had no impact on reported consolidated net earnings.

Year ended December 31, 2020 (millions of Canadian dollars)	ENMAX Power	Versant Power	ENMAX Energy	Corporate	Total	Regulatory Deferral Movement	Other Presentation Reclass	IFRS Financial Total
REVENUE								
Transmission and distribution	717	213	-	-	930	11	-	941
Electricity	-	-	1,228	(123)	1,105	-	-	1,105
Natural gas	-	-	283	-	283	-	-	283
Local access fees	132	-	-	-	132	-	-	132
Other revenue	134	7	49	(1)	189	(24)	-	165
TOTAL REVENUE	983	220	1,560	(124)	2,639	(13)	-	2,626
OPERATING EXPENSES								
Transmission and distribution	368	47	-	-	415	14	-	429
Electricity and fuel purchases	-	-	874	(121)	753	-	(21)	732
Natural gas and delivery	-	-	223	-	223	-	-	223
Local access fees	132	-	-	-	132	-	-	132
Depreciation and amortization	135	39	128	(4)	298	-	-	298
Impairment	-	-	-	-	-	-	(1)	(1)
Other expenses	228	72	249	(2)	547	(16)	(101)	430
TOTAL OPERATING EXPENSES	863	158	1,474	(127)	2,368	(2)	(123)	2,243
OPERATING PROFIT	120	62	86	3	271	(11)	123	383
Unrealized (gain) on commodities					(47)	-	47	-
Foreign exchange (gain)					(129)	-	129	-
Versant Power acquisition costs ⁽²⁾					28		(28)	-
Impairment ⁽¹⁾					(1)		1	-
Historical line loss charges ⁽³⁾					26	-	(26)	-
Finance charges ⁽⁴⁾					134	-	-	134
NET EARNINGS BEFORE TAX					260	(11)	-	249
Current income tax (recovery)					(9)			(9)
Deferred income tax (recovery)					(19)			(19)
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					288	(11)	-	277
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					-	11	-	11
NET EARNINGS					288	-	-	288

⁽¹⁾ During the year ended December 31, 2020, ENMAX Energy segment recognized an impairment reversal of \$3 million associated with assets and liabilities held for sale (see Note 13), offset by impairment losses of \$2 million associated with certain property, plant and equipment.

⁽²⁾ During the year ended December 31, 2020, ENMAX recognized other expenses related to the acquisition of Versant Power (see Note 6) of \$28 million.

⁽³⁾ During the year ended December 31, 2020, ENMAX recognized operating expenses related to historical line loss provisions of \$26 million (see Note 31).

⁽⁴⁾ During the year ended December 31, 2020, ENMAX recognized net finance charges related to the acquisition of Versant Power (see Note 6) of \$9 million, and \$7 million in net financing charges related to historical line loss provisions (see Note 31).

REVENUE

Types of Customers and Sales Channel	Nature and significant payment terms
Transmission	ENMAX receives revenue from the Alberta Electric System Operator (AESO) specifically for the use of its transmission grid system.
Distribution	ENMAX receives revenue from electricity retailers specifically for the use of its electricity distribution system to deliver electricity to customers.
U.S. Operations	Through Versant Power, ENMAX receives revenues from residential, commercial, and industrial customers for use of its transmission and distribution grid system. Transmission rates are set by the United States Federal Energy Regulatory Commission (FERC), while distribution rates are set by the Maine Public Utilities Commission (MPUC).
Mass market	Mass Market is comprised of residential and small business customers who consume less than 250,000 kilowatt hours/year. These customers can be supplied electricity through competitive contracts, the Regulated Rate Option, or default supplier rate which fluctuates monthly. Natural gas is always supplied under a competitive contract.
Commercial market	Commercial Market is business-to-business competitive contracting for electricity and/or natural gas. A small number of commercial customers who do not negotiate a contract are supplied electricity on a default supplier rate which fluctuates monthly.
City of Calgary local access fees	ENMAX receives revenue from electricity end users that is remitted to The City in lieu of property taxes.
Government and institutional	ENMAX receives revenue from governments and municipalities (counties, cities and towns), entities backed by the government, universities, colleges and school boards.
Other	ENMAX receives other revenue from individual consumers to large corporations who in turn receive credit and terms based on their respective services and credit history.

REVENUE – MAJOR CUSTOMERS AND SALES CHANNELS

Year ended December 31, 2021									
<i>(millions of Canadian dollars)</i>									
	Transmission	Distribution	U.S. Operations	Mass Market	Commercial Market	City of Calgary Local Access Fees	Government and Institutional	Other	Total
Transmission & distribution	103	597	300	-	-	-	-	-	1,000
Electricity									
ENMAX Energy	-	-	-	288	953	-	-	-	1,241
Regulated	-	-	-	134	29	-	-	-	163
Natural gas	-	-	-	269	125	-	-	-	394
Local access fees	-	-	-	-	-	157	-	-	157
Contractual services	-	-	-	-	-	-	31	62	93
Other revenue & CIAC	-	-	5	-	-	-	-	44	49
TOTAL REVENUE	103	597	305	691	1,107	157	31	106	3,097

Year ended December 31, 2020									
<i>(millions of Canadian dollars)</i>									
	Transmission	Distribution	U.S. Operations	Mass Market	Commercial Market	City of Calgary Local Access Fees	Government and Institutional	Other	Total
Transmission & distribution	102	627	212	-	-	-	-	-	941
Electricity									
ENMAX Energy	-	-	-	285	741	-	-	-	1,026
Regulated	-	-	-	55	24	-	-	-	79
Natural gas	-	-	-	207	76	-	-	-	283
Local access fees	-	-	-	-	-	132	-	-	132
Contractual services	-	-	-	-	-	-	42	86	128
Other revenue & CIAC	-	-	7	-	-	-	-	30	37
TOTAL REVENUE	102	627	219	547	841	132	42	116	2,626

7. FINANCIAL INSTRUMENTS, HEDGES AND RISK MANAGEMENT

MARKET RISK

The Corporation manages exposure to market risk (interest rate risk, foreign currency exchange risk, commodity price risk and equity price risk) on a portfolio basis. This includes managing positions arising from ENMAX's interests in generation facilities, liability positions from commitments to customers, and transacting positions arising from hedging activities.

Sensitivities provided in the following risk discussions disclose how earnings and OCI would be affected by changes in risk variables that were reasonably possible at the reporting date. 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. Those sensitivities do not consider tax nor the impact of any interrelationship among the factors, such as the underlying position and the optionality of the Corporation's integrated business. Generation capacity and future sales to customers are not mark-to-market, which creates an earnings mismatch. Sensitivities are hypothetical and should not be considered to be indicative of actual future results.

Certain assumptions have been made in arriving at the sensitivity analysis. These assumptions are:

- The same methodologies used in the fair values section of this note were used in calculating the sensitivities.
- Changes in the fair value of derivative instruments that are effective cash flow hedges are recorded in 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 December 31, 2021 and 2020.

COMMODITY PRICE RISK

The Corporation uses electricity and gas forward contracts to manage its exposure to certain market risks. Forward prices of electricity and natural gas fluctuations impact the fair value of these commodity derivatives. As at December 31, 2021, holding all other variables constant, an unrealized mark-to-market adjustment on outstanding electricity forward contracts related to a 10 per cent increase or decrease in the forward price of electricity would increase or decrease earnings by \$14 million (2020 – \$14 million) and increase or decrease OCI by \$nil (2020 - \$nil). As at December 31, 2021, holding all other variables constant, an unrealized mark-to-market adjustment on outstanding gas forward contracts related to a 10 per cent increase or decrease in the forward price of natural gas would increase or decrease earnings by \$106 million (2020 - \$68 million) and result in no change in OCI (2020 - \$nil). These electricity and natural gas forward contracts' delivery dates extend from 2022 to 2027.

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 market interest rates.

The Corporation is not exposed to significant interest rate risk and volatility as a result of the issuance of fixed-rate long-term debt. The fair value of the Corporation's long-term debt changes as interest rates change, assuming all other variables remain constant.

Changes in the value of the Canadian dollar relative to the U.S. dollar could impact the Canadian dollar cost of natural gas, which affects the input cost of the Corporation's natural gas-fuelled generation capacity, as well as the cost to the Corporation of offering fixed price gas contracts to 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. The Corporation also has exposure to the U.S. dollar from U.S. operations and investments, the net earnings from those operations and the acquisition of equipment and services from foreign suppliers.

As at December 31, 2021, a 10 per cent strengthening or weakening in the Canadian dollar in relation to the U.S. dollar, holding all other variables constant, would increase or decrease earnings by \$61 million (2020 – \$56 million).

CREDIT RISK

The Corporation is exposed to credit risk primarily through wholesale and retail energy sales. Credit risk is the loss that may result from counterparties' non-performance. The Corporation evaluates credit risks from 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 financial assets, as set out below. This maximum exposure does not reflect losses expected by management nor does it reflect losses experienced in the past.

FINANCIAL ASSETS

As at December 31,

(millions of Canadian dollars)

	2021	2020
Cash and cash equivalents (a)	65	40
Accounts receivable (b)	919	736
Current portion of financial assets (c)	169	80
Financial assets (c)	144	44
Long-term accounts receivable (b)	18	32

(a) Cash and cash equivalents

Credit risk associated with cash and cash equivalents is minimized 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) Current and long-term 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 occur 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. The estimates and judgements made by management continue to be subject to a higher degree of estimation uncertainty during the on-going COVID-19 pandemic and changing economic conditions.

Charges to earnings as a result of expected credit losses for the Corporation for the year ended December 31, 2021 totalled \$11 million (2020 - \$16 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.

In 2020, the Government of Alberta introduced legislation to provide qualifying customers the option of deferring payment of utility bills for a three-month period. During this time, utilities could not disconnect customers for non-payment. The Government of Alberta and the Balancing Pool made funds available to ENMAX and other utility providers to reduce the cash flow impact of deferred customer payments. Funds collected from customers in the deferral program must be remitted to the Balancing Pool. The deferral program concluded in 2020.

AGING ANALYSIS OF TRADE RECEIVABLES PAST DUE

As at December 31,

(millions of Canadian dollars)

	2021	2020
1-30 days past due	33	14
31-60 days past due	4	5
61 days or more past due	21	35
Total past due	58	54

CHANGES IN EXPECTED CREDIT LOSSES

As at December 31,

(millions of Canadian dollars)

	2021	2020
Provision at the beginning of the year	29	24
Increase to expected credit losses (ECL)	11	16
Recoveries	(18)	(11)
Provision at end of the year	22	29

The expected credit loss (ECL) provision is assessed by each business segment considering the unique factors of the business segment's current and long-term receivables and using historic collectability rates. During the year ended December 31, 2021, the Corporation had recognized provisions by applying specific risk factors to a combination of industry sectors, aged balances or by reviewing material accounts on a case-by-case basis.

The remainder of the accounts receivable balance outstanding at December 31, 2021 consists of current trade receivables and unbilled revenue accruals. No provision has been recorded due to the minimal credit risk at the statement of financial position date.

(c) Current and non-current financial assets

The Corporation 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 due 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. The Corporation 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. In such cases, the Corporation would make a margin call for additional collateral. The Corporation deems that the risk of a material loss from a counterparty failing to perform its obligations under its contract is low.

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 the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure it always has sufficient cash and credit facilities to meet its obligations when due.

The following table details the remaining contractual maturities for the Corporation's current and long-term non-derivative financial liabilities, including both the principal and interest cash flows:

CONTRACTUAL MATURITIES OF NON-DERIVATIVE FINANCIAL LIABILITIES

As at December 31,

(millions of Canadian dollars)

	2021	2020
Less than 1 year (includes accounts payable)	1,585	988
1–3 years	564	931
3–5 years	614	803
More than 5 years	2,704	2,509

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

CONTRACTUAL MATURITIES OF DERIVATIVE FINANCIAL LIABILITIES

As at December 31,

(millions of Canadian dollars)

	2021	2020
Less than 1 year	199	98
1–3 years	66	35
3–5 years	6	12
More than 5 years	-	-

VALUATION OF DERIVATIVE ASSETS AND LIABILITIES

Derivative financial instruments are recorded at fair value on the statement of financial position. As at December 31, 2021, the fair values were as follows:

As at December 31,

(millions of Canadian dollars)

	2021		2020	
	Hedge Instruments	Non-Hedge Derivatives	Hedge Instruments	Non-Hedge Derivatives
Assets				
Current	1	168	4	76
Non-current	3	141	4	40
Liabilities				
Current	-	199	5	83
Non-current	-	72	-	46

For cash flow hedges, gains and losses are reclassified immediately to net earnings when anticipated hedged transactions are no longer likely to occur.

During 2019, the Corporation designated a cash flow hedging relationship to mitigate a proportion of the foreign exchange risk relating to the purchase price of Versant Power, which was denominated in U.S. dollars.

On March 24, 2020, the Corporation settled these forward exchange contracts and recognized \$105 million in foreign exchange gains.

For non-hedge derivatives, there were unrealized gains of \$129 million for the year ended December 31, 2021 (2020 - \$68 million gain), primarily recorded in electricity and fuel purchases. These derivatives are expected to settle in 2022 through to 2031. The mark-to-market adjustments do not consider the impact of any interrelationship among the factors such as the underlying position and the optionality of the Corporation's integrated business. Generation capacity or future sales to customers are not marked-to-market, which creates a mismatch in the timing of earnings.

FAIR VALUE

Fair value of financial instruments and derivatives is determined by reference to quoted bid or asking price, as appropriate, in active markets at reporting dates. In the absence of an active market, the Corporation determines fair value by using valuation techniques that refer to observable market data or estimated market prices. Fair values determined using valuation models require the use of assumptions about the amount and timing of estimated future cash flows and discount rates. In making these assumptions, the Corporation gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III), as applicable.

LEVEL DETERMINATION AND CLASSIFICATIONS

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 ICE NGX.

Level II

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

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

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 forward pricing curves where the inputs are readily observable, including commodity prices for similar assets or liabilities in active markets.

Level III

Fair values are determined using significant unobservable data or inputs.

In certain circumstances, the Corporation enters commodity transactions with non-standard features for which market-observable data is 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 DERIVATIVES

<i>As at December 31, 2021</i> (millions of Canadian dollars)	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs ⁽¹⁾	TOTAL
	(LEVEL I)	(LEVEL II)	(LEVEL III)	
Financial assets measured at fair value:				
Energy trading forward contracts	295	98	3	396
Foreign currency forward contracts	-	3	-	3
Energy trading margin balance	(91)	-	-	(91)
Other	5	-	-	5
Financial assets total	209	101	3	313
Financial liabilities measured at fair value:				
Energy trading forward contracts	(230)	(29)	(1)	(260)
Foreign currency forward contracts	-	(10)	-	(10)
Energy trading margin balance	(1)	-	-	(1)
Financial liabilities total	(231)	(39)	(1)	(271)
Net derivative assets	(22)	62	2	42

⁽¹⁾ Market-observable data are not available. Fair values are determined using valuation techniques.

<i>As at December 31, 2020</i> (millions of Canadian dollars)	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs ⁽¹⁾	TOTAL
	(LEVEL I)	(LEVEL II)	(LEVEL III)	
Financial assets measured at fair value:				
Energy trading forward contracts	107	35	2	144
Energy trading margin balance	(20)	-	-	(20)
Financial assets total	87	35	2	124
Financial liabilities measured at fair value:				
Energy trading forward contracts	(84)	(48)	(6)	(138)
Foreign currency forward contracts	-	(1)	-	(1)
Energy trading margin balance	10	-	-	10
Other	(5)	-	-	(5)
Financial liabilities total	(79)	(49)	(6)	(134)
Net derivative assets (liabilities)	8	(14)	(4)	(10)

⁽¹⁾ Market-observable data are not available. Fair values are determined using valuation techniques.

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

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 year:

<i>(millions of Canadian dollars)</i>	Hedges
Net derivative (liabilities) as at January 1, 2020	(8)
Changes attributable to ⁽¹⁾ :	
Commodity price changes	1
New contracts entered	-
Transfers in/out of Level III	3
Net derivative (liabilities) as at December 31, 2020	(4)
Changes attributable to:	
Commodity price changes	5
New contracts entered	-
Transfers in/out of Level III	1
Net derivative assets as at December 31, 2021	2

⁽¹⁾ Total changes recognized in OCI fair value losses of \$1 million (2020 - \$1 million) and in pre-tax earnings in fair value gains of \$7 million (2020 - \$5 million).

NON-DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Fair values for cash and cash equivalents, accounts receivable, short-term financing, 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

<i>As at December 31,</i>	2021		2020	
<i>(millions of Canadian dollars)</i>	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt ⁽¹⁾ consisting of:				
City promissory notes, with remaining terms of:				
Less than 5 years	28	28	33	34
5–10 years	47	49	34	39
10–15 years	360	393	309	372
15–20 years	466	471	566	642
20–25 years	554	525	429	459
General and refunding mortgage bonds ⁽²⁾				
8.98% series	28	26	28	28
Private debentures				
Series 3 (3.81%)	197	209	197	219
Series 4 (3.84%)	294	322	294	340
Series 5 (2.92%)	300	305	299	309
Series 6 (3.33%)	299	311	299	326
Series 7 (3.88%)	249	268	249	284
Senior notes ⁽²⁾				
Unsecured note (3.61%)	79	79	78	81
Unsecured note (4.34%)	132	171	131	164
Unsecured note (4.36%)	57	78	58	74
Unsecured note (4.71%)	61	82	61	78
Unsecured note (3.79%)	63	86	64	81
Unsecured note (2.80%)	38	39	38	39
Unsecured note (2.80%)	77	79	77	79
Non-revolving term facility ⁽³⁾	-	-	195	195
Promissory note	3	3	3	3
	3,332	3,524	3,442	3,846

⁽¹⁾ Includes current portion of \$480 million (December 31, 2019 – \$74 million). Maturity dates range from Jan 2022 to December 2049.

⁽²⁾ As part of the March 24, 2020 acquisition, the Corporation assumed debt which included:

- a. \$30 million USD of General and Refunding mortgage bonds maturing 2020 with a coupon rate of 10.25 per cent. Repaid on June 15, 2020.
- b. \$20 million USD of General and Refunding mortgage bonds maturing 2022 with a coupon rate of 8.98 per cent.
- c. \$70 million USD of Senior unsecured notes maturing 2022 with a coupon rate of 3.61 per cent.
- d. \$110 million USD of Senior unsecured notes maturing 2044 with a coupon rate of 4.34 per cent.
- e. \$50 million USD of Senior unsecured notes maturing 2047 with a coupon rate of 4.36 per cent.
- f. \$50 million USD of Senior unsecured notes maturing 2048 with a coupon rate of 4.71 per cent.
- g. \$60 million USD of Senior unsecured notes maturing 2049 with a coupon rate of 3.79 per cent.
- h. Revolving credit facility maturing 2023 with a variable rate. \$nil balance as at December 31, 2021.
- i. Debt instrument with 7.00 per cent cumulative rate.

⁽³⁾ \$195 million non-revolving 2-year term facility with an interest rate of 2.09 per cent as at December 31, 2020. Fully repaid April 2021.

As at December 31, 2021, ENMAX had issued \$100 million in commercial paper with a fair value of \$100 million and average interest rate of 0.96 per cent (December 31, 2020 - \$nil), and had drawn \$118 million on existing credit facilities with an average all-in interest rate of 1.90 per cent (December 31, 2020 - \$166 million at 1.92 per cent).

FINANCIAL ASSETS AND LIABILITIES SUBJECT TO OFFSETTING

Information about the Corporation's financial assets and liabilities that are subject to enforceable master netting arrangements or similar agreements is as follows:

<i>As at December 31,</i> <i>(millions of Canadian dollars)</i>	2021		2020	
	Accounts Receivable	Accounts Payable and Accrued Liabilities	Accounts Receivable	Accounts Payable and Accrued Liabilities
Gross amounts recognized	-	(174)	-	(72)
Gross amounts set-off	-	105	-	36
Net amounts as recognized in the Consolidated Statement of Financial Position	-	(69)	-	(36)

8. INCOME TAXES

<i>Year ended December 31,</i>	2021	2020
Current income tax (recovery)		
(Recovery) for current year	-	(11)
Adjustment in respect of prior years	-	1
Other	(17)	1
Total current income tax (recovery)	(17)	(9)
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	-	(20)
Adjustment in respect of prior years	1	-
Other	-	1
Total deferred income tax expense (recovery)	1	(19)
Total income tax (recovery)	(16)	(28)

The reconciliation of Statutory and effective income tax expense is as follows:

<i>Year ended December 31,</i>	2021	2020
Net earnings before tax	296	249
Income not subject to tax	(283)	(362)
	13	(113)
Federal and provincial tax rates	23%	24%
Expected income tax expense (recovery)	3	(27)
Net recovery of non-deductible expense	(20)	(2)
Adjustment for deferred tax reversal and other estimate revisions	1	1
Total income tax (recovery)	(16)	(28)

Changes in deferred income tax assets and liabilities during the years ended December 31, 2021 and 2020 are as follows:

<i>(millions of Canadian dollars)</i>	January 1, 2021	Business Combination	Recognized in Net Income	Recognized in Other Comprehensive Income	Recognized Directly in Equity	December 31, 2021
Deferred income tax assets						
Property, plant and equipment	(9)	-	10	-	-	1
Loss carried forward	28	-	-	-	-	28
Unrealized derivatives	3	-	(3)	-	-	-
Other	35	-	(4)	-	-	31
	57	-	3	-	-	60
Deferred income tax liabilities						
Property, plant and equipment	287	-	14	-	-	301
Loss carried forward	(16)	-	(9)	-	-	(25)
Unrealized derivatives	-	-	15	-	-	15
Business combination	35	-	(1)	-	-	34
Other comprehensive income	-	-	-	1	-	1
Other	(38)	-	(9)	-	-	(47)
	268	-	10	1	-	279
Net deferred tax (liabilities) assets	(211)	-	(7)	(1)	-	(219)

<i>(millions of Canadian dollars)</i>	January 1, 2020	Business Combination	Recognized in Net Income	Recognized in Other Comprehensive Income	Recognized Directly in Equity	December 31, 2020
Deferred income tax assets						
Property, plant and equipment	(17)	-	8	-	-	(9)
Loss carried forward	24	-	4	-	-	28
Unrealized derivatives	12	-	(9)	-	-	3
Other comprehensive income	(5)	-	-	5	-	-
Other	22	-	13	-	-	35
	36	-	16	5	-	57
Deferred income tax liabilities						
Property, plant and equipment	47	274	(1)	-	(33)	287
Loss carried forward	(10)	-	(6)	-	-	(16)
Business combination	-	43	-	-	(8)	35
Other	(5)	(51)	-	-	18	(38)
	32	266	(7)	-	(23)	268
Net deferred tax (liabilities) assets	4	(266)	23	5	23	(211)

The Corporation has the following tax losses carried-forward and deductible temporary differences for which no deferred tax assets have been recognized:

Year ended December 31, <i>(millions of Canadian dollars)</i>	2021	2020
Non-capital losses	18	17
Property, plant and equipment	61	63
Contingent liabilities	17	17
	96	97

Changes in income taxes receivable and income taxes payable during the years ended December 31, 2021 and 2020, are as follows:

<i>(millions of Canadian dollars)</i>	Income Taxes Receivable	Income Taxes Payable	Net Position
January 1, 2020	-	(18)	(18)
Installment and refunds	19	-	19
Current year provision	11	-	11
Other	(19)	18	(1)
December 31, 2020	11	-	11
Instalments and refunds	(18)	-	(18)
Other	7	-	7
December 31, 2021	-	-	-

As at December 31, 2021, the Corporation has non-capital losses carried forward that can be used to offset taxes in future years. These non-capital losses carried forward expire as follows:

NON-CAPITAL LOSS CARRY FORWARD

<i>(millions of Canadian dollars)</i>	2021
2031	1
2032	1
2033	1
2034	3
2035	13
2036	17
2037	14
2038	4
2039	33
2040	43
2041	34

9. REGULATORY DEFERRAL ACCOUNT BALANCES

NATURE AND ECONOMIC EFFECT OF RATE REGULATION

ENMAX Transmission and ENMAX Distribution are divisions of ENMAX Power Corporation (EPC) which are included in the ENMAX Power operating segment. These divisions are regulated operations established to carry out all electrical transmission and distribution service functions within The City of Calgary. The Alberta Utilities Commission (AUC) approves Transmission and Distribution Tariffs (rates and terms and conditions of service) pursuant to Sections 37 and 102 of the *Electric Utilities Act*.

With respect to Distribution, the 2018-2022 Distribution rates are subject to the Performance-Based Regulation mechanism. In December 2020, AUC approved 2021 formula-based rates on an interim basis for the period commencing January 1, 2021.

Transmission division rates are set based on an AUC approved revenue requirement and are regulated under a cost-of-service framework. On August 25, 2021, AUC approved the revenue requirement as filed in the 2021-2022 General Tariff Application.

Certain remaining recovery and settlement periods are those expected by management and the actual periods could differ based on regulatory approval.

ENMAX U.S. Operations

ENMAX, through its wholly owned subsidiary Versant Power, has distribution and transmission operations in Maine, U.S. Versant Power's distribution and stranded cost recoveries are regulated by MPUC while its transmission operations are regulated by FERC. Rates for these operations are established in distinct regulatory proceedings. Tax benefits arising from U.S. tax reforms were reflected in transmission rates effective July 1, 2018 and in distribution rates effective November 1, 2021.

Versant Power's distribution service operates under a cost of service regulatory structure and distribution rates are set by MPUC. Versant Power's transmission operations are split between two districts: MPD and BHD. MPD's transmission rates are regulated by FERC and are set annually on June 1 for wholesale and July 1 for retail customers, based on a formula that utilizes prior year actual transmission investments and expenses. BHD's transmission rates are regulated by FERC and set annually on June 1, based on a formula that utilizes prior year actual transmission investment and forecasted transmission investment. As a result of an Offer of Settlement approved by FERC on December 28, 2020, the formula rates used to set BHD's transmission charges will change effective January 1, 2022 and be set annually on January 1. BHD's bulk transmission assets are managed by ISO-New England as part of a region-wide pool of assets.

REGULATORY BALANCES

Timing of recognition of certain regulatory debits, credits, revenues and expenses may differ from what is otherwise expected under IFRS for non-regulated operations. Balances arising in the period consist of new additions to regulatory deferral debits and credit balances, while reversals represent amounts collected or refunded through rate riders or transactions reversing existing regulatory balances. The Corporation has recorded the following regulatory deferral account debit and credit balances:

<i>(millions of Canadian dollars)</i>	Accounts Receivable (a)	Un-Eliminated Inter-Company Profit (b)	Other Regulatory Debits (c)	U.S. Operations (e)	Total Regulatory Deferral Account Debit Balances
Regulatory deferral account debit balances					
January 1, 2021	17	12	15	145	189
Balances arising in the period	(34)	2	2	(30)	(60)
Reversal	27	-	(9)	-	18
Foreign exchange translation	-	-	-	1	1
December 31, 2021	10	14	8	116	148
Expected reversal period	up to 24 months	25 years	15 months		
January 1, 2020	21	6	4	-	31
Versant Power balance acquired	-	-	-	157	157
Balances arising in the period	203	6	18	7	234
Reversal	(207)	-	(7)	-	(214)
Foreign exchange translation	-	-	-	(19)	(19)
December 31, 2020	17	12	15	145	189
Expected reversal period	up to 24 months	25 years	12 months		
<i>(millions of Canadian dollars)</i>					
Regulatory deferral account credit balances					
January 1, 2021			4	147	151
Balances arising in the period			6	(18)	(12)
Reversal			(3)	-	(3)
Foreign exchange translation			-	1	1
December 31, 2021			7	130	137
Expected reversal period			18 Months		
January 1, 2020			2	-	2
Versant Power balance acquired			-	176	176
Balances arising in the period			4	(8)	(4)
Reversal			(2)	-	(2)
Foreign exchange translation			-	(21)	(21)
December 31, 2020			4	147	151
Expected reversal period			18 Months		

The following describes each circumstance in which rate regulation affects the accounting for a transaction or event. Regulatory deferral account debit balances represent 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 account 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. Any impairments related to regulatory deferral account balances are recorded in the period in which the related regulatory decisions are received.

(a) Accounts receivable and payable

Accounts receivable and payable represents a deferral account for differences between amounts received from customers and amounts paid to AESO for transmission charges. In the absence of rate regulation and the IFRS 14 standard, IFRS would require that actual amounts received from customers be included in revenue in the period they are collected.

(b) Inter-company profit

A subsidiary of the Corporation performs construction work for the regulated operations of ENMAX Power at a profit. Such profit is deemed to be realized to the extent that the transfer price is recognized for rate-making purposes by the regulator and included in the capital cost of distribution assets. In the absence of rate regulation and the IFRS 14 standard, IFRS would require that intercompany profits be eliminated upon consolidation.

(c) Other regulatory debits

Other regulatory debits primarily relate to the AUC administration flow-through reserves 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 including those inherent in rate-setting regulatory processes. 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.

(e) U.S. Operations

Regulatory assets and liabilities for Versant Power's operations consist of unfunded deferred income tax balances resulting from temporary tax differences, assets related to the deferred costs of pension and post-employment benefits, and stranded cost recoveries associated with purchase power contracts where Versant Power has been directed to purchase and resell by MPUC.

10. RESTRICTED CASH

<i>As at December 31,</i>	2021	2020
Funds held with a financial institution to cover posted margins	23	9
Restricted deposits with a financial institution to meet financial obligations	1	4
Funds designated to be paid to the Balancing Pool and the Government of Alberta relating to the utility deferral program	-	1
Funds held in escrow for assets held for sale	-	3
	24	17

11. OTHER ASSETS AND LIABILITIES

<i>As at December 31,</i>	2021	2020
Other current assets		
Prepaid expenses	19	10
Collateral paid	-	10
Deferred asset	1	1
Emission offsets	34	37
Other	2	4
	56	62
Other long-term assets		
Prepaid expenses	9	9
Long-term accounts receivable	18	32
Deferred asset	7	7
Equity investments	135	146
Other	28	33
	197	227
Other current liabilities		
Deposits	13	22
Other	25	30
	38	52
Other long-term liabilities		
Other	13	17
	13	17

12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On November 6, 2020, the Corporation announced it had entered into a definitive agreement to sell its District Energy Centre assets to a subsidiary of Atlantica Sustainable Infrastructure PLC (Atlantica) for \$27 million. ENMAX classified the related assets and liabilities as held for sale. These assets and liabilities were reported in the ENMAX Energy segment.

As at December 31, 2020, the Corporation recognized \$38 million in assets held for sale and \$11 million in liabilities held for sale. The sale was completed on May 14, 2021 following regulatory approval.

13. PROPERTY, PLANT AND EQUIPMENT

	Transmission, Distribution and Substation Equipment	Generation Facilities and Equipment	Buildings and Site Development	Work in Progress	Other ⁽¹⁾	Total
Cost						
As at January 1, 2020	2,634	2,343	499	236	228	5,940
Versant Power acquisition	1,145	-	56	48	106	1,355
Additions	73	5	4	297	20	399
Transfers	298	7	70	(387)	12	-
Assets held for Sale	-	(86)	(37)	(3)	20	(106)
Disposals	(15)	(21)	(8)	(6)	(27)	(77)
Adjustments	-	-	-	(14)	-	(14)
Changes to asset retirement costs	-	20	-	-	-	20
Impairment	-	-	-	(3)	-	(3)
Foreign exchange translation	(139)	-	(6)	(6)	(13)	(164)
As at December 31, 2020	3,996	2,268	578	162	346	7,350
Additions	95	-	3	322	20	440
Transfers	215	70	23	(321)	13	-
Disposals	(32)	(23)	(1)	(10)	(8)	(74)
Adjustments	(16)	-	-	11	(3)	(8)
Changes to asset retirement costs	-	(18)	-	-	-	(18)
Impairment	-	(1)	-	-	-	(1)
Foreign exchange translation	2	-	-	1	1	4
As at December 31, 2021	4,260	2,296	603	165	369	7,693

Accumulated Depreciation

As at January 1, 2020	(427)	(855)	(118)	-	(45)	(1,445)
Depreciation	(130)	(105)	(19)	-	(20)	(274)
Assets held for sale	-	51	28	-	(12)	67
Disposals	20	15	8	-	27	70
Impairment reversal	-	4	1	-	(1)	4
Foreign exchange translation	1	-	-	-	-	1
As at December 31, 2020	(536)	(890)	(100)	-	(51)	(1,577)
Depreciation	(142)	(93)	(19)	-	(24)	(278)
Disposals	42	23	1	-	7	73
Adjustments	2	-	-	-	3	5
Foreign exchange translation	-	-	-	-	(1)	(1)
As at December 31, 2021	(634)	(960)	(118)	-	(66)	(1,778)

Net book value

As at December 31, 2021	3,626	1,336	485	165	303	5,915
As at December 31, 2020	3,460	1,378	478	162	295	5,773

⁽¹⁾ Other PP&E as at December 31, 2021 consists of land, tools, systems, equipment, capital spares and vehicles.

Real property, including land and buildings, with a carrying amount of \$480 million as at December 31, 2021 (December 31, 2020 - \$483 million), is subject to a right of first refusal to purchase held by The City.

For the year ended December 31, 2021, capitalized borrowing costs amounted to \$8 million (2020 - \$11 million), with capitalization rates ranging from 2.96 per cent to 3.87 per cent (2020 - 3.18 to 4.14 per cent). Interest is capitalized based on the actual cost of debt used to finance the capital construction projects. Interest rates ranged from 1.11 per cent to 5.02 per cent (2020 - 1.90 to 5.02 per cent).

During the year ended December 31, 2021, ENMAX recognized impairment losses of \$1 million (2020 - \$3 million) associated with certain property, plant and equipment. ENMAX has recognized an impairment of \$nil associated with assets held for sale (see Note 12) during the year ended December 31, 2021 (2020 – \$4 million reversal).

These balances include the Corporation's ROU assets, as further discussed in Note 16.

14. INTANGIBLE ASSETS

	Computer Systems	Work in Progress	Other ⁽¹⁾	Total
Cost				
As at January 1, 2020	267	19	46	332
Versant Power acquisition	43	2	51	96
Additions	4	42	1	47
Transfers	25	(29)	4	-
Disposals	(14)	-	-	(14)
Foreign exchange translation	(8)	(1)	(7)	(16)
As at December 31, 2020	317	33	95	445
Additions	16	44	-	60
Transfers	37	(37)	-	-
Disposals	(16)	-	(12)	(28)
Foreign exchange translation	-	1	-	1
As at December 31, 2021	354	41	83	478
Accumulated amortization				
As at January 1, 2020	(126)	-	(21)	(147)
Amortization	(24)	-	(2)	(26)
Disposals	14	-	-	14
Foreign exchange translation	3	-	1	4
As at December 31, 2020	(133)	-	(22)	(155)
Amortization	(28)	-	(2)	(30)
Disposals	15	-	12	27
Foreign exchange translation	1	-	-	1
As at December 31, 2021	(145)	-	(12)	(157)
Net book value				
As at December 31, 2021	209	41	71	321
As at December 31, 2020	184	33	73	290

⁽¹⁾ Other intangible assets as at December 31, 2021 consists of water leases, land easements, rights, and lease options.

15. GOODWILL

As at December 31,

(millions of Canadian dollars)

	2021	2020
Balance, beginning of the period	610	-
Acquired through business combination	-	692
Net exchange rate difference	1	(82)
Balance, end of the period	611	610

On March 24, 2020, the Corporation acquired all the outstanding shares of BHE Holdings Inc., the parent company of Versant Power. The aggregate purchase price was \$1,393 million on closing, in addition to the assumption of approximately \$567 million debt. The excess of the purchase price over estimated fair values of net assets acquired has been recognized as goodwill. Goodwill reflects the amount paid for access to regulated assets, net income and future cash flows, opportunities for adjacency growth, and improved earnings risk profile.

Goodwill is subject to an annual assessment for impairment at the reporting unit level. As at December 31, 2021, impairment on goodwill of \$nil was recorded by ENMAX (December 31, 2020 - \$nil).

16. LEASES

ENMAX leases several assets categorized as generation facilities and equipment, buildings, and site development and other. The average term remaining on leases is 3.7 years (December 31, 2020 – 3.7 years).

Right-of-use assets

Changes in the net book value for the Corporation's ROU assets during the period are as follows:

<i>(millions of Canadian dollars)</i>	Generation Facilities and Equipment	Buildings and Site Development	Other ⁽¹⁾	Total
Cost				
As at January 1, 2020	33	14	18	65
Net changes	-	-	1	1
Assets held for sale	(5)	-	-	(5)
As at December 31, 2020	28	14	19	61
Net changes	-	-	-	-
As at December 31, 2021	28	14	19	61
Accumulated Depreciation				
As at January 1, 2020	(3)	(1)	(3)	(7)
Net changes	(1)	(2)	(2)	(5)
Assets held for sale	2	-	-	2
As at December 31, 2020	(2)	(3)	(5)	(10)
Net changes	(1)	(2)	(3)	(6)
As at December 31, 2021	(3)	(5)	(8)	(16)
Net Book Value				
As at December 31, 2021	25	9	11	45
As at December 31, 2020	26	11	14	51

⁽¹⁾ Other leases as at December 31, 2021 consists of land, vehicles and tools, systems, and equipment.

Amounts recognized in profit and loss

<i>Year ended December 31, (millions of Canadian dollars)</i>	2021	2020
Depreciation expense	6	5
Lease expense on short-term leases	1	1
Interest expense on lease liabilities	2	3
Amounts expensed in profit and loss	9	9

Lease payments

Future lease payments as at December 31, 2021 are as follows:

<i>(millions of Canadian dollars)</i>	
Less than 1 year	8
1–5 years	17
More than 5 years	48

Total cash outflow for lease payments for the year ended December 31, 2021 was \$8 million (2020 - \$9 million). ENMAX does not face a significant liquidity risk for its lease liabilities.

Generation Facilities and Equipment

ENMAX leases a pipeline to supply the necessary water to one of its generation facilities. The term of this lease is 30 years with fixed payments over the life of the lease.

Buildings and Site Development

ENMAX leases buildings to house various operations. As at December 31, 2021, the capitalized leases have 1 to 27 years remaining.

Other

ENMAX leases land surrounding several generating facilities to allow for the installation of substation equipment and water reservoirs. The contracted lengths and terms of payments of the leases vary. As at December 31, 2021, ENMAX expects all land leases to be renewed until the end of the useful life of each respective generating facility.

ENMAX leases vehicles that are mainly used by its field services crews for installation and maintenance of the electrical system. The lease terms of the vehicles vary based on the specific use of the vehicle but are typically for five years.

17. LONG-TERM DEBT

<i>As at December 31,</i> <i>(millions of Canadian dollars)</i>	Weighted Average Interest Rates		Weighted Average Interest Rates	
	2021		2020	
City promissory notes ⁽¹⁾ with remaining terms of:				
Less than 5 years	28	1.58%	33	2.38%
5 – 10 years	47	3.67%	34	3.74%
10 – 15 years	360	4.41%	309	4.49%
15 – 20 years	466	3.21%	566	3.35%
20 – 25 years	554	2.75%	429	2.77%
General and refunding mortgage bond	28	8.98%	28	8.98%
Private debentures ⁽¹⁾	1,339	3.52%	1,338	3.52%
Senior notes ⁽¹⁾	507	3.86%	507	3.86%
Non-revolving term facility	-	-	195	2.09%
Promissory note	3	5.00%	3	5.00%
	3,332		3,442	
Less: current portion	(480)		(74)	
	2,852		3,368	

⁽¹⁾ See Note 7 for further detail.

CITY PROMISSORY NOTES

Debentures were initially issued by The City on behalf of the Calgary Electric System (CES), pursuant to City bylaw authorizations prior to January 1, 1998. Pursuant to the master agreement between the Corporation and The City, the debentures were included in the assumed liabilities upon transfer of substantially all the assets and liabilities of the CES from The City to the Corporation at January 1, 1998. During 2021 a credit agreement between ENMAX and The City was entered into that governs the borrowing relationship between ENMAX and The City. All existing debentures were replaced with promissory notes under the new credit agreement. During 2021, the Corporation borrowed an additional \$160 million from The City.

In addition to principal and interest payments, the Corporation is required to pay a loan guarantee and administration fee to The City of 0.25 per cent of the average monthly outstanding debt balance.

GENERAL AND REFUNDING MORTGAGE BONDS

As part of the March 24, 2020 Versant Power acquisition, the Corporation assumed a general and refunding mortgage bond. The Corporation had a \$28 million mortgage bond outstanding as at December 31, 2021, maturing in 2022. The bond was initially issued with a 30-year maturity in 1992 and is secured by substantially all of Versant Power's plant and property.

PRIVATE DEBENTURES

As at December 31, 2021, the outstanding unsecured private debentures of the Corporation had a face value of \$1,350 million, bearing a weighted average interest rate of 3.52 per cent each payable semi-annually, with maturity dates ranging from 2022 to 2029.

SENIOR NOTES

As part of the March 24, 2020 Versant Power acquisition, the Corporation assumed senior notes. On July 15, 2020, Versant Power completed the issuance of an unsecured \$30 million USD senior note, and on September 15, 2020, Versant Power completed the issuance of an unsecured \$60 million USD senior note. Both notes bear an interest rate of 2.8 per cent, payable semi-annually. The Corporation had \$507 million in outstanding senior notes at December 31, 2021 with maturity dates ranging from 2022 to 2049.

PROMISSORY NOTE

The promissory note was issued in the fourth quarter of 2006 and represents an amortizing loan from the Board of Trustees of Westwind School Division No. 74, acting as agent for the Wind Participation Consortium, which is comprised of three school divisions. The 20-year note, in the amount of \$6 million with interest at a fixed rate of 5.00 per cent, is repayable in monthly instalments. The Corporation provided a fixed charge over two wind turbines located at Taber, Alberta, as security for the loan. Concurrent with execution of the loan, the note executed a 20-year electricity services agreement with ENMAX Energy.

PRINCIPAL REPAYMENTS

Required repayments of principal on the long-term debt at December 31, 2021 are as follows:

REQUIRED REPAYMENTS OF PRINCIPAL

. As at December 31,

(millions of Canadian dollars)

	2021	2020
Less than 1 year	480	74
1–3 years	349	737
3–5 years	452	635
More than 5 years	2,051	1997

18. POST-EMPLOYMENT BENEFITS

The Corporation has registered pension plans in Canada and the U.S. that substantially cover all employees and include both Defined Benefit (DB) and Defined Contribution (DC) provisions.

The Canadian DB provisions provide a pension benefit 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 at least 60 per cent of the consumer price index for Alberta.

Under the DC provisions in Canada, the Corporation provides a base level of contributions and additional employer contributions are matched based on the participating members' contribution levels and points (age plus service) calculation.

In Canada, the Corporation sponsors a supplemental pension plan providing an additional DC or DB pension to members whose benefits are limited by maximum pension rules under the *Canadian Income Tax Act*. The supplemental pension plan benefits do not automatically increase. In addition, the Corporation provides employees with post-employment benefits other than pensions, including extended health benefits beyond those provided by government-sponsored plans, life insurance, Health Care Spending accounts and a lump-sum allowance payable at retirement, up to age 65.

There are two DB plans in the U.S., one for former BHD employees and one for former MPD employees. Versant Power has a non-contributory defined benefit pension plan covering substantially all former BHD employees. Effective February 1, 2006, this plan was frozen to all new employees of the BHD. Individuals employed prior to this date continue to accrue benefits in accordance with this plan. Benefits under the plan are generally based on the employee's years of service and compensation during the years preceding retirement. Versant Power has a non-contributory defined benefit pension plan covering substantially all former MPD employees. Effective January 1, 2006, this plan was frozen to all new employees of the MPD. On December 31, 2006, future salary and service accruals for current participants in the plan ceased. The MPD agreed to additional employer contributions to the DC plan to compensate employees, in part or in full, depending on their number of years of service, for this lost benefit. Benefits under the plan are generally based on the employee's years of service and compensation during the years preceding the freezing of salary and service accruals.

In the U.S., the Corporation has adopted a DC plan (under Section 401(k) of the Internal Revenue Code) covering substantially all the Corporation's employees. Participants may elect to defer from 1 to 25 per cent of current compensation and the Corporation contributes such amounts to the plan.

In the U.S., the Corporation also has unfunded non-contributory supplemental non-qualified pension plans that provide additional retirement benefits to certain former senior executives of the BHD and MPD. Benefits under these supplemental plans are based on the employee's years of service and compensation level. In addition to pension benefits, the Corporation provides certain health care and life insurance benefits to its retired employees. BHD employees hired prior to February 1, 2006 and MPD employees hired prior to October 1, 2005 are provided post-retirement benefits if they reach normal retirement age while working for the Corporation. Employees hired after these dates are not eligible for these benefits.

Total cash payments for employee future benefits for the year ended December 31, 2021, consisting of cash contributed by the Corporation under the DB and DC provisions of the registered pension plan and cash payments directly to beneficiaries of the Corporation's unfunded other benefit plans (collectively, the "Plans"), were \$24 million (2020 - \$28 million).

For the year ended December 31, 2021, the total expense for the DC provisions of the Plans was \$13 million (2020 - \$15 million).

Information about the DB provisions of the plan, including the supplemental pension plan and the post-employment non-pension benefit plan, is as follows:

<i>As at December 31,</i>	2021			2020		
	Pension Benefit Plan	Other Benefit Plan	Total	Pension Benefit Plan	Other Benefit Plan	Total
<i>(millions of Canadian dollars)</i>						
Change in defined benefit obligation:						
Balance, beginning of year	651	70	721	398	15	413
Versant Power acquisition	-	-	-	241	55	296
Current service cost	17	2	19	18	1	19
Interest cost	16	2	18	18	2	20
Employee contributions	3	-	3	4	-	4
Actuarial losses (gains)	(27)	1	(26)	32	6	38
Benefits paid	(28)	(3)	(31)	(30)	(2)	(32)
Foreign exchange translation	-	-	-	(30)	(7)	(37)
Defined benefit obligation, end of year	632	72	704	651	70	721
Change in plan assets:						
Fair value, beginning of year	548	7	555	323	-	323
Versant Power acquisition	-	-	-	177	6	183
Interest income	14	-	14	10	-	10
Return on plan assets, excluding amounts included in interest expense	47	1	48	75	2	77
Employer contributions	9	2	11	10	2	12
Employee contributions	4	-	4	4	-	4
Benefits paid	(27)	(2)	(29)	(26)	(2)	(28)
Non-investment expenses	(1)	-	(1)	(1)	-	(1)
Foreign exchange translation	-	-	-	(24)	(1)	(25)
Plan assets at fair value, end of year	594	8	602	548	7	555
Funded status-plan deficit						
Accrued net benefit obligation	(38)	(64)	(102)	(103)	(63)	(166)

DEFINED BENEFIT COST – STATEMENT OF EARNINGS

<i>Year ended December 31,</i>	2021			2020		
	Pension Benefit Plan	Other Benefit Plan	Total	Pension Benefit Plan	Other Benefit Plan	Total
<i>(millions of Canadian dollars)</i>						
Current service costs	17	2	19	18	1	19
Net interest on net benefit liability	2	1	3	7	2	9
Admin costs	-	-	-	1	-	1
Net benefit plan expense	19	3	22	26	3	29

DEFINED BENEFIT COST – STATEMENT OF COMPREHENSIVE INCOME

<i>Year ended December 31,</i>	2021			2020		
	Pension Benefit Plan	Other Benefit Plan	Total	Pension Benefit Plan	Other Benefit Plan	Total
<i>(millions of Canadian dollars)</i>						
Return on plan assets greater (less) than discount rate	37	-	37	7	-	7
Actuarial gains (losses)						
Experience adjustments	(1)	1	-	9	1	10
Changes in assumptions ⁽¹⁾	19	1	20	(13)	(1)	(14)
Remeasurement gains recognized in OCI	55	2	57	3	-	3

⁽¹⁾ See changes in assumptions – Note 18(a).

The defined pension benefits plan's assets are comprised as follows:

<i>As at December 31,</i>	2021				2020			
	Quoted	Un-quoted	Total	In %	Quoted	Un-quoted	Total	In %
<i>(millions of Canadian dollars)</i>								
Equity securities			279	46%			325	58%
Canadian equity funds	120	-			110	-		
Foreign equity funds	159	-			215	-		
Fixed-income securities			289	48%			200	36%
Canadian fixed-income funds	88	-			81	-		
Foreign fixed-income funds	201	-			119	-		
Canadian real estate investments	-	31	31	5%	-	27	27	5%
Cash and cash equivalents	-	3	3	1%	-	3	3	1%
Total plan assets	568	34	602	100%	525	30	555	100%

(a) Assumptions

Ranges of significant weighted-average actuarial assumptions adopted in measuring the Corporation's defined benefit obligations and net benefit plan expense are as follows:

	2021		2020	
	Pension Benefit Plan	Other Benefit Plan	Pension Benefit Plan	Other Benefit Plan
Defined benefit obligation:				
Discount rate	2.50% - 3.00%	2.64% - 2.75%	2.04% - 2.75%	2.25% - 2.37%
Inflation rate	1.80%	n/a	1.80%	n/a
Rate of compensation increase	2.80% - 3.00%	2.80%	2.80% - 3.00%	2.80%
Health care cost trend rate for next year ⁽¹⁾	n/a	7.00% - 7.75%	n/a	6.50% - 7.75%
Net benefit plan expense:				
Discount rate	2.04% - 2.75%	2.25% - 2.37%	3.00% - 3.38%	3.00% - 3.36%
Inflation rate	1.80%	n/a	1.80%	n/a
Rate of compensation increase	2.80% - 3.00%	2.80%	2.80% - 3.00%	2.80%
Health care cost trend rate for next year ⁽¹⁾	n/a	7.00% - 7.75%	n/a	7.00% - 8.00%

⁽¹⁾ 2021 Post and pre-65 rates: decreasing gradually to 4.5% and 2.0%, respectively by 2035 (2020 - 4.5% and 2.0% in 2024) and remaining at that level thereafter for the U.S. and decreasing gradually to 5.0% in 2026 for Canada (2020 - 5.0% in 2026).

For the Canadian plan, the per capita cost of covered dental benefits was assumed to increase by 4.50 per cent per year (2020 – 4.50 per cent).

Sensitivity of the defined benefit obligation (DBO) to changes in assumptions is set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

SENSITIVITIES OF ASSUMPTIONS

<i>(millions of Canadian dollars)</i>	2021		
	Change in assumption	Increase	Decrease
Impact on Pension Benefit Plan DBO			
Discount rate	1%	(89)	115
Rate of compensation increase	1%	14	(14)
Inflation rate	1%	34	(32)
Life expectancy	1 year	18	(16)
Impact on Other Benefit Plan DBO			
Discount rate	1%	(8)	8
Rate of compensation increase	1%	1	(1)
Health care cost trend rate	1%	7	(6)
Life expectancy	1 year	1	(1)

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the DBO calculated with the projected unit credit method at the end of the reporting period) has been applied for calculating the liability recognized in the statement of financial position.

(b) Maturity analysis

An actuarial valuation was performed as of December 31, 2019. The aggregate solvency deficit in the Corporation's funded pension plans amounted to \$4 million. The Corporation will make special payments for past service of \$1 million annually to fund the defined benefit pension plans' deficit over seven years. Current agreed service contributions are 10.13 per cent of pensionable salaries and continue to be made in the normal course. The Corporation's total expected contributions to the post-employment benefit plans for the year ending December 31, 2022 (including the past service contributions and post-employment benefit payments) are \$13 million.

Weighted average durations of the defined benefit obligation for the Canadian pension plan and the other benefit plan is 18 years and 11 years, respectively (2020 – 18 years and 12 years). For the US plans, the weighted average duration of the defined benefit obligation for the pension plan and the other benefit plan is 13 years and 11 years, respectively (2020 – 13 years and 12 years).

Expected maturity analysis of undiscounted pension and other benefit plans are as follows:

<i>(millions of Canadian dollars)</i>	Less than				Total
	1 year	1 - 3 years	3 - 5 years	5 – 10 years	
Defined benefit pension plan	29	62	64	173	328
Other benefit plans	5	10	10	24	49
At December 31, 2021	34	72	74	197	377

(c) Risk assessment

Funding risk

The primary risk associated with the DB pension for the plan sponsor is the risk that investment asset growth and contribution rates will not be sufficient to cover pending funding obligations, resulting in unfunded liabilities.

Alberta registered plans are required to file funding valuations on a triennial basis with few exceptions. If the going concern funded status is less than 85.0 per cent, a plan may be required to file an annual valuation. The U.S. pension plans are required to file funding valuations on an annual basis. Based on the 2019 pension valuation, the Canadian DB Provisions are 126.4 per cent funded on a going-concern basis and 98.8 per cent on a solvency basis. Based on the 2021 pension valuation, the U.S. pension plans have funding ratios between 113.5 per cent and 124.2 per cent. The funding ratio is monitored on an ongoing basis.

Investment risk

The Corporation makes investment decisions for its funded plan based on an asset-liability matching analysis reflecting the results of its aforementioned funding valuations. The Corporation attempts to achieve investment returns in excess of its liabilities by setting an asset-allocation target based on risks and returns. This targeted asset allocation is recorded in ENMAX Pension Plan Statement of Investment Policies and Procedures (SIPP). The plan's asset portfolio is regularly monitored to ensure compliance to the SIPP, as well as its performance as compared to a liability benchmark intended to approximate the growth in the plan's future obligations. Given the likely significant shortening of the liability structure with the passage of time, the continuing appropriateness of the plan's asset allocation is evaluated at least once every three years.

19. DEFERRED REVENUE

<i>(millions of Canadian dollars)</i>	CIAC	Other	Liabilities Classified as Held for Sale ⁽¹⁾	Total
As at December 31, 2020	556	20	(7)	569
Net additions	45	2	7	54
Recognized as revenue	(21)	(10)	-	(31)
As at December 31, 2021	580	12	-	592
Less: current portion	-	6	-	6
	580	6	-	586

⁽¹⁾ As at December 31, 2020, the Corporation recognized \$7 million of deferred revenue in liabilities held for sale (Note 12). The sale was completed on May 14, 2021 following regulatory approval.

20. ASSET RETIREMENT OBLIGATIONS AND OTHER PROVISIONS

<i>(millions of Canadian dollars)</i>	Asset Retirement Obligations	Onerous Contracts and Other	Total
As at January 1, 2020	106	16	122
Net additions	20	23	43
Settled in the year	-	(16)	(16)
Accretion expense	2	-	2
Foreign exchange translation	-	(2)	(2)
As at December 31, 2020	128	21	149
Net additions	(19)	-	(19)
Settled in the year	-	(4)	(4)
Accretion expense	2	-	2
Foreign exchange translation	-	-	-
As at December 31, 2021	111	17	128
Less: current portion	-	(3)	(3)
	111	14	125

Asset retirement obligations

The Corporation has estimated the net present value of the decommissioning liabilities associated with the assets of ENMAX Energy based on a total undiscounted future liability of \$195 million (December 31, 2020 - \$195 million) calculated using an inflation rate of 2 per cent (December 31, 2020 - 2 per cent). These payments are expected to be made between 2039 and 2071. The Corporation calculated the present value of the obligations using discount rates ranging from 1.54 to 1.74 per cent (December 31, 2020 - 0.98 to 1.29 per cent) to reflect the market assessment of the time value of money.

Transmission and Distribution asset retirement obligations are not recognized as the useful life of the assets in service cannot be reasonably estimated. As such, no final removal date can be determined, and a reasonable estimate of the related retirement obligations cannot be made at this time. If sufficient information becomes available to reasonably estimate the settlement date, the obligation will be recorded.

Onerous contracts and other

The Corporation decreased its onerous contracts and other provision by \$1 million (December 31, 2020 - \$1 million) due to settlement and to reflect changes in the expected timing and amounts of certain longer-term onerous contracts.

21. SHARE CAPITAL

<i>(millions of Canadian dollars, except share amounts)</i>	Number of Shares	Amount
Authorized:		
Unlimited number of common shares		
Issued and outstanding:		
Balance, December 31, 2020 and 2021:		
Issued on incorporation	1	-
Issued on transfer of net assets from CES	1	278
Issued on transfer of billing and customer care assets from The City in 2001	1	2
Balance, December 31, 2020 and 2021	3	280

22. ACCUMULATED OTHER COMPREHENSIVE (LOSS)

As at December 31,

(millions of Canadian dollars)

	2021	2020
Net unrealized gain on derivatives designated as cash flow hedges, including deferred income tax expense of \$1 million (December 31, 2020 - \$1 million expense)	3	2
Net actuarial gain (loss) on defined benefit plans, including deferred income tax of \$nil (December 31, 2020 - \$1 million recovery)	18	(38)
Cumulative translation adjustment	(150)	(154)
Accumulated other comprehensive loss, including deferred income tax expense of \$1 million (December 31, 2020 - \$nil)	(129)	(190)

23. JOINT ARRANGEMENTS

Significant joint operations included in the consolidated financial statements at December 31, 2021 are listed below.

Significant Joint Operations	Operating Jurisdiction	Ownership Percent	Principal Activity
McBride Lake Wind Facility	Canada	50%	Wind turbine generating facility
Shepard Energy Centre	Canada	50%	Gas-fuelled generating facility
Balzac Power Station	Canada	50%	Gas-fuelled generating facility

24. INTEREST IN ASSOCIATES

The following entities have been included in the consolidated financial statements and are accounted for using the equity method:

Name of Entity	Operating Jurisdiction	% Ownership		Carrying values	
		2021	2020	2021	2020
Maine Yankee Atomic Power Company ⁽¹⁾	U.S.	12.0%	12.0%	-	-
Maine Electric Power Company, Inc. ⁽²⁾⁽³⁾	U.S.	21.7%	21.7%	130	141

⁽¹⁾ The Corporation's ownership in Maine Yankee Atomic Power Company (Maine Yankee) represents less than \$1 million. Prior to its permanent closure in 1997, Maine Yankee operated a 900 MW nuclear power generating plant in Wiscasset, Maine. The Corporation is obligated to pay its pro-rata share of Maine Yankee's decommissioning costs.

⁽²⁾ Maine Electric Power Company, Inc. (MEPCO) owns and operates electric transmission facilities from Maine Yankee facility to the Maine-Canadian border. The other 78.3 per cent of MEPCO is owned by Central Maine Power.

⁽³⁾ During the year an impairment of \$15 million was recorded on ENMAX investment in MEPCO which is included in the results of the Versant Power Segment. This impairment is a result of a delay in expected growth in the MEPCO business.

Summarized financial information

<i>(millions of Canadian dollars)</i>	Maine Yankee		MEPCO	
	2021	2020	2021	2020
Current assets	7	6	15	26
Non-current assets	278	271	192	177
Current liabilities	(3)	(3)	(4)	(19)
Non-current liabilities	(278)	(271)	(18)	(17)
Net assets (100%)	4	3	185	167
Corporation's share of net assets	-	-	40	36
Revenues	-	-	7	6
Net earnings	-	-	4	3

25. DIVIDENDS

On March 24, 2021, the Corporation declared a dividend of \$58 million to The City (2020 – \$54 million) which was paid in equal quarterly instalments during 2021.

26. FINANCE CHARGES

<i>Year ended December 31,</i> <i>(millions of Canadian dollars)</i>	2021	2020
Accretion expense	2	1
Interest expense – pension	4	5
Interest on long-term debt	118	117
Interest on finance leases	2	3
Short-term interest and other financing charges	11	19
Less: capitalized borrowing costs	(8)	(11)
	129	134

27. CHANGES IN NON-CASH WORKING CAPITAL

<i>Year ended December 31,</i> <i>(millions of Canadian dollars)</i>	2021	2020
Accounts receivable	(183)	3
Regulatory deferral account debit balances	41	(19)
Other assets	21	(14)
Accounts payable and accrued liabilities	183	60
Regulatory deferral account credit balances	(14)	(5)
Other liabilities	(20)	15
Trading account margins	83	-
Deferred revenue (non-CIAC)	(1)	(3)
Provisions	(4)	(2)
Change in non-cash working capital	106	35

28. 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.

STATEMENT OF EARNINGS

<i>Year ended December 31, (millions of Canadian dollars)</i>	2021	2020
Revenue ⁽¹⁾	129	135
Local access fees ⁽²⁾	157	132
Other expenses	2	6
Finance charges ⁽³⁾	51	50

⁽¹⁾ 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.

⁽³⁾ For the year ended December 31, 2021, the Corporation paid a management fee of \$3 million (2020 - \$3 million) to The City.

STATEMENT OF FINANCIAL POSITION

<i>As at December 31, (millions of Canadian dollars)</i>	2021	2020
Accounts receivable	24	23
Asset held for sale ⁽¹⁾	-	3
Accounts payable and accrued liabilities	7	12
Liability held for sale ⁽²⁾	-	6
Long-term debt ⁽³⁾	1,456	1,321

⁽¹⁾ Right-of-use asset.

⁽²⁾ Finance lease obligation and deferred revenue.

⁽³⁾ Principal payments for the year ended December 31, 2021 amounted to \$76 million (2020 - \$76 million).

Transactions between the Corporation and The City have been recorded at the exchange 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 Energy Centre operations.

COMPENSATION OF KEY MANAGEMENT

The Corporation's key management personnel are members of the Board of Directors and the executive management team. Key management personnel have the authority and the responsibility for planning, directing and controlling the activities of the Corporation. Several personnel changes and reorganization in the executive management team during 2021 resulted in certain non-recurring charges in the year.

Total compensation and remuneration paid by the Corporation and its subsidiary companies to key management personnel is presented below:

<i>Year ended December 31, (millions of Canadian dollars)</i>	2021	2020
Salaries and other short-term employee benefits	5	7
Other long-term benefits	1	3
Retirement and post-employment benefits	-	1
Termination benefits	3	2
	9	13

29. SUBSIDIARIES

The following is a list of subsidiaries in which the Corporation has a material ownership interest, either directly or indirectly, as at December 31, 2021:

Material Subsidiaries	Principal Activity
Canadian Entities	
Calgary Energy Centre No. 2 Inc.	Operator and contracting entity for the Calgary Energy Centre generation facility.
EM Mechanical Services Inc.	Contracting entity for all Solar PV installation, both inside and outside of The City of Calgary.
ENMAX Balzac GP Inc.	General Partner for the Balzac natural gas power plant.
ENMAX Bonnybrook Inc.	Operator and contracting entity for the Bonnybrook natural gas power plant.
ENMAX Cavalier GP Inc.	General Partner (on behalf of the LP) for the Cavalier natural gas power plant.
ENMAX Encompass Inc.	Unregulated billing and customer care services for residential and small business customers.
ENMAX Energy Corporation	Generation and energy retail services company offering electricity and natural gas products and services to customers and customized energy plans for businesses and industrial clients.
ENMAX Energy Marketing Inc.	The AESO Market Participant for system access, wholesale and trading.
ENMAX Gas Transport Inc.	Contracting entity for the purchase and sale of natural gas.
ENMAX Generation Portfolio Inc.	Owner of multiple generation plants.
ENMAX Independent Energy Solutions Inc.	Entity that holds ENMAX's combined heat and power (CHP) units, including the Stoney Transit CHP. Formerly held the District Energy Calgary CHP until District Energy Calgary was sold in 2021.
ENMAX Kettles Hill Inc.	Operator of Kettles Hill wind energy farm.
ENMAX Power Corporation	EPC is the regulated wires company. Owns, operates, and maintains electricity transmission and distribution generally in The City of Calgary. Handles services related to the Regulated Rate Option and retailer billing.
ENMAX Power Services Corporation (EPSC)	Provides competitive engineering, procurement, construction and maintenance services for EPC and other utilities. Builds and maintains Calgary's Light Rail Transit system, maintains city streetlights and provides utility trenching to Alberta developers.
ENMAX Shepard Services Inc.	Contracting entity, operator and agent for Shepard Energy Centre.
ENMAX Telecommunications Services Inc.	Coordinates pole access and attachment services for telecommunication companies.
ENMAX Utility Services Limited	Performs utility services for EPSC outside of The City of Calgary.

U.S. Entities

Bangor Fiber Company, Inc.	Bangor Fiber was created to hold rights associated with fiber optic cable, which it leases to Versant Power and other companies.
Bangor Line Company	Bangor Line was created for electrical transmission and distribution, operation, and maintenance. It conducts no business.
Bangor Var Co., Inc.	Bangor Var Co., Inc. was created to hold a partnership interest in a static var compensator facility in Chester, Maine. See Chester SVC Partnership.
Chester SVC Partnership	Partnership formed by Versant Power and Central Maine Power Company through its subsidiary NORVARCO to build and own a static var compensator facility in Chester, Maine.
Pleasant River Gulf Improvement Company	Pleasant River was created to build and maintain dams to improve the flow of water in the West Branch of the Piscataquis River for the driving of logs and lumber on the Piscataquis River. It conducts no business.
Maine Electric Power Company, Inc.	Owns and operates electric transmission facilities from Wiscasset, Maine to the Maine-New Brunswick border.
Maine Yankee Atomic Power Company	From 1972 to 1997, Maine Yankee owned and operated a 900 MW nuclear power plant in Wiscasset, Maine. In 1997, the facility ceased operations and the decommissioning process began. Operations currently limited to storage site for spent fuel.
Versant Power	Versant Power is a public utility based in Bangor, Maine that is engaged in the transmission and distribution of electricity.

The table does not include wholly owned subsidiaries that are immediate holding companies of the operating subsidiaries. For certain foreign operations of the Corporation, there are restrictions on the sale or transfer of production licenses, which would require approval of the applicable foreign government.

30. OTHER REVENUE AND EXPENSES

<i>Year ended December 31, (millions of Canadian dollars)</i>	2021	2020
Other revenue		
Interest and penalty revenue	7	5
Miscellaneous	21	12
	28	17
Other expenses		
Contractual services costs	56	75
Staff costs	175	237
Consulting costs	23	23
Advertising and promotion	5	9
Administrative and office expenses	96	84
Operating costs	82	72
Building and property costs	44	45
Other costs	9	14
Foreign exchange loss (gain)	2	(129)
	492	430

31. COMMITMENTS AND CONTINGENCIES

The Corporation is committed to expenditures for capital additions, rent for premises, and vehicles and equipment under multiple contracts with varying expiration dates.

The Corporation commits to the purchase of power, renewable energy certificates, carbon offset credits and long-term service arrangements on certain generating assets.

Aggregated minimum payments under these arrangements over the next five years and thereafter are as follows:

(millions of Canadian dollars)

2022	225
2023	7
2024	5
2025	3
2026	2
Thereafter	2

HISTORICAL TRANSMISSION LINE LOSS PROVISION

ENMAX has participated in various proceedings regarding AESO's Line Loss Rule (LLR). The LLR establishes the loss factors that form the basis for certain transmission charges paid by Alberta generators, including ENMAX. The LLR proceedings addressed the replacement of a non-compliant LLR and the resulting adjustment of line loss charges and credits for the years 2006 to 2016. Under AUC's decisions, AESO was required to settle adjustments for these historic amounts.

AUC's decisions do not require AESO to consider commercial agreement terms and service transfer circumstances when AESO determines which party to invoice. ENMAX has been invoiced for amounts for which it may not ultimately, in whole or in part, be responsible. Moreover, the invoices do not reflect the benefit of credits to which ENMAX is entitled nor any of ENMAX's rights to subsequently seek compensation, including under commercial agreements from other parties such as the Balancing Pool.

ENMAX recorded payables and receivables in its 2021 consolidated financial statements related to the line loss proceedings. All amounts invoiced to ENMAX by AESO have been paid by ENMAX and ENMAX is engaged in dispute resolution processes with counterparties to address ultimate liability for certain line loss amounts and for entitlement to refunds for certain line loss amounts.

LEGAL AND REGULATORY PROCEEDINGS

In the normal course of business, the Corporation is, and may be named as, a defendant or party in lawsuits and regulatory proceedings related to various matters. The Corporation currently believes the outcome of these lawsuits and regulatory proceedings will not have a material impact on the operating results or financial position of the Corporation.

The Corporation, along with other market participants in the province of Alberta, is subject to decisions, market rules, regulations, regulatory proceedings and/or jurisdiction of AUC, AESO, Market Surveillance Administrator and other authorities. Along with other market participants in the U.S., the Corporation is subject to decisions, market rules, regulations, regulatory proceedings of MPUC and FERC. The financial impact of decisions, market rules, regulations and regulatory proceedings is reflected in the consolidated financial statements when the amount can be reasonably estimated.

From 2011 to 2016, four separate complaints were filed with FERC to challenge the base Return on Equity under the ISO-New England Open Access Transmission Tariff. Complaint IV is still outstanding, Complaint I is refunded based on prior FERC order, while provisions have been recorded for the other two. No reserve has been made for Complaint IV due to uncertainty of the final outcome.

ENVIRONMENTAL

Since 2007, ENMAX has been subject to legislation and regulations aimed at reducing greenhouse gas (GHG) emissions. ENMAX is currently subject to GHG compliance costs under TIER, a provincial regulation which the federal government has deemed as equivalent to federal standards under the *Greenhouse Gas Pollution Pricing Act*.

For the year ended December 31, 2021, the consolidated financial statements include a charge to earnings in the amount of \$8 million (2020 - \$6 million) included in costs of electricity services provided, relating to estimated compliance costs under the provincial GHG regulations for ENMAX Energy's interests in natural gas-fuelled generation facilities through its 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.

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. The Corporation uses unsecured credit facilities to fund general operating requirements and to provide liquidity support for commercial paper and commodity marketing programs. As at December 31, 2021, the Corporation had issued letters of credit amounting to \$391 million (December 31, 2020 - \$279 million).

<i>As at December 31,</i>	2021		2020	
<i>(millions of Canadian dollars)</i>	Borrowing capacity	Available	Borrowing capacity	Available
Revolving Credit Facilities	840	622	740	520
Letters of Credit Facilities	810	419	360	135
Total	1,650	1,041	1,100	655

32. SUBSEQUENT EVENTS

DIVIDENDS

On March 17, 2022, the Corporation declared a total dividend of \$62 million payable to The City in quarterly instalments during 2022.

33. COMPARATIVE FIGURES

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

GLOSSARY OF TERMS

Act	<i>Income Tax Act and Alberta Corporate Tax Act</i>	ENMAX	ENMAX Corporation and its subsidiaries
AESO	The Alberta Electric System Operator	EPC	ENMAX Power Corporation
AOCI	Accumulated other comprehensive income	EPSC	ENMAX Power Services Corporation
ARO	Asset retirement obligation	ERM	Enterprise Risk Management
Atlantica	Atlantica Sustainable Infrastructure PLC	ESG	Environmental, social governance
AUC	The Alberta Utilities Commission	FCF	Free Cash Flow
BHD	Bangor Hydro District	FERC	United States Federal Energy Regulatory Commission
Bill 14	Alberta Utility Payment Deferral Program	FVTPL	Faire Value Through Profit or Loss
CAIDI	Customer average interruption duration index	FVOCI	Fair Value Through Other Comprehensive Income
Canadian GAAS	Canadian generally accepted auditing standards	FX	Foreign exchange
CES	Calgary Electric System	GHG	Greenhouse gas
CEWS	Canada Emergency Wage Subsidy	GJ	Gigajoule
CGUs	Cash-Generating Units	GWh	Gigawatt hour
CHP	Combined Heat and Power	IAS	International Accounting Standards
CIAC	Contributions in aid of construction	IASB	International Accounting Standards Board
CNE	Comparable net earnings	IBEW	The International Brotherhood of Electrical Workers
CO₂	Carbon dioxide	IFRS	International Financial Reporting Standards
Corporate	ENMAX Corporate and Eliminations	LLR	Line Loss Rule
COVID-19	Strain of the novel coronavirus	MD&A	Management's Discussion and Analysis
CRMC	Commodity Risk Management Committee	MEPCO	Maine Electric Power Company
CUPE	The Canadian Union of Public Employees	MPD	Maine Public District
DB	Defined benefit	MPUC	Maine Public Utilities Commission
DBO	Defined benefit obligation	MW	Megawatt
DC	Defined contribution	MWh	Megawatt hour
Adjusted EBIT	Earnings before interest and income taxes (adjusted)	NEB	Net energy billing
Adjusted EBITDA	Earnings before interest, income tax and depreciation and amortization (adjusted)	OCI	Other comprehensive income
ECL	Expected Credit Losses	OM&A	Operations, maintenance, and administration
		PBR	Performance-Based Regulation
		PILOT	Payment in lieu of tax

PPA	Power purchase arrangement
PP&E	Property, plant and equipment
RMC	Risk Management Committee
ROE	Return on Equity
ROU	Right-of-use
RRO	Regulated Rate Option
SAIDI	System average interruption duration index
SAIFI	System average interruption frequency index
SIPP	Statement of Investment Policies and Procedures
The Board	ENMAX's Board of Directors

The City	City of Calgary
The Commission	Alberta Utilities Commission
The Corporation	ENMAX Corporation and its subsidiaries
TIER	Alberta Technology Innovation and Emissions Reduction Regulation
U.S. GAAP	United States Generally Accepted Accounting Principles
PP&E	Property, plant and equipment
VIU	Value in use
WACC	Weighted average cost of capital

ADDITIONAL INFORMATION

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

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