



ENMAX CORPORATION

# Q1 2022 Interim 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 Management’s Discussion and Analysis (MD&A), dated May 19, 2022, is a review of the results of operations of ENMAX Corporation for the three months ended March 31, 2022, compared with the same period for 2021, and of the Corporation’s financial condition and future prospects. This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three months ended March 31, 2022 and 2021, the consolidated financial statements for the years ended December 31, 2021 and 2020, and the notes to the respective financial statements. This MD&A contains forward-looking information and should be read in conjunction with the Caution to Reader as detailed above.

ENMAX’s interim statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The interim statements and MD&A were reviewed by ENMAX’s Audit Committee, and the interim statements were approved by ENMAX’s Board of Directors. 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 43 of the Condensed Consolidated Interim 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 operate and maintain the safety and high reliability of its transmission and distribution system while efficiently 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, U.S. 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.
- Corporate provides financing and shared legal, finance, human resources, governance, information technology and other corporate functions to the operating segments.

## MARKET CONDITIONS

ENMAX followed the advice of professionals and public health orders to successfully navigate the uncertain times brought on by the COVID-19 global pandemic while continuing to operate as an essential service. The safety of the ENMAX team has been of utmost importance while employees demonstrated resilience and an ability to pivot while continuing to provide access to safe, reliable, clean and affordable electricity for its customers and communities. March 2022 marked a significant milestone for ENMAX with the first wave of office staff returning to ENMAX Place, as a phased return to office, which completed in April 2022. The COVID-19 global pandemic changed the way ENMAX operates as a company and how customers consume electricity. ENMAX will continue to adapt and remain resilient while economic recovery plans are underway.

The global commodity market is volatile due to several factors, including the Russian invasion of Ukraine. This, in conjunction with local economic recoveries and increased energy consumption, resulted in tighter supply-demand balance and therefore higher forward prices. ENMAX continues to monitor the potential impacts of global commodity prices on its business.

## 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 include capacity upgrades to existing substations and transmission lines, and new substations and transmission lines to deliver reliable electricity.

The Transmission business is regulated by the Alberta Utilities Commission (AUC) 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, the AUC issues a decision approving the revenue requirement which is collected monthly from Alberta customers.

The Distribution business is regulated under a Performance-Based Regulation (PBR) model currently spanning a 2018 to 2022 term. Under this model, distribution rates are set annually using a formula that indexes rates to the prior year during the PBR term, using an inflation factor and a productivity factor. 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. ENMAX Power has filed a Distribution Cost of Service application for 2023, which will determine a revenue requirement for 2023 and set the starting point for the next PBR term.

In February 2021, the AUC released a report on Alberta's changing electric distribution system as a result of the evolving nature of electricity generation, consumption and storage. The 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 164,000 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 40 per cent of Versant Power's electricity revenue is from distribution operations, 41 per cent is associated with local transmission operations, and 19 per cent relates to stranded cost recoveries and conservation charges. Rates for each element are established in distinct regulatory proceedings.

Under political pressure to improve a perceived lack of transmission and distribution utility performance, Governor Mills introduced *An Act to Ensure Transmission and Distribution Utility Accountability* (LD 1959), also referred to as the "Governor's Utility Reform Bill" in early 2022. Despite an initial lack of consensus among members of the Energy, Utilities, and Technology Committee (and, later, among various groups of Democrats and Republicans in the full House and Senate), the Legislature ultimately passed a compromise version of the bill, which the Governor signed into law on May 2. The new law, which will take effect in the late summer of 2022, will initiate a process at the MPUC to institute minimum utility service standards (and associated penalties) in various areas, as well as a new holistic grid planning process conducted by the utilities with stakeholder participation and overseen by the MPUC. Versant Power will be actively engaged in the ensuing regulatory processes to ensure it is meeting the relevant requirements as efficiently and cost-effectively as possible.

## **ENMAX ENERGY**

ENMAX Energy is an integrated business providing customers with competitively priced electricity, natural gas, and distributed energy resource solutions. ENMAX Energy can 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 of March 31, 2022, ENMAX Energy owned an interest in 1,512 megawatts (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 2022, carbon emission costs in Alberta reached \$50 per tonne of carbon dioxide (CO<sub>2</sub>). Based on current Federal government plans, the minimum carbon emission price in Canada will rise to \$65 per tonne of CO<sub>2</sub> by 2023 and will continue to increase \$15 each year until it reaches \$170 per tonne of CO<sub>2</sub> by 2030. ENMAX continues to monitor the evolving carbon price landscape as current projections indicate potentially higher input costs for its natural gas generation fleet and increased costs to its customers.

## FINANCIAL PERFORMANCE

Management believes that a measure of operating performance is more meaningful if 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 gains on commodities where settlement on derivatives will occur in a future period, foreign exchange gains and losses, and the effects of certain other one-time transactions. Management believes that excluding these items yields financial information that is valuable for operational decision making and evaluating ongoing performance. Refer to the Non-IFRS Financial Measures section on page 13 for definitions and further description of the financial measures.

### SELECTED CONSOLIDATED FINANCIAL INFORMATION

#### Three months ended March 31,

(millions of Canadian dollars)

	2022	2021
Total revenue - Consolidated	885	836
Adjusted EBITDA <sup>(1)(2)</sup>		
ENMAX Power	73	67
Versant Power	34	32
ENMAX Energy	86	78
Corporate	1	1
Adjusted EBITDA - Consolidated	194	178
Adjusted EBIT <sup>(1)(2)</sup>		
ENMAX Power	36	32
Versant Power	20	19
ENMAX Energy	56	48
Corporate	2	2
Adjusted EBIT - Consolidated	114	101
Comparable net earnings <sup>(1)(2)</sup>	80	68
Net earnings	300	95
Capital expenditures	74	99

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

<sup>(2)</sup> Does not include:

- Realized and unrealized foreign exchange gains of \$2 million (2021 – \$nil).
- Unrealized electricity and gas mark-to-market gains of \$238 million (2021 – \$30 million gains).

For the three months ended March 31, 2022, as compared with 2021, ENMAX's adjusted EBIT increased by \$13 million. The primary drivers for the change in adjusted EBIT were:

- **ENMAX Power:** Timing changes in the mix of capital projects underway led to higher capitalization of labour in the first quarter of 2022.
- **Versant Power:** Higher distribution rates contributed to favourable results, partially offset by reduced overhead rates for FERC purposes.
- **ENMAX Energy:** Optimization of trading positions in response to higher commodity price volatility led to increased electricity margins resulting in higher adjusted EBIT in 2022. This is partially offset by the higher expected credit losses in the mass market residential customer segment and reduced emission offset sales activity in 2022.

ENMAX's net earnings for the three months ended March 31, 2022 were \$300 million as compared to \$95 million for the first quarter in 2021. The main driver for the increase is related to \$208 million in higher unrealized commodity gains in 2022 from higher forward gas prices. Unrealized commodity gains are not included in adjusted EBIT.

Comparable net earnings for the three months ended March 31, 2022 increased by \$12 million from the same period in 2021. This favourable variance is primarily driven by changes noted in adjusted EBIT and small movements in finance charges and income taxes.

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.



## ENMAX POWER BUSINESS UPDATE

The current PBR term will end on December 31, 2022. ENMAX Power filed a distribution cost-of-service application with the AUC on January 17, 2022, which requested approval of approximately \$300 million of revenue for 2023. The outcome of this proceeding will set distribution rates charged in ENMAX Power's service territory for 2023, and these rates will form the starting point for the determination of distribution rates to be charged in ENMAX Power's service territory for the next PBR term starting in 2024.

ENMAX Power will file a new transmission cost-of-service application in Q3 2022, covering the 2023-2025 period. Once approved by the AUC, this will set the transmission revenue for 2023 through 2025.

On January 3, 2022, the AUC initiated a process to establish a fair return on equity (ROE) and deemed equity ratio for 2023, 2024 and beyond. On March 31, 2022, the AUC decided to maintain cost-of-capital parameters currently in place, ROE of 8.5 per cent and deemed equity ratio of 37 per cent for 2023. The AUC stated it will commence the second stage of this proceeding in due course to address its considerations of a formula-based approach to setting the parameters for 2024 and future years.

### KEY BUSINESS STATISTICS

<i>Three months ended March 31,</i>	<b>2022</b>	<b>2021</b>
Distribution volume in Gigawatt Hours (GWh)	<b>2,378</b>	2,317
System average interruption duration index (SAIDI) <sup>(1)</sup>	<b>0.12</b>	0.10
System average interruption frequency index (SAIFI) <sup>(2)</sup>	<b>0.13</b>	0.14
Customer average interruption duration index (CAIDI) <sup>(3)</sup>	<b>0.92</b>	0.82

<sup>(1)</sup> SAIDI represents the total duration of a sustained interruption per average customer during the reporting period. A sustained interruption has a duration greater than or equal to one minute. The lower the SAIDI, the better the reliability.

<sup>(2)</sup> SAIFI represents how often the average customer experiences a sustained interruption over the reporting period. A sustained interruption has a duration greater than or equal to one minute. The lower the SAIFI, the better the reliability.

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

Total electricity delivered to the Calgary service area for the period ended March 31, 2022 was higher than 2021, as most pandemic related restrictions were lifted by 2022, resulting in less of an impact on energy consumption. Colder weather in January also pushed energy consumption higher.

Compared to the same period as last year, SAIDI trended worse primarily due to cable failures in south-east Calgary. Meanwhile, SAIFI was favourable compared to the same timeframe in 2021 due to decreased impact of underfrequency load shed events that impacted ENMAX Power. CAIDI was unfavourable due to an increase in customer outage minutes due to cable faults and the decrease in customers impacted. This ratio of customer outage minutes compared to customers impacted has put additional pressure on CAIDI.

## VERSANT POWER BUSINESS UPDATE

Since the enactment of the new Net Energy Billing (NEB) in July 2021, Versant Power has seen an increase in interconnection applications for distributed generation (DG) projects with a nameplate capacity of 1.99 MW (the largest size eligible for NEB), and a reduction in the number of DG projects with nameplate capacity between 2 and 5 MW. As more DG facilities become operational the costs of Versant Power's five NEB programs will increase significantly. These costs will be reflected in Versant Power's stranded cost filings. The impact of NEB has been tempered by the high price of electricity in the wholesale market, but these high wholesale prices are not expected to last.

In April 2022, Versant Power reached an agreement to extend the IBEW Local 1837 union contract from June 30, 2022 to June 30, 2024.

Key business statistics for three months ended March 31, 2022 and 2021 have been disclosed for comparative purposes.

### KEY BUSINESS STATISTICS

<i>Three months ended March 31,</i>	<b>2022</b>	<b>2021</b>
Distribution volume in gigawatt hours (GWh)	<b>565</b>	512
System average interruption duration index (SAIDI) <sup>(1)(4)</sup>	<b>1.63</b>	0.62
System average interruption frequency index (SAIFI) <sup>(2)(4)</sup>	<b>0.65</b>	0.36
Customer average interruption duration index (CAIDI) <sup>(3)(4)</sup>	<b>2.53</b>	1.73

<sup>(1)</sup> SAIDI represents the total duration of a sustained interruption per average customer during the reporting period. A sustained interruption has a duration greater than or equal to five minutes. The lower the SAIDI, the better the reliability.

<sup>(2)</sup> SAIFI represents how often the average customer experiences a sustained interruption over the reporting period. A sustained interruption has a duration greater than or equal to five minutes. The lower the SAIFI, the better the reliability.

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

<sup>(4)</sup> The Institute of Electrical Electronics Engineers defines a 'sustained' interruption as one that is five minutes or longer. This is a known distinction from the Canadian equivalent definition.

Total electricity delivered for the three months ended March 31, 2022 was higher than the same period in 2021. The increase was driven predominantly by colder temperatures in January and February and an increase in commercial usage as businesses reopened or returned to higher capacities than in 2021.

Versant Power recorded unfavourable SAIDI, SAIFI and CAIDI for the three months ended March 31, 2022 compared to the same period in 2021. This decrease in reliability performance was driven by more service interruptions and more service interruption hours due to weather (primarily from increased wind events), non-weather vegetation contacts, and equipment failure events.

In October 2021, the 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

AESO pool prices for Q1 2022 settled lower than anticipated relative to expectations at the end of last year. The forward market had Q1 2022 price levels at about \$117 per megawatt hour (MWh) exiting 2021. However, actual price levels settled at an average of \$90/MWh for the quarter. Prices in Q1 2022 were \$7/MWh lower than Q1 2021 and \$17/MWh lower than Q4 2021.

Despite settlement prices being weaker than anticipated during Q1 2022, forward prices increased through the quarter. On the last day of trading, balance-of-year forward prices were almost \$92/MWh, up over \$6/MWh from the end of 2021. Anticipated supply/demand tightness and both higher prices and volatility in the gas market are key drivers.

Alberta natural gas prices were relatively strong in Q1 2022 with the daily index price averaging \$4.50 per gigajoule (GJ), which was up \$1.61/GJ from Q1 2021 and up \$0.08/GJ from Q4 2021. There has been steady and strong demand growth in the province. High oil prices have led to strong gas demand in the oilsands. As well, there has been strong and stable demand from downstream markets. As a result, Alberta natural gas storage inventories have been drawn down heavily this past winter and current inventories are sitting below the five-year average. The tighter supply-demand balance has helped support higher forward prices. Balance-of-year gas forward prices have risen substantially over the quarter supported by the local fundamentals and general uncertainty in global commodity markets due to the Russian invasion of Ukraine.

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

Alberta set a new demand record with a peak load of 11,939 MW in early January. Demand ended up averaging 10,512 MW for the month, an increase of 245 MW on average compared to January 2021. With the increased economic activity due to the ongoing recovery from the pandemic, higher oil prices/production and cold weather, demand was stronger this year in both January and March compared to in 2021. However, February demand was lower year-over-year with relatively mild weather.

## KEY BUSINESS STATISTICS

<i>Three months ended March 31,</i>	<b>2022</b>	<b>2021</b>
Natural gas-fuelled plant availability (%) <sup>(1)</sup>	<b>96.2</b>	98.0
Average flat pool price (\$/MWh)	<b>90.47</b>	97.26
Average spark spread (\$) <sup>(2)</sup>	<b>56.73</b>	75.41

<sup>(1)</sup> Plant availability (%) reflects planned maintenance and forced outages.

<sup>(2)</sup> Based on market prices.

Plant availability was lower in 2022 than the same period in 2021 primarily due to an unplanned outage at Balzac in the first quarter of 2022, compared with no similar duration outages in the first quarter of 2021.

Spark spread, which is the difference between the wholesale electricity price and the 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 decrease from 2021 levels was driven by an increase in the price of natural gas and a decrease in the average pool price of electricity.

To mitigate risk, ENMAX Energy contracts most of its market position, delivering most of its 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 quarter. Only a small percentage of the portfolio positions are impacted by volatility in the current market environment, as natural gas prices significantly increased, leading to lower than expected spark spreads.

## ENMAX FINANCIAL RESULTS

### ADJUSTED EBIT COMPARED WITH 2021

<i>(millions of Canadian dollars)</i>	ENMAX Power	Versant Power	ENMAX Energy	Corporate	ENMAX Consolidated
Adjusted EBIT <sup>(1)</sup> for three months ended March 31, 2021	32	19	48	2	101
Increased (decreased) margins attributable to:					
Transmission and distribution	2	6	-	-	8
Electricity	-	-	14	-	14
Natural gas	-	-	1	-	1
Contractual services and other	(1)	-	(3)	-	(4)
Decreased (increased) expense:					
Operations, maintenance & administration (OM&A) <sup>(2)</sup>	5	(4)	(4)	-	(3)
Depreciation and amortization	(2)	(1)	-	-	(3)
<b>Adjusted EBIT <sup>(1)</sup> for three months ended March 31, 2022</b>	<b>36</b>	<b>20</b>	<b>56</b>	<b>2</b>	<b>114</b>

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

<sup>(2)</sup> Normalized to exclude impact of intercompany transactions with no consolidated impact.

Transmission and distribution margins for the period ended March 31, 2022 increased by \$8 million or 5 per cent from the same period in 2021. The favourable variance was largely driven by the 17.5 per cent distribution rate increase Versant Power received in the fourth quarter of 2021.

Electricity margins for the three months ended March 31, 2022 increased by \$14 million or 14 per cent compared to the same period in 2021, primarily due to gains recognized on trading positions in the quarter offset by higher commodity costs to serve customers, retail product preferences shifting to lower margin fixed price electricity offerings and the impact of decreased spark spreads.

Natural gas margins for the three months ended March 31, 2022 increased \$1 million or 5 per cent compared to the same period in the prior year due to higher consumption volumes on fixed price products, partially offset by higher commodity costs to serve customers and retail product preferences shifting to lower margin fixed price natural gas offerings.

Contractual services and other margins decreased by \$4 million or 19 per cent for the period ended March 31, 2022 compared to the same period in 2021, primarily due to reduced emission offset sales activity in 2022.

Management characterizes operations, maintenance and administration (OM&A) costs as other expenses recognized on the consolidated statement of earnings, excluding foreign exchange gains and losses and costs that are included in contractual service margins. For the three months ended March 31, 2022, OM&A increased \$3 million or 3 per cent, when compared to the first quarter of 2021. The unfavourable variance from prior period was largely due to higher levels of recoveries in receivables in 2021 from the Corporation's increased monitoring of credit worthiness from year prior.

Depreciation and amortization expense increased \$3 million or 4 per cent compared to the same period in 2021. This increase was consistent with capital asset additions in the period.

## **OTHER NET EARNINGS ITEMS**

Finance charges for the three months ended March 31, 2022 remained flat compared to the same period in 2021.

The Corporation recorded total income tax expense of \$21 million for the three months ended March 31, 2022, compared to a total tax expense of \$3 million in 2021. 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 three months ended March 31, 2022, OCI includes total losses of \$32 million, compared with losses of \$13 million in 2021. OCI losses in 2022 reflect cumulative foreign exchange translation impacts on consolidation of foreign operations.

Accumulated other comprehensive (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 \$62 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. Comparable net earnings provide management with a useful measure of the Corporation's performance against prior periods.

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>Three months ended March 31, (millions of Canadian dollars)</i>	<b>2022</b>	<b>2021</b>
Net earnings (IFRS financial measure)	<b>300</b>	95
Add (deduct):		
Unrealized (gain) on commodities	<b>(238)</b>	(30)
Foreign exchange (gain)	<b>(2)</b>	-
Net income tax expense on unrealized (gain) on commodities and foreign exchange (gain)	<b>20</b>	3
Comparable net earnings (non-IFRS financial measure)	<b>80</b>	68
Add (deduct):		
Finance charges	<b>33</b>	33
Remaining income tax	<b>1</b>	-
Adjusted EBIT (non-IFRS financial measure)	<b>114</b>	101
Add (deduct):		
Depreciation and amortization (excludes regulatory deferral movement)	<b>80</b>	77
Adjusted EBITDA (non-IFRS financial measure)	<b>194</b>	178

Management believes these non-IFRS 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 outcome 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

As at March 31, 2022, total assets and regulatory deferral account debit balances was \$9,002 million (December 31, 2021 - \$8,605 million). Significant changes in the Corporation's financial position are as follows:

<i>As at</i> <i>(millions of Canadian dollars, % change)</i>	March 31, 2022	December 31, 2021	\$ Change	% Change	Explanation for Change
<b>ASSETS</b>					
Cash and cash equivalents	181	65	116	179%	Refer to Liquidity section
Accounts receivable	837	919	(82)	(9%)	Decrease is mainly attributable to the timing of receipts
Property, plant and equipment (PP&E)	5,880	5,915	(35)	(1%)	Amortization partially offset by capital additions
Net financial assets (liabilities) <sup>(1)</sup>	167	42	125	298%	Change in fair value of derivatives
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
Short-term financing	141	218	(77)	(35%)	Refer to Liquidity section
Dividend payable	47	-	47	100%	Dividend declared in March to be paid in quarterly installments
Accounts payable and accrued liabilities	635	733	(98)	(13%)	Change is mainly attributable to the timing of disbursements
Long-term debt <sup>(1)</sup>	3,366	3,332	34	1%	Additional \$100 million USD in borrowings offset by \$62 million USD in repayments
Asset retirement obligation and other provisions	102	128	(26)	(20%)	Change in discount rates

<sup>(1)</sup> 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 \$181 million as at March 31, 2022, compared to \$65 million as at December 31, 2021. Short-term financing of \$141 million as at March 31, 2022 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 March 31, 2022, the Corporation was compliant with all debt covenants and expects to remain so throughout 2022.

As at March 31, 2022, ENMAX had issued \$50 million in commercial paper with a fair value of \$50 million and average interest rate of 1.34 per cent (December 31, 2021 - \$100 million at 0.96 per cent), and had drawn \$90 million on existing credit facilities with an average interest rate of 2.10 per cent (December 31, 2021 - \$118 million at 1.90 per cent). ENMAX's total debt balance as at March 31, 2022 was \$3,507 million (December 31, 2020 - \$3,550 million).

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 and \$20 million USD general and refunding mortgage bond that matured April 10, 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 Power acquisition. On July 8, 2021, DBRS confirmed ENMAX's long-term rating at BBB (high) with a stable outlook. In the fourth quarter of 2021 ENMAX initiated the process of obtaining a new credit rating with Fitch. On March 14, 2022, ENMAX received a first-time Long-Term Issuer Default Rating from Fitch of BBB with a stable outlook.

## CREDIT FACILITIES

<i>As at March 31,</i>	2022		2021	
	Borrowing capacity	Available	Borrowing capacity	Available
Committed Credit Facilities <sup>(1)</sup>	800	660	1,100	354
Demand Credit Facilities <sup>(2)</sup>	850	488	-	-
<b>Total</b>	<b>1,650</b>	<b>1,148</b>	<b>1,100</b>	<b>354</b>

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

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

In 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.

## RISK AND RISK MANAGEMENT

On March 8, 2022 and April 19, 2022, the Bank of Canada announced increases in the prime lending rate of 25 and 50 basis points, respectively. The Governor of the Bank of Canada is signaling potential for further rates hikes throughout 2022 in an effort to curb inflation. The Corporation's debt is largely long-term and fixed rate, therefore exposure to interest rate risk is not significant. ENMAX is exposed to rate increases on short-term debt and any new long-term issuances. These are expected to be a small portion of the Corporation's debt profile throughout 2022.

The Corporation's remaining business and operational risks as described in the Corporation's December 31, 2021 MD&A are materially consistent as at March 31, 2022.



# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

<b>As at</b> <i>(unaudited), (millions of Canadian dollars)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 181	\$ 65
Accounts receivable	837	919
Current portion of financial assets (Note 6)	487	169
Other current assets (Note 9)	60	56
	<b>1,565</b>	1,209
Property, plant and equipment (PP&E) (Notes 10 and 13)	5,880	5,915
Intangible assets (Note 11)	322	321
Goodwill (Note 12)	596	611
Deferred income tax assets	63	60
Financial assets (Note 6)	235	144
Other long-term assets (Note 9)	189	197
<b>TOTAL ASSETS</b>	<b>8,850</b>	8,457
<b>REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES (Note 7)</b>	<b>152</b>	148
<b>TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES</b>	<b>\$ 9,002</b>	\$ 8,605
<b>LIABILITIES</b>		
Short-term financing (Note 6)	\$ 141	\$ 218
Accounts payable and accrued liabilities	635	733
Dividend payable	47	-
Current portion of long-term debt (Note 6)	400	480
Current portion of financial liabilities (Note 6)	476	199
Current portion of deferred revenue (Note 14)	7	6
Current portion of lease liabilities	5	5
Other current liabilities (Note 9)	42	38
Current portion of asset retirement obligations and other provisions	2	3
	<b>1,755</b>	1,682
Long-term debt (Note 6)	2,966	2,852
Deferred income tax liabilities	299	279
Post-employment benefits	104	102
Financial liabilities (Note 6)	79	72
Deferred revenue (Note 14)	589	586
Lease liabilities	41	42
Other long-term liabilities (Note 9)	9	13
Asset retirement obligations and other provisions	100	125
<b>TOTAL LIABILITIES</b>	<b>5,942</b>	5,753
<b>REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES (Note 7)</b>	<b>139</b>	137
<b>SHAREHOLDER'S EQUITY</b>		
Share capital	280	280
Retained earnings	2,802	2,564
Accumulated other comprehensive (loss) (Note 15)	(161)	(129)
	<b>2,921</b>	2,715
<b>TOTAL LIABILITIES, REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES AND SHAREHOLDER'S EQUITY</b>	<b>\$ 9,002</b>	\$ 8,605

Commitments and contingencies (Note 20).

See accompanying notes to the unaudited condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF EARNINGS

*Three months ended March 31,*

*(unaudited), (millions of Canadian dollars)*

	2022	2021
REVENUE (Note 5)		
Transmission and distribution	\$ 279	\$ 265
Electricity	353	357
Natural gas	170	142
Local access fees (Note 18)	56	38
Contractual services	18	24
Contributions in aid of construction (CIAC) revenue (Note 14)	5	5
Other revenue (Note 19)	4	5
<b>TOTAL REVENUE</b>	<b>885</b>	<b>836</b>
OPERATING EXPENSES (Note 5)		
Transmission and distribution	130	124
Electricity and fuel purchases	3	230
Natural gas and delivery	149	122
Local access fees (Note 18)	56	38
Depreciation and amortization	80	77
Other expenses (Note 19)	119	122
<b>TOTAL OPERATING EXPENSES</b>	<b>537</b>	<b>713</b>
OPERATING PROFIT	348	123
Finance charges	33	33
NET EARNINGS BEFORE TAX	315	90
Deferred income tax expense	21	3
NET EARNINGS - BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES	294	87
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES (Note 7)	6	8
<b>NET EARNINGS</b>	<b>\$ 300</b>	<b>\$ 95</b>

See accompanying notes to the unaudited condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

*Three months ended March 31,*

*(unaudited), (millions of Canadian dollars)*

	2022	2021
NET EARNINGS	\$ 300	\$ 95
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		
<b><i>Items that will not be reclassified subsequently to statement of earnings</i></b>		
Cumulative (losses) on translation adjustment	(32)	(13)
Other comprehensive (loss), net of income tax	(32)	(13)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 268</b>	<b>\$ 82</b>

See accompanying notes to the unaudited condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

<i>(unaudited)</i> <i>(millions of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
As at January 1, 2022	\$ 280	\$ 2,564	\$ (129)	\$ 2,715
Net earnings	-	300	-	300
Other comprehensive (loss), net of income tax	-	-	(32)	(32)
Total comprehensive income (loss)	-	300	(32)	268
Dividends (Note 16)	-	(62)	-	(62)
<b>As at March 31, 2022</b>	<b>\$ 280</b>	<b>2,802</b>	<b>(161)</b>	<b>2,921</b>

As at January 1, 2021	\$ 280	\$ 2,326	\$ (190)	\$ 2,416
Net earnings	-	95	-	95
Other comprehensive (loss), net of income tax	-	-	(13)	(13)
Total comprehensive income (loss)	-	95	(13)	82
Dividends (Note 16)	-	(58)	-	(58)
As at March 31, 2021	280	2,363	(203)	2,440
Net earnings	-	201	-	201
Other comprehensive income, net of income tax	-	-	74	74
As at December 31, 2021	\$ 280	\$ 2,564	\$ (129)	\$ 2,715

See accompanying notes to the unaudited condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

**Three months ended March 31,**

*(unaudited), (millions of Canadian dollars)*

	2022	2021
CASH PROVIDED (USED IN) BY:		
OPERATING ACTIVITIES		
Net earnings	\$ 300	\$ 95
Reconciliation of net earnings to cash flow from operating:		
CIAC additions (Note 14)	9	5
CIAC revenue (Note 14)	(5)	(5)
Depreciation and amortization	80	77
Finance charges	33	33
Income tax expense	21	3
Change in unrealized market value of financial contracts	(238)	(30)
Post-employment benefits	1	2
Foreign exchange (gain)	(36)	(11)
Change in non-cash working capital (Note 17)	81	(27)
Cash flow from operations	246	142
Interest (paid) <sup>(1)</sup>	(10)	(18)
Net cash flow provided by operating activities	236	124
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangibles <sup>(1)</sup>	(74)	(99)
Cash flow (used in) investing activities	(74)	(99)
FINANCING ACTIVITIES		
Repayment of short-term debt	(683)	(815)
Proceeds from short-term debt	606	971
Repayment of long-term debt	(78)	(121)
Proceeds from long-term debt	125	-
Repayment of lease liability	(1)	(2)
Dividend paid (Note 16)	(15)	(14)
Cash flow (used in) provided by financing activities	(46)	19
Increase in cash and cash equivalents	116	44
Cash and cash equivalents, beginning of period	65	40
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 181	\$ 84
Cash and cash equivalents, end of period consist of:		
Cash	\$ 148	\$ 69
Restricted cash (Note 8)	33	15
	\$ 181	\$ 84

<sup>(1)</sup> Interest paid excludes \$1 million of capitalized borrowing costs (2021 - \$1 million), which is included in purchase of PP&E and intangibles. Including capitalized borrowing costs, total interest paid during the three months ended March 31, 2022 was \$11 million (2021 - \$19 million).

See accompanying notes to the unaudited condensed consolidated interim financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

## 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.

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

ENMAX 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.

## 2. BASIS OF PREPARATION

These unaudited interim condensed 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 interim statements do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2021.

These consolidated financial statements were approved and authorized for issuance by ENMAX's Board of Directors on May 19, 2022.

### BASIS OF MEASUREMENT

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

### FUNCTIONAL AND PRESENTATION CURRENCY

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 interim statements are presented in millions of Canadian dollars.

## 3. ACCOUNTING PRONOUNCEMENTS

The following standards and interpretations are not yet effective under IFRS and have not been applied in preparing these unaudited interim 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.

## **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of these interim 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. Refer to Note 3 of the Corporation's December 31, 2021 annual consolidated financial statements for further details.



## 5. 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 operate and maintain the safety and high reliability of its transmission and distribution system while efficiently 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 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.

### CORPORATE

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

<i>As at</i>	March 31, 2022	December 31, 2021
ENMAX Power	3,192	3,171
Versant Power	2,322	2,277
ENMAX Energy	3,207	2,870
Corporate	129	139
Total assets	8,850	8,457
Regulatory deferral account debit balances (Note 7)	152	148
Total assets and regulatory deferral account debit balances	9,002	8,605

## SEGMENTED TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT BALANCES

### 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, and net regulatory deferral movement are excluded from the “Total” column. The “IFRS Financial Total” column reflects what is reported in ENMAX’s Consolidated Statement of Earnings.

Three months ended March 31, 2022 (millions of Canadian dollars)	ENMAX Power	Versant Power	ENMAX Energy	Corporate	Total	Regulatory Deferral Movement	Other Presentation Reclass	IFRS Financial Total
<b>REVENUE</b>								
Transmission and distribution	196	92	-	-	288	(9)	-	279
Electricity	-	-	384	(32)	352	1	-	353
Natural gas	-	-	170	-	170	-	-	170
Local access fees	56	-	-	-	56	-	-	56
Other revenue	23	2	7	-	32	(5)	-	27
<b>TOTAL REVENUE</b>	<b>275</b>	<b>94</b>	<b>561</b>	<b>(32)</b>	<b>898</b>	<b>(13)</b>	<b>-</b>	<b>885</b>
<b>OPERATING EXPENSES</b>								
Transmission and distribution	103	29	-	-	132	(2)	-	130
Electricity and fuel purchases	-	-	273	(32)	241	-	(238)	3
Natural gas and delivery	-	-	149	-	149	-	-	149
Local access fees	56	-	-	-	56	-	-	56
Depreciation and amortization	37	14	30	(1)	80	-	-	80
Other expenses	43	31	53	(1)	126	(5)	(2)	119
<b>TOTAL OPERATING EXPENSES</b>	<b>239</b>	<b>74</b>	<b>505</b>	<b>(34)</b>	<b>784</b>	<b>(7)</b>	<b>(240)</b>	<b>537</b>
<b>OPERATING PROFIT</b>								
	36	20	56	2	114	(6)	240	348
Unrealized (gain) on commodities					(238)	-	238	-
Foreign exchange (gain)					(2)	-	2	-
Finance charges					33	-	-	33
<b>NET EARNINGS BEFORE TAX</b>					<b>321</b>	<b>(6)</b>	<b>-</b>	<b>315</b>
Deferred income tax expense					21	-	-	21
<b>NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES</b>								
					300	(6)	-	294
<b>NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES</b>								
					-	6	-	6
<b>NET EARNINGS</b>					<b>300</b>	<b>-</b>	<b>-</b>	<b>300</b>

Three months ended March 31, 2021 <i>(millions of Canadian dollars)</i>	ENMAX Power	Versant Power	ENMAX Energy	Corporate	Total	Regulatory Deferral Movement	Other Presentation Reclass	IFRS Financial Total
<b>REVENUE</b>								
Transmission and distribution	187	74	-	-	261	4	-	265
Electricity	-	-	390	(33)	357	-	-	357
Natural gas	-	-	142	-	142	-	-	142
Local access fees	38	-	-	-	38	-	-	38
Other revenue	28	2	9	-	39	(5)	-	34
<b>TOTAL REVENUE</b>	<b>253</b>	<b>76</b>	<b>541</b>	<b>(33)</b>	<b>837</b>	<b>(1)</b>	<b>-</b>	<b>836</b>
<b>OPERATING EXPENSES</b>								
Transmission and distribution	96	17	-	-	113	11	-	124
Electricity and fuel purchases	-	-	293	(33)	260	-	(30)	230
Natural gas and delivery	-	-	122	-	122	-	-	122
Local access fees	38	-	-	-	38	-	-	38
Depreciation and amortization	35	13	30	(1)	77	-	-	77
Other expenses	52	27	48	(1)	126	(4)	-	122
<b>TOTAL OPERATING EXPENSES</b>	<b>221</b>	<b>57</b>	<b>493</b>	<b>(35)</b>	<b>736</b>	<b>7</b>	<b>(30)</b>	<b>713</b>
<b>OPERATING PROFIT</b>	<b>32</b>	<b>19</b>	<b>48</b>	<b>2</b>	<b>101</b>	<b>(8)</b>	<b>30</b>	<b>123</b>
Unrealized (gain) on commodities					(30)	-	30	-
Finance charges					33	-	-	33
<b>NET EARNINGS BEFORE TAX</b>					<b>98</b>	<b>(8)</b>	<b>-</b>	<b>90</b>
Deferred income tax expense					3	-	-	3
<b>NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES</b>					<b>95</b>	<b>(8)</b>	<b>-</b>	<b>87</b>
<b>NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES</b>					<b>-</b>	<b>8</b>	<b>-</b>	<b>8</b>
<b>NET EARNINGS</b>					<b>95</b>	<b>-</b>	<b>-</b>	<b>95</b>

## REVENUE

<b>Types of Customers and Sales Channel</b>	<b>Nature and significant payment terms</b>
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 collects fees from customers based on rates established by the Franchise Fee Agreement between ENMAX and The City. These fees are remitted to The City.
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

<b>Three months ended March 31, 2022</b>										
<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	26	161	92	-	-	-	-	-	-	279
Electricity										
ENMAX Energy	-	-	-	86	210	-	-	-	-	296
Regulated	-	-	-	49	8	-	-	-	-	57
Natural gas	-	-	-	123	47	-	-	-	-	170
Local access fees	-	-	-	-	-	56	-	-	-	56
Contractual services	-	-	-	-	-	-	10	8	-	18
Other revenue & CIAC	-	-	2	-	-	-	-	7	-	9
<b>TOTAL REVENUE</b>	<b>26</b>	<b>161</b>	<b>94</b>	<b>258</b>	<b>265</b>	<b>56</b>	<b>10</b>	<b>15</b>		<b>885</b>

<b>Three months ended March 31, 2021</b>										
<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	26	165	74	-	-	-	-	-	-	265
Electricity										
ENMAX Energy	-	-	-	73	245	-	-	-	-	318
Regulated	-	-	-	32	7	-	-	-	-	39
Natural gas	-	-	-	100	42	-	-	-	-	142
Local access fees	-	-	-	-	-	38	-	-	-	38
Contractual services	-	-	-	-	-	-	8	16	-	24
Other revenue & CIAC	-	-	2	-	-	-	-	8	-	10
<b>TOTAL REVENUE</b>	<b>26</b>	<b>165</b>	<b>76</b>	<b>205</b>	<b>294</b>	<b>38</b>	<b>8</b>	<b>24</b>		<b>836</b>

## 6. 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.

### INTEREST RATE RISK

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.

### 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. The Corporation's maximum financial statement exposure to credit risk is the carrying value of financial assets. This maximum exposure does not reflect losses expected by management nor does it reflect losses experienced in the past.

Provisions for expected credit loss on customer receivables were \$23 million as at March 31, 2022 (December 31, 2021 - \$22 million). The Corporation continues to monitor its exposure to credit risk and will adjust expected credit loss provisions in future periods if warranted.

### VALUATION OF DERIVATIVE ASSETS AND LIABILITIES

Financial derivative instruments are recorded at fair value on the statement of financial position. As at March 31, 2022, the fair values of derivatives were as follows:

<i>As at</i>	March 31, 2022		December 31, 2021	
	Hedge Instruments	Non-Hedge Derivatives	Hedge Instruments	Non-Hedge Derivatives
Assets				
Current	1	486	1	168
Non-current	3	232	3	141
Liabilities				
Current	-	476	-	199
Non-current	-	79	-	72

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

For non-hedge derivatives, the Corporation recognized year-to-date unrealized gains of \$238 million for the balances as at March 31, 2022 (December 31, 2021 - \$129 million gain). The anticipated non-hedge derivatives are expected to settle in 2022 through 2031. The mark-to-market adjustments do not consider the impact 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.

## 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 the carrying amounts due to the short-term nature.

The Corporation estimated the fair value of its long-term debt based on quoted market prices for the same or similar debt instruments. When such information was not available, future payments of interest and principal were discounted at estimated interest rates for comparable entities.

### CARRYING AMOUNTS AND FAIR VALUES OF LONG-TERM DEBT

AS AT	March 31, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt <sup>(1)</sup> consisting of:				
City promissory notes, with remaining terms of:				
Less than 5 years	28	28	28	28
5–10 years	47	49	47	49
10–15 years	360	393	360	393
15–20 years	466	471	466	471
20–25 years	555	525	554	525
General and refunding mortgage bonds				
8.98% series	25	25	28	26
Private debentures				
Series 3 (3.81%)	198	209	197	209
Series 4 (3.84%)	295	322	294	322
Series 5 (2.92%)	300	305	300	305
Series 6 (3.33%)	299	311	299	311
Series 7 (3.88%)	249	267	249	268
Senior notes				
Unsecured note (3.61%)	-	-	79	79
Unsecured note (4.34%)	128	140	132	171
Unsecured note (4.36%)	57	63	57	78
Unsecured note (4.71%)	59	67	61	82
Unsecured note (3.79%)	61	70	63	86
Unsecured note (2.80%)	37	35	38	39
Unsecured note (2.80%)	75	70	77	79
Unsecured note (3.15%)	125	101	-	-
Promissory note	2	2	3	3
	<b>3,366</b>	<b>3,453</b>	<b>3,332</b>	<b>3,524</b>

<sup>(1)</sup> Includes current portion of \$400 million (December 31, 2021 – \$480 million). Maturity dates range from April 2022 to January 2052.

As at March 31, 2022, ENMAX had short-term financing which consisted of an overdraft balance of \$1 million with an average interest rate of 2.90 per cent (December 31, 2021 - \$nil), \$50 million in commercial paper with a fair value of \$50 million, and average interest rate of 1.34 per cent (December 31, 2021 - \$100 million at 0.96 per cent), and had drawn \$90 million on existing credit facilities with an average interest rate of 2.10 per cent (December 31, 2021 - \$118 million at 1.90 per cent).

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.

## 7. REGULATORY DEFERRAL ACCOUNT BALANCES

### NATURE AND ECONOMIC EFFECT OF RATE REGULATION

ENMAX Transmission and ENMAX Distribution are divisions of ENMAX Power Corporation which are included in the ENMAX Power operating segment. These divisions are regulated operations established to carry out 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*.

Distribution rates are subject to a Performance Based Regulation model, currently spanning a 2018 – 2022 term. Under this model, distribution rates are set annually using a formula that indexes rates to the prior year in the term, using an inflation factor and a productivity factor.

Transmission division rates are set based on the AUC approved revenue requirement and are regulated under a cost-of-service framework. On August 25, 2021, the AUC approved the revenue requirement 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 subsidiary Versant Power, has distribution and transmission operations in Maine, U.S. Versant Power's distribution and stranded cost recoveries are regulated by the MPUC while its transmission operations are regulated by the 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 the MPUC. Versant Power's transmission operations are split between two districts: MPD and BHD. MPD's transmission rates are regulated by the 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 the 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 the FERC on December 28, 2020, the formula rates used to set BHD's transmission charges changed effective January 1, 2022 and are 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
<b>Regulatory deferral account debit balances</b>					
January 1, 2022	10	14	8	116	148
Balances arising in the period	16	-	-	1	17
Reversal	(10)	-	-	-	(10)
Foreign exchange translation	-	-	-	(3)	(3)
<b>March 31, 2022</b>	<b>16</b>	<b>14</b>	<b>8</b>	<b>114</b>	<b>152</b>
Expected reversal period	up to 24 months	25 years	15 months		
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		
<i>(millions of Canadian dollars)</i>					
<b>Regulatory deferral account credit balances</b>					
January 1, 2022			7	130	137
Balances arising in the period			-	6	6
Reversal			-	-	-
Foreign exchange translation			-	(4)	(4)
<b>March 31, 2022</b>			<b>7</b>	<b>132</b>	<b>139</b>
Expected reversal period			18 months		
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		

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 the MPUC.

## 8. RESTRICTED CASH

<i>As at</i>	March 31, 2022	December 31, 2021
Funds held with a financial institution to cover posted margins	31	23
Restricted deposits with a financial institution to meet financial obligations	2	1
	33	24

## 9. OTHER ASSETS AND LIABILITIES

<i>As at</i>	March 31, 2022	December 31, 2021
<b>Other current assets</b>		
Prepaid expenses	16	19
Deferred assets	1	1
Emission offsets	42	34
Other	1	2
	60	56
<b>Other long-term assets</b>		
Prepaid expenses	8	9
Long-term accounts receivable	18	18
Deferred assets	7	7
Equity investments	133	135
Other	23	28
	189	197
<b>Other current liabilities</b>		
Deposits	13	13
Other	29	25
	42	38
<b>Other long-term liabilities</b>		
Other	9	13
	9	13

## 10. PROPERTY, PLANT AND EQUIPMENT

	Transmission, Distribution and Substation Equipment	Generation Facilities and Equipment	Buildings and Site Development	Work in Progress	Other <sup>(1)</sup>	Total
<b>Cost</b>						
As at December 31, 2021	4,260	2,296	603	165	369	7,693
Additions	8	-	-	74	13	95
Transfers	28	2	5	(36)	1	-
Disposals	(1)	(12)	-	-	(2)	(15)
Changes to asset retirement costs	(1)	(26)	-	-	-	(27)
Foreign exchange translation	(39)	-	(2)	(1)	(4)	(46)
<b>As at March 31, 2022</b>	<b>4,255</b>	<b>2,260</b>	<b>606</b>	<b>202</b>	<b>377</b>	<b>7,700</b>
<b>Accumulated Depreciation</b>						
As at December 31, 2021	(634)	(960)	(118)	-	(66)	(1,778)
Depreciation	(37)	(24)	(5)	-	(5)	(71)
Disposals	2	12	-	-	2	16
Foreign exchange translation	12	-	-	-	1	13
<b>As at March 31, 2022</b>	<b>(657)</b>	<b>(972)</b>	<b>(123)</b>	<b>-</b>	<b>(68)</b>	<b>(1,820)</b>
<b>Net book value</b>						
<b>As at March 31, 2022</b>	<b>3,598</b>	<b>1,288</b>	<b>483</b>	<b>202</b>	<b>309</b>	<b>5,880</b>
As at December 31, 2021	3,626	1,336	485	165	303	5,915

<sup>(1)</sup> Other PP&E as at March 31, 2022 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 March 31, 2022 (December 31, 2021 - \$480 million), is subject to a right of first refusal to purchase held by The City.

For the three months ended March 31, 2022, capitalized borrowing costs amounted to \$1 million (2021 - \$1 million), with capitalization rates ranging from 3.07 per cent to 3.65 per cent (2021 - 3.09 to 3.87 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 (2021 - 1.48 to 5.02 per cent).

These balances include the Corporation's right-of-use (ROU) assets, as further discussed in Note 13.

## 11. INTANGIBLE ASSETS

	Computer Systems	Work in Progress	Other <sup>(1)</sup>	Total
<b>Cost</b>				
As at December 31, 2021	354	41	83	478
Additions	1	11	-	12
Transfers	3	(3)	-	-
Foreign exchange translation	(2)	-	(2)	(4)
<b>As at March 31, 2022</b>	<b>356</b>	<b>49</b>	<b>81</b>	<b>486</b>
<b>Accumulated amortization</b>				
As at December 31, 2021	(145)	-	(12)	(157)
Amortization	(8)	-	-	(8)
Foreign exchange translation	1	-	-	1
<b>As at March 31, 2022</b>	<b>(152)</b>	<b>-</b>	<b>(12)</b>	<b>(164)</b>
<b>Net book value</b>				
<b>As at March 31, 2022</b>	<b>204</b>	<b>49</b>	<b>69</b>	<b>322</b>
As at December 31, 2021	209	41	71	321

<sup>(1)</sup> Other intangible assets as at March 31, 2022 consists of water leases, land easements, rights, and lease options.

## 12. GOODWILL

<i>As at</i> <i>(millions of Canadian dollars)</i>	March 31, 2022	December 31, 2021
Balance, beginning of the period	611	610
Net exchange rate difference	(15)	1
Balance, end of the period	596	611

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.

### 13. LEASES

ENMAX leases several assets categorized as generation facilities and equipment, buildings and site development, and other. The average term remaining on leases is 3.6 years (December 31, 2021 – 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>	<b>Generation Facilities and Equipment</b>	<b>Buildings and Site Development</b>	<b>Other <sup>(1)</sup></b>	<b>Total</b>
<b>Cost</b>				
As at December 31, 2021	28	14	19	61
Net changes	-	-	(1)	(1)
<b>As at March 31, 2022</b>	<b>28</b>	<b>14</b>	<b>18</b>	<b>60</b>
<b>Accumulated Depreciation</b>				
As at December 31, 2021	(3)	(5)	(8)	(16)
Net changes	-	(1)	1	-
<b>As at March 31, 2022</b>	<b>(3)</b>	<b>(6)</b>	<b>(7)</b>	<b>(16)</b>
<b>Net Book Value</b>				
<b>As at March 31, 2022</b>	<b>25</b>	<b>8</b>	<b>11</b>	<b>44</b>
As at December 31, 2021	25	9	11	45

<sup>(1)</sup> Other consists of land, vehicles and tools, systems, and equipment.

## Amounts recognized in profit and loss

*Three months ended March 31,  
(millions of Canadian dollars)*

	2022	2021
Depreciation expense	-	2
Lease expense on short-term leases	-	-
Interest expense on lease liabilities	1	1
<b>Amounts expensed in profit and loss</b>	<b>1</b>	<b>3</b>

## Lease payments

Future lease payments as at March 31, 2022 are as follows:

*(millions of Canadian dollars)*

Less than 1 year	7
1–5 years	17
More than 5 years	46

Total cash outflow for lease payments for the three months ended March 31, 2022 was \$3 million (2021 - \$2 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 March 31, 2022, 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 March 31, 2022, 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.

## 14. DEFERRED REVENUE

<i>(millions of Canadian dollars)</i>	CIAC	Other	Total
As at December 31, 2021	580	12	592
Net additions	9	4	13
Recognized as revenue	(5)	(4)	(9)
<b>As at March 31, 2022</b>	<b>584</b>	<b>12</b>	<b>596</b>
Less: current portion	-	7	7
	<b>584</b>	<b>5</b>	<b>589</b>

## 15. ACCUMULATED OTHER COMPREHENSIVE (LOSS)

<i>As at</i> <i>(millions of Canadian dollars)</i>	March 31, 2022	December 31, 2021
Net unrealized gain on derivatives designated as cash flow hedges, including deferred income tax expense of \$1 million (December 31, 2021 - \$1 million expense)	3	3
Net actuarial gain on defined benefit plans, including deferred income tax of \$nil (December 31, 2021 - \$nil)	18	18
Cumulative translation adjustment	(182)	(150)
Accumulated other comprehensive loss, including deferred income tax expense of \$1 million (December 31, 2021 - \$1 million)	(161)	(129)

## 16. DIVIDEND

On March 17, 2022, the Corporation declared a dividend of \$62 million to The City (2021 – \$58 million) which is paid in equal quarterly instalments during 2022.

## 17. CHANGES IN NON-CASH WORKING CAPITAL

<i>Three months ended March 31,</i> <i>(millions of Canadian dollars)</i>	2022	2021
Accounts receivable	82	(56)
Regulatory deferral account debit balances	(2)	(7)
Other assets	4	7
Accounts payable and accrued liabilities	(115)	28
Regulatory deferral account credit balances	2	-
Other liabilities	(1)	(4)
Trading account margins	113	8
Deferred revenue (non-CIAC)	-	(1)
Provisions	(2)	(2)
<b>Change in non-cash working capital</b>	<b>81</b>	<b>(27)</b>



## 18. 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

*Three months ended March 31,  
(millions of Canadian dollars)*

	2022	2021
Revenue <sup>(1)</sup>	38	37
Local access fees <sup>(2)</sup>	56	38
Other expenses	-	1
Finance charges <sup>(3)</sup>	1	1

<sup>(1)</sup> 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.

<sup>(2)</sup> This cost is passed through the Corporation directly to transmission and distribution customers.

<sup>(3)</sup> For the three months ended March 31, 2022, the Corporation paid a management fee of \$1 million (2021 - \$1 million) to The City.

### STATEMENT OF FINANCIAL POSITION

*As at*

*(millions of Canadian dollars)*

	March 31, 2022	December 31, 2021
Accounts receivable	23	24
Accounts payable and accrued liabilities	8	7
Long-term debt <sup>(1)</sup>	1,456	1,456

<sup>(1)</sup> Principal payments for the three months ended March 31, 2022 amounted to \$nil (2021 - \$6 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.

## 19. OTHER REVENUE AND EXPENSES

*Three months ended March 31,  
(millions of Canadian dollars)*

	2022	2021
<b>Other revenue</b>		
Interest and penalty revenue	2	2
Miscellaneous	2	3
	<b>4</b>	<b>5</b>
<b>Other expenses</b>		
Contractual services costs	9	13
Staff costs	48	50
Consulting costs	4	5
Advertising and promotion	2	1
Administrative and office expenses	25	23
Operating costs	19	18
Building and property costs	12	11
Other costs	2	1
Foreign exchange (gain)	(2)	-
	<b>119</b>	<b>122</b>

## 20. 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 for the balance of the current year, the next four years and thereafter are as follows:

*(millions of Canadian dollars)*

2022 balance of year	<b>202</b>
2023	<b>7</b>
2024	<b>5</b>
2025	<b>3</b>
2026	<b>2</b>
Thereafter	<b>2</b>

## 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 the 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 the 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 the 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.

## **21. COMPARATIVE FIGURES**

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

## GLOSSARY OF TERMS

<b>AESO</b>	Alberta Electric System Operator	<b>IASB</b>	International Accounting Standards Board
<b>AUC</b>	Alberta Utilities Commission	<b>IFRS</b>	International Financial Reporting Standards
<b>BHD</b>	Bangor Hydro District	<b>MD&amp;A</b>	Management's Discussion and Analysis
<b>CAIDI</b>	Customer average interruption duration index	<b>MPD</b>	Maine Public District
<b>CIAC</b>	Contributions in aid of construction	<b>MPUC</b>	Maine Public Utilities Commission
<b>CNE</b>	Comparable net earnings	<b>MW</b>	Megawatt
<b>CO<sub>2</sub></b>	Carbon dioxide	<b>MWh</b>	Megawatt hour
<b>Corporate</b>	ENMAX Corporate and Eliminations	<b>NEB</b>	Net energy billing
<b>COVID-19</b>	Strain of the novel coronavirus	<b>OCI</b>	Other comprehensive income
<b>DG</b>	Distributed Generation	<b>OM&amp;A</b>	Operations, maintenance, and administration
<b>DBRS</b>	DBRS credit rating agency	<b>PBR</b>	Performance-Based Regulation
<b>Adjusted EBIT</b>	Earnings before interest and income taxes (adjusted)	<b>PP&amp;E</b>	Property, plant and equipment
<b>Adjusted EBITDA</b>	Earnings before interest, income tax and depreciation and amortization (adjusted)	<b>ROE</b>	Return on Equity
<b>ENMAX</b>	ENMAX Corporation and its subsidiaries	<b>ROU</b>	Right-of-use
<b>FERC</b>	United States Federal Energy Regulatory Commission	<b>RRO</b>	Regulated Rate Option
<b>GJ</b>	Gigajoule	<b>SAIDI</b>	System average interruption duration index
<b>GWh</b>	Gigawatt hour	<b>SAIFI</b>	System average interruption frequency index
<b>IAS</b>	International Accounting Standards	<b>The City</b>	City of Calgary
		<b>The Corporation</b>	ENMAX Corporation and its subsidiaries

## **ADDITIONAL INFORMATION**

ENMAX welcomes questions from stakeholders.  
Additional information relating to ENMAX can be found at [enmax.com](http://enmax.com).

Please direct financial inquiries to:

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President and Chief Executive Officer  
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