



ENMAX CORPORATION

Q3 2020 INTERIM 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 a number of factors could cause actual future results, conditions, actions or events to differ materially from financial and operating targets, expectations, estimates or intentions expressed in the forward-looking statements.

When used in this Financial Report, the words “may,” “would,” “could,” “will,” “intend,” “plan,” “anticipate,” “believe,” “seek,” “propose,” “estimate,” “expect” and similar expressions, as they relate to the Corporation or an affiliate of the Corporation, are intended to identify forward-looking statements. Such statements reflect the Corporation’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation’s actual results, performance or achievements to vary from those described in this Financial Report. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this Financial Report. Intended, planned, anticipated, believed, estimated or expected and other forward-looking statements included in this Financial Report herein should not be unduly relied upon. These statements speak only as of the date of this Financial Report. The Corporation does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law, and reserves the right to change, at any time at its sole discretion, the practice of updating annual targets and guidance.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This MD&A, dated November 19, 2020, is a review of the results of operations of ENMAX Corporation and its subsidiaries (the Corporation) for the three and nine months ended September 30, 2020, compared with 2019, and of the Corporation's financial condition and prospects. This MD&A should be read in conjunction with the Q3 2020 Condensed Consolidated Interim Financial Statements and the 2019 ENMAX Financial Report, which is available on ENMAX's website at www.enmax.com, as information has been omitted from this MD&A if it remains substantially unchanged.

ENMAX's Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Condensed Consolidated Interim Financial Statements and MD&A were reviewed by ENMAX's Audit Committee and 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 the Corporation and its 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 is provided in the Non-IFRS Financial Measures section.

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Glossary of terms can be found on page 54 of the Condensed Consolidated Interim Financial Statements.

MARKET CONDITIONS

The third quarter of 2020 saw a slight rebound in economic activity due to the phase 2 reopening and reduced restrictions imposed by the COVID-19 pandemic response. However, challenges persist: unemployment remains high, and oil prices, while stable, are well below pre-COVID levels. Producers have cut capital spending, limiting growth until global demand for oil rises.

The Alberta power market pool price settled at an average of \$43.75 per megawatt-hour (MWh) for the third quarter of 2020, a decrease of 7 per cent over the same period in 2019 when the average was \$46.95 per MWh. Spark spreads settled at an average of \$27.71 for the third quarter of 2020 compared to \$40.57 for the same period in 2019. ENMAX's hedging strategy secured significant margins before entering the year, offering protection from decreasing power prices while maintaining some ability to capitalize on price increases. In times when demand declines and lower volumes are consumed, the corporation may experience lower hedge ratios.

During the initial pandemic response in the second quarter of 2020, the Alberta electricity market had seen decreases in electricity demand (load) of up to 9 per cent. In the third quarter of 2020, Alberta's demand averaged 8,931 megawatts (MW), a nearly 5 per cent decrease over the same quarter in 2019. The gradual reopening of the economy has helped lift Alberta Internal Load (AIL) to roughly 95 per cent of the pre-COVID-19 level. ENMAX continues to monitor developments in the market. ENMAX's business model, which includes making, moving, and marketing electricity, benefits from demand growth through increases in generator revenue, retail sites, and distribution rate base.

Alberta natural gas prices averaged \$2.14 per gigajoule (GJ) for the third quarter in 2020, which is \$1.29 higher compared to the average for the third quarter of 2019. The most significant cause for the jump was the increased access to gas storage on the Nova Gas Transmission Ltd. (NGTL) system which had been constrained previously due to maintenance. Before the start of the injection season, storage inventories were sitting near all-time lows of around 45 per cent of capacity. There was a large volume of injections this summer, putting inventories at just over 95 per cent of capacity. ENMAX continues to ensure that firm and reliable gas supplies are available for our generation portfolio. ENMAX is currently engaged in planning and developing direct pipeline connections to surrounding natural gas supply sources. These connections are expected to create long-term gas supply to support the requirements of our generation portfolio.

Maine has seen similar market impacts to Alberta as a result of the COVID-19 pandemic with somewhat reduced overall demand for electricity and a shift from commercial to residential usage due to business closures and an increase in work from home arrangements. The effects of oil market volatility have not had as significant an effect in Maine as in Alberta.

FINANCIAL PERFORMANCE

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. Management believes that a measure of operating performance is more meaningful if the impact of specific items is excluded from the financial information. As a result, these financial metrics exclude impairment, foreign exchange gains (losses), unrealized gains (losses) on commodities where settlement on derivatives will occur in a future period and Versant Power acquisition-related costs (see Significant Events section). Refer to the Non-IFRS Financial Measures section on page 14 for definitions and further descriptions of the financial measures.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

<i>(millions of Canadian dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Total revenue	619.0	577.4	1,917.3	1,869.2
Adjusted EBITDA ⁽¹⁾⁽²⁾				
Power Delivery	60.3	64.0	184.1	182.8
Versant Power	36.7	-	72.2	-
Competitive Energy	46.2	57.0	161.6	155.3
Corporate and Eliminations	2.3	0.3	(0.9)	0.3
Consolidated	145.5	121.3	417.0	338.4
Adjusted EBIT ⁽¹⁾⁽²⁾				
Power Delivery	28.6	34.2	89.7	94.5
Versant Power	25.0	-	45.4	-
Competitive Energy	11.2	25.8	60.6	62.1
Corporate and Eliminations	3.3	1.3	2.1	3.3
Consolidated	68.1	61.3	197.8	159.9
Comparable net earnings ⁽¹⁾⁽²⁾⁽³⁾	43.6	40.7	129.8	116.7
Net earnings	101.8	42.5	312.9	141.4
Free cash flow (FCF) ⁽¹⁾⁽³⁾			(41.0)	96.1
Capital expenditures ⁽⁴⁾	109.9	99.1	289.4	291.1

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

⁽²⁾ Does not include:

- Realized and unrealized foreign exchange gains of \$0.9 and \$127.0 million (2019 – \$1.6 and \$1.6 million losses) for the three and nine months ended September 30, 2020, respectively.
- Unrealized electricity and gas mark-to-market gains for the three and nine months ended September 30, 2020 of \$67.0 and \$100.7 million (2019 - \$52.9 and \$99.9 million gains) respectively.
- Versant Power acquisition related costs of \$0.7 and \$32.9 million (2019 – \$8.6 and \$22.0 million) for the three and nine months ended September 30, 2020 respectively. This includes net finance charges of \$nil and \$8.5 million (2019 - \$1.2 and \$6.4 million), respectively that are included in calculating Comparable net earnings.

⁽³⁾ FCF is calculated for the twelve months ended September 30, 2020 and 2019 respectively.

⁽⁴⁾ Capital expenditures excludes \$1,392.9 million investment in the acquisition of Versant Power. See Significant Events section.

ENMAX's Adjusted EBIT increased by \$6.8 and \$37.9 million for the three and nine months ended September 30, 2020, respectively, as compared with the three and nine months ended September 30, 2019. The primary drivers for the change in Adjusted EBIT were as follows:

- Power Delivery – Adjusted EBIT in Power Delivery was unfavourable compared to the prior period as the impacts of COVID-19 places downward pressure on expected margins, coupled with increased operating and amortization costs through continued capital investment.
- Versant Power – Since the March 24, 2020 acquisition, Versant Power has contributed \$45.4 million in EBIT.
- Competitive Energy – In the quarter, adjusted EBIT was unfavourable compared to the prior year primarily due to significantly lower spark spreads, reduced customer penalty and interest revenue and lower emission offset sales. Year to date, adjusted EBIT was unfavourable compared to the prior year primarily due to higher depreciation expense and bad debt expense, partially offset by higher margins due to increased plant availability.
- Corporate and Eliminations – 2020 adjusted EBIT is primarily impacted due to timing of costs and the impacts of COVID-19.

ENMAX's net earnings increased by \$59.3 million for the three months and increased \$171.5 million for the nine months ended September 30, 2020 as compared to the same periods in 2019. The main driver for this increase is \$127.0 million in foreign exchange gains in 2020 that were primarily realized on the settlement of forward contracts and \$100.7 million in unrealized gains on commodities where settlement on derivatives occur in future periods, partially offset by higher Versant Power acquisition related costs. Foreign exchange gains and losses and unrealized gains and losses on commodities are not included in adjusted EBIT.

As at September 30, 2020, ENMAX's balance sheet remains steady as the Corporation carefully manages debt to cash flow ratios as well as capital investment. Repayments of Versant Power acquisition related debt are expected to strengthen the balance sheet as they are made (see Liquidity section). ENMAX's prudent balance sheet management has enabled the Corporation to continue to achieve growth and profitability in an uncertain economic environment.

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, the performance and retirement of existing generation facilities, the impact of government policies and the ongoing effects of the global pandemic.

SIGNIFICANT EVENTS

SALE OF DISTRICT ENERGY CENTRE

On November 6, 2020, the Corporation announced that it had entered into a definitive agreement to sell its District Energy Centre assets for \$27.0 million. The sale of District Energy Centre, which represents less than half a per cent of the Corporation's total asset base, is being undertaken in support of ENMAX's enhanced focus on strategic growth while delivering a stable and growing dividend to The City. The transaction is expected to close in early 2021, subject to required approvals.

CHIEF EXECUTIVE OFFICER ANNOUNCEMENT

On May 20, 2020, the ENMAX Board of Directors announced that Wayne O'Connor had been appointed ENMAX President and Chief Executive Officer effective June 22, 2020. Wayne's appointment results from an extensive North American recruitment process undertaken by the Board following the June 2019 announcement of the planned departure of ENMAX President and Chief Executive Officer, Gianna Manes.

Wayne comes to ENMAX with over 30 years of industry experience and leadership spanning multiple Canadian and North American electricity and energy markets. Wayne has served as President and Chief Executive Officer of Nova Scotia Power leading a team of 1,700 employees and overseeing a portfolio of generation, transmission and distribution assets valued at over \$4.0 billion. Prior to this role, Wayne has held a series of executive leadership positions across Emera Inc. companies and with TC Energy, formerly TransCanada Pipelines.

VERSANT POWER ACQUISITION

On March 24, 2020, the Corporation completed its acquisition of BHE Holdings, Inc., the parent company of Versant Power (formerly Emera Maine). On May 11, 2020 the Corporation changed the name of Emera Maine to Versant Power. This transaction is aligned with the Corporate strategy to grow regulated cash flows and diversify revenue streams within North America. With the addition of Versant Power, the Corporation's regulated rate base has increased by 50 per cent, and the expected portion of future cash flows from regulated and non-commodity sources has risen to 70 per cent.

As a result of the acquisition of BHE Holdings, Inc. the Corporation acquired all the outstanding common shares of Versant Power. The aggregate purchase price was approximately \$1,394.0 million (\$962.6 million USD) on closing, including the assumption of approximately \$566.5 million (\$391.2 million USD) of existing debt. The Corporation funded this transaction through a combination of cash, a two-year bank loan and issuance of private debentures.

The majority of Versant Power's operations are subject to the rate-setting authority of the Federal Energy Regulatory Commission (FERC) and the Maine Public Utilities Commission (MPUC), and are accounted for pursuant to U.S. Generally Accepted Accounting Principles (U.S. GAAP), including the accounting guidance for regulated operations. Except for unregulated long-term debt acquired, construction work in progress, and investments in corporate joint ventures, the fair value of assets and liabilities subject to these rate-setting provisions, approximate their regulatory carrying values. This is due to the fact that a market participant would not expect to recover any more or less than the net regulated carrying value. Accordingly, assets acquired and liabilities assumed do not reflect any adjustments related to these amounts.

The transaction constitutes a business acquisition and as such has been accounted for using the acquisition method of accounting. The excess of the purchase price over estimated fair values of net assets acquired has been recognized as goodwill at the acquisition date of March 24, 2020. The goodwill reflects the value paid for access to regulated assets, net income and future cash flows, opportunities for adjacency growth, long-term potential for enhanced access to capital as a result of increased scale and business diversity, and an improved earnings risk profile.

Versant Power acquisition costs, including one-time stipulated transaction costs have been excluded from the Corporations operating performance metrics (see Non-IFRS Measures section).

GENESEE 4/5 GENERATION PROJECT DEPARTURE

ENMAX has elected not to proceed as a partner in the development of the Genesee 4/5 Generation project. By letter dated March 24, 2020 to Capital Power (G4) Limited Partnership (the Notice), ENMAX provided formal notice of its departure from the Genesee 4/5 Generation project under the Joint Venture Agreement (the JVA). The Notice seeks, under the terms of the JVA, payment from Capital Power of 90 per cent of ENMAX's share of the project costs upon closing, all as particularized in the Notice. Capital Power has since disputed any amounts owing and the parties have commenced the dispute resolution process provided for in the JVA.

COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a global pandemic. Governments around the world introduced significant public health and emergency measures to combat the spread of the virus. Combined with ongoing geopolitical factors, dramatic declines in oil prices also created further economic uncertainty. In March 2020, the Corporation implemented a series of significant actions to mitigate the health, safety and economic impacts of COVID-19, including shifting to a remote operating environment to protect employees and customers and ensure the continuity of essential service. These activities remain ongoing to mitigate the effects on the business in Alberta and Maine while continuing to operate safely.

On May 8, 2020, the Alberta Utility Payment Deferral Program Act (Bill 14) passed third and final reading. The legislation implements the Government of Alberta's utility deferral program. Under that program, residential, farm and small commercial customers could defer payments for electricity and natural gas services for a three-month period that ended on June 18, 2020. Customers who deferred payments have twelve months to repay the deferred amounts. The legislation makes funds available, from the Government of Alberta and the Balancing Pool, to ENMAX and other electricity retailers to reduce the impact of customers enrolled in the program. These funds, if accessed, mitigate cash flow impacts connected with the utility bill deferral program. Under the legislation, there is no obligation for ENMAX to repay the Government of Alberta or the Balancing Pool any amounts that are not collected from customers.

POWER DELIVERY BUSINESS AND UPDATE

Power Delivery's highest priorities are providing safe, reliable and efficient delivery of electricity to customers. This is particularly important during the current COVID-19 pandemic.

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

Power Delivery submits applications to the Alberta Utilities Commission (AUC) to request approval to construct or replace certain utility-related facilities, and to set rates for providing electricity delivery-related services to its customers, among other things.

- On December 16, 2019, the AUC issued a decision approving 2020 Performance Based Regulation (PBR) distribution rates on an interim basis, and distribution tariff terms and conditions for the period of January 1, 2020 to December 31, 2020. This decision is expected to increase the operating margin by 3.6 per cent. On March 19, 2020, the AUC suspended the Generic Cost of Capital proceeding due to the volatility in financial markets created by the COVID-19 pandemic. In an effort to reduce uncertainty and improve utility creditworthiness, the AUC issued a decision on October 13, 2020, extending on a final basis the current approved rate of 8.5 percent ROE and 37 per cent equity through 2021 to these parameters for a future period including 2022.
- On June 5, 2020, the AUC issued a Decision on Power Delivery's 2018 - 2020 Transmission General Tariff Application. The AUC approved a forecast 2018-2020 revenue requirement of \$272.0 million. This revenue requirement allowed Power Delivery to maintain and operate a safe, reliable transmission system. This positive decision represents an average annual increase of 11 per cent over the 2017 approved revenue requirement.
- On August 28, 2020, the AUC issued a Decision on Power Delivery's 2019 Distribution Phase II Application. The AUC approved Power Delivery's cost allocation study, its proposal to set revenue to cost ratios for all rate classes, and plain language terms and conditions. This does not result in any further revenue, however it helps to appropriately administer costs across rate classes, improves customer experience, and ensures Power Delivery's business needs are met.
- As part of the process to finalize 2018 distribution rates, the AUC issued a decision on January 30, 2020 that provided new guidance on the types of OM&A adjustments, or anomalies, that it will allow to historic costs. These adjustments are a part of the AUC's PBR mechanism and are intended to ensure that the rates at the start of the PBR period are reasonable by allowing adjustments as necessary to account for material anomalies in OM&A. Approval of upward anomaly adjustments would provide incremental revenue every year during the 2018 - 2022 PBR term. A decision is expected to be issued by the end of the year.

KEY BUSINESS STATISTICS

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Distribution volumes in Gigawatt Hours (GWh)	2,214	2,272	6,698	6,947
System average interruption duration index (SAIDI) ⁽¹⁾	0.13	0.16	0.28	0.33
System average interruption frequency index (SAIFI) ⁽²⁾	0.11	0.27	0.39	0.59

⁽¹⁾ SAIDI equals the total duration of a sustained interruption per average customer during a predefined period of time. A sustained interruption has a duration greater than or equal to one minute. The lower the SAIDI, the better the reliability.

⁽²⁾ SAIFI equals how often the average customer experiences a sustained interruption over a predefined period of time. A sustained interruption has a duration greater than or equal to one minute. The lower the SAIFI, the better the reliability.

Total electricity delivered in GWh to the Calgary service area in the third quarter was lower than the prior year as a result of an overall decrease in customer usage, largely due to the economic impacts felt from the COVID-19 pandemic. We are witnessing a decrease in overall distribution volumes due to the continued restrictions COVID-19 is having on some businesses, which is partly offset by an increase in residential electricity usage. We are continuously monitoring the impact the pandemic is having on electricity delivered.

When compared to the performance of other Canadian Electricity Association member utilities, ENMAX has remained one of the most reliable transmission and distribution utilities in Canada. Both SAIDI and SAIFI are favourable compared to the same period in 2019 due to a decreased impact from cable failures, animal/bird contacts and pole fires.

ENMAX has continued to meet its SAIDI and SAIFI targets during the COVID-19 pandemic. We continue to maintain our commitment to our customers, employees and safety during these unprecedented times.

VERSANT POWER BUSINESS AND UPDATE

Versant Power is a public transmission and distribution utility operating in the Maine Public District (MPD) and Bangor Hydro District (BHD) covering six counties in the state of Maine. The total operating area is approximately 10,400 square miles (27,000 square kilometers), and it has approximately 160,000 customers. Versant Power's business is focused around safe and reliable transmission and distribution of electricity to its customers and investments in the infrastructure to maintain the transmission and distribution system.

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

Versant Power earns revenue by charging customers for electricity delivered across its transmission and distribution facilities. These retail revenues are divided into separate transmission, distribution and stranded cost rates. Currently, approximately 49 per cent of the company's electric revenue is from distribution operations, 48 per cent is associated with local transmission operations, and 3 per cent relates to stranded cost recoveries and conversion charges. The rates for each element are established in distinct regulatory proceedings. The distribution operations and stranded costs are regulated by the MPUC, which also regulates accounting, service standards, territories served and the issuance of securities. The transmission operations are regulated by the FERC.

KEY BUSINESS STATISTICS

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Distribution volumes in Gigawatt Hours (GWh)	494	495	1,447	1,458
System average interruption duration index (SAIDI) ⁽¹⁾⁽⁴⁾	1.06	1.22	3.19	3.40
System average interruption frequency index (SAIFI) ⁽²⁾⁽⁴⁾	0.56	0.59	1.44	1.57
Customer average interruption duration index (CAIDI) ⁽³⁾⁽⁴⁾	1.91	2.06	2.22	2.17

⁽¹⁾ SAIDI equals the total duration of a sustained interruption per average customer during a predefined period of time. A sustained interruption has a duration greater than or equal to five minutes. The lower the SAIDI, the better the reliability.

⁽²⁾ SAIFI equals how often the average customer experiences a sustained interruption over a predefined period of time. A sustained interruption has a duration greater than or equal to five minutes. The lower the SAIFI, the better the reliability.

⁽³⁾ CAIDI equals 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 (IEEE) defines a 'sustained' outage as one that is five minutes or longer. This is a known distinction with Canadian utilities.

On March 24, 2020 the Corporation completed the acquisition of Versant Power (see Significant Events section). Key business statistics for 2019 have been disclosed for comparative purposes.

Total electricity delivered in GWh to Versant Power's service area to date in 2020 was slightly lower than the prior year as a result of an overall decrease in customer usage over the first nine months of 2020. This was largely driven by warmer weather in 2020 compared to 2019. We are continuously monitoring the impact the COVID-19 pandemic is having on electricity delivered. We are experiencing a decrease in overall volumes due to closures and reduced capacities of businesses, which is partly offset by an increase in residential electricity usage.

Versant experienced lower SAIDI, SAIFI, and CAIDI for the three months ending September 30, 2020 compared to the prior year quarter, driven by more favourable weather and reduced customer caused accidents. These same factors contributed to SAIDI and SAIFI for the nine months ending September 30, 2020 compared to the same period in 2019. CAIDI is higher in 2020 due to longer restoration times associated with equipment failure and power system faults caused by animal/bird contacts.

In response to COVID-19 pandemic, the MPUC directed all electric utilities not to engage in disconnection activity until further notice was received. This direction applied equally to residential and business customers. On September 17, 2020, the MPUC established a process for transitioning away from the moratorium, noting the decision was rooted in the public's best interest. As a result, Versant Power may begin limited collection activity beginning November 1, 2020; however, due to the length and severity of these developments it is not possible to reliably estimate the impact the moratorium will have on the financial results and condition of the Company in future periods.

COMPETITIVE ENERGY BUSINESS AND UPDATE

Competitive Energy is an integrated business providing customers with electricity, natural gas, distributed energy resource solutions, as well as engineering, procurement and construction services. Our competitive advantage is our ability to hedge low-cost generation assets through our 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 our wind and gas-fueled generation assets, and provides opportunities to offer additional energy services, such as solar installations and thermal energy. As at September 30, 2020, Competitive Energy’s capacity ownership interest was 1,515 MW of electricity generation: 1,295 MW from natural gas-fueled plants, 217 MW from wind power and 3 MW from combined heat and power (CHP) generation.

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.

KEY BUSINESS STATISTICS

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Plant availability (%) ⁽¹⁾	99.59	98.57	99.05	95.56
Average flat pool price (\$/MWh)	43.75	46.95	46.69	58.02
Average spark spread (\$) ⁽²⁾	27.71	40.57	31.80	47.02

⁽¹⁾ Plant availability (%) reflects the planned maintenance and forced outages of ENMAX’s capacity ownership.

⁽²⁾ Based on market prices.

Plant availability was higher than the prior period due to a continued focus on safe and reliable operations. In addition, outage events were undertaken during the same period in 2019. ENMAX is well positioned in 2020, having completed two major maintenance outages in 2019 and as a result is benefitting from a lighter outage schedule this year.

The average flat pool power price decreased compared to the same periods in 2019. Power prices continue to be impacted by lower demand and significant declines in Alberta’s economy resulting from the impact of COVID-19 containment measures.

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 gas-fuelled power plant from generating an unhedged unit of electricity. The decline from 2019 levels was driven by a lower average pool price (as described above) and an increase in the price of natural gas.

In the retail business our fixed price electricity volumes were consistent with the prior year, maintaining our ability to hedge our generation assets. Our competitive products were positively impacted by higher margins resulting from lower electricity costs to serve our customers.

During the first nine months of 2020 our electricity margins (see ENMAX Financial Results section) were higher than 2019 due to the higher plant availability as described above, combined with changes in the price cap program initiated in the fourth quarter of 2019. This is partially offset by the decrease in market prices and spark spreads over the prior year. To mitigate risk, ENMAX contracts most of our market position, delivering the majority of our margin with less exposure to the volatility of near-term spark spreads.

ENMAX manages its portfolio to deliver on our cash flow targets by using a combination of retail sales and forward market hedges. As a result, our hedging and contracting strategies temper the impact of in-year price movements, which reduces volatility of cash flows with respect to market prices. Public health actions to contain the COVID-19 pandemic have led to a significant decline in crude oil prices and production in Alberta and have reduced demand and price volatility for electricity. Entering the year, Competitive Energy has hedged a significant portion of its capacity. This has largely insulated commodity margins from the recent market impacts which has increased certainty on cashflows throughout the remainder of the year, however, lower overall demand in the year has lowered the hedge ratio on these forward retail sales hedges.

The remaining open positions within the portfolio have been impacted by volatility in the current market environment as electricity prices have significantly decreased combined with an increase in natural gas prices leading to lower expected spark spreads. We expect a rebound in electricity demand as COVID-19 containment actions are relaxed.

In response to the COVID-19 pandemic, the Government of Alberta passed Bill 14, providing a 90-day payment deferral for residential, farm and small business customers (see Significant Events section). This program is expected to potentially affect our provision for expected credit loss due to customer non-payments. Higher levels of bankruptcies have been observed in 2020 and increased bad debt expenses have been recorded for the nine months ended September 30, 2020. Competitive Energy continues to actively manage credit and payments for large customers, while leveraging applicable and available credit facilities.

ENMAX FINANCIAL RESULTS

ADJUSTED EARNINGS BEFORE INTEREST AND INCOME TAXES (ADJUSTED EBIT) COMPARED WITH THE SAME PERIOD IN 2019

For the three months ended September 30, (millions of Canadian dollars)	Power Delivery	Versant Power	Competitive Energy	Corporate	Consolidated
Adjusted EBIT ⁽¹⁾ for the period ended September 30, 2019	34.2	-	25.8	1.3	61.3
Increased (decreased) margins attributable to:					
Transmission and distribution	(0.8)	57.5	-	-	56.7
Electricity	-	-	(8.8)	(0.4)	(9.2)
Natural gas	-	-	1.1	-	1.1
Contractual services and other	(0.4)	2.7	(6.1)	(0.7)	(4.5)
Decreased (increased) expenses:					
Operations, maintenance & administration (OM&A) ⁽²⁾	(2.5)	(23.5)	3.0	3.1	(19.9)
Depreciation and amortization	(1.9)	(11.7)	(3.8)	-	(17.4)
Adjusted EBIT ⁽¹⁾ for the period ended September 30, 2020	28.6	25.0	11.2	3.3	68.1

⁽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.

For the nine months ended September 30, (millions of Canadian dollars)	Power Delivery	Versant Power	Competitive Energy	Corporate	Consolidated
Adjusted EBIT ⁽¹⁾ for the period ended September 30, 2019	94.5	-	62.1	3.3	159.9
Increased (decreased) margins attributable to:					
Transmission and distribution	6.6	114.2	-	-	120.8
Electricity	-	-	10.9	(0.6)	10.3
Natural gas	-	-	1.5	-	1.5
Contractual services and other	0.1	5.0	(4.1)	(0.4)	0.6
Decreased (increased) expenses:					
Operations, maintenance & administration (OM&A) ⁽²⁾	(5.4)	(47.0)	(2.0)	(0.2)	(54.6)
Depreciation and amortization	(6.1)	(26.8)	(7.8)	-	(40.7)
Adjusted EBIT ⁽¹⁾ for the period ended September 30, 2020	89.7	45.4	60.6	2.1	197.8

⁽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.

For the three and nine months ended September 30, 2020, transmission and distribution margins increased \$56.7 million or 67.4 per cent and \$120.8 million or 48.5 per cent compared to the same periods in 2019, respectively. The favourable variances from the prior year were largely due to \$57.5 and \$114.2 million, respectively, in additional margins from Versant Power, as well as an increase in transmission revenue driven by the AUC approved 2020 interim Transmission Compliance filing.

Electricity margins for the three and nine months ended September 30, 2020 decreased by \$9.2 million or 10.4 per cent, and increased \$10.3 million or 4.1 per cent, respectively compared to the same periods in 2019. The unfavourable variance in the quarter is primarily due to lower spark spreads compared to the prior year. Year to date, electricity margins were higher compared to the prior year primarily due to higher plant availability combined with changes in the price cap program, initiated in the fourth quarter of 2019. This was partially offset by the decrease in market prices and spark spreads over the prior year.

Natural gas margins for the three and nine months ended September 30, 2020 increased \$1.1 million or 12.9 per cent, and \$1.5 million or 3.7 per cent, compared to the same periods in 2019, respectively. The increase was primarily due to higher retail consumption volumes as a result of additional customers.

Contractual services and other margins for the three and nine months ended September 30, 2020 decreased by \$4.5 million or 17.4 per cent, and increased \$0.6 million or 0.9 per cent respectively, compared to the prior periods. The overall favourable variance was primarily due to increased activity with the acquisition of Versant Power, partially offset by lower customer penalty and interest revenue.

OM&A is characterized as other expenses recognized on the condensed consolidated interim statement of earnings that excludes impairments, foreign exchange gains (losses), Versant Power acquisition related costs, and costs that are included in contractual services margins. For the three and nine months ended September 30, 2020 OM&A increased \$19.9 million or 23.2 per cent and increased \$54.6 million or 20.4 per cent, when compared to the same period in 2019 respectively. Operational costs were higher due to an additional \$47.0 million in OM&A from Versant Power since the acquisition on March 24, 2020. Additionally, increased staffing costs, building property tax, and higher allowance for uncollectable receivables as a result of economic conditions in Alberta were recorded.

During the three and nine months ended September 30, 2020, the Corporation recorded \$0.7 and \$32.9 million in Versant Power acquisition related costs, of which \$nil and \$8.5 million are related to net finance charges respectively. These costs are not included in adjusted EBIT.

Depreciation and amortization expense increased \$17.4 million or 29.0 per cent and increased \$40.7 million or 22.8 per cent when compared to the same periods in 2019, respectively. The increase was consistent with capital asset additions in the period, which includes the Versant Power assets acquired (see Significant Events section).

OTHER NET EARNINGS ITEMS

Finance charges for the three and nine months ended September 30, 2020 increased \$13.7 million or 73.7 per cent and increased \$35.4 million or 60.6 per cent, compared to the same periods in 2019. This is primarily driven by interest recorded on senior debt assumed and \$8.5 million in net financing costs related to the Versant Power acquisition.

The calculation of the Corporation's current and deferred income taxes involves a degree of estimation and judgment. The carrying value of deferred income tax assets is reviewed at the end of each reporting period. For the three and nine months ended September 30, 2020, management adjusted the income tax provision utilizing its best estimate with considerations including management's expectation of future operating results, interpretation of applicable tax regulations positions, allowances where uncertainty surrounding the realization of the tax benefit exists, and the settlement of various tax disputes.

OTHER COMPREHENSIVE INCOME AND SHAREHOLDER'S EQUITY

Other Comprehensive Income (OCI) illustrates earnings under the assumption of full income recognition of gains and losses on the market value of securities and derivatives, otherwise treated as hedges of future revenues and expenses, cumulative effects of currency translation of foreign operations, as well as re-measurement gains and losses on pension retirement benefits.

For the three and nine months ended September 30, 2020, OCI included total losses of \$26.0 and \$96.2 million, respectively, compared with gains of \$3.3 and \$23.6 million respectively for the same periods in 2019. The OCI losses primarily reflect cumulative foreign currency translation impact on consolidation of foreign operations, and the unfavourable fair value changes in electricity and commodity positions. This is partially offset by the reclassification of gains on derivative instruments to net earnings.

Accumulated other comprehensive (loss) is reflected in shareholder's equity along with retained earnings and share capital. Retained earnings for the period increased \$258.9 million as a result of net earnings recognized in 2020, partially offset by dividends on common shares.

NON-IFRS FINANCIAL MEASURES

The Corporation uses Adjusted EBITDA, Adjusted EBIT, comparable net earnings, and free cash flow (FCF) as financial performance measures. These measures do not have any standard meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The purpose of these financial measures and their reconciliation to IFRS financial measures are shown below. These non-IFRS measures were consistently applied in the previous period.

ADJUSTED EBITDA

<i>(millions of Canadian dollars)</i>	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2020	2019	2020	2019
Net earnings (IFRS financial measure)	101.8	42.5	312.9	141.4
Add (deduct):				
Unrealized (gains) on commodities	(67.0)	(52.9)	(100.7)	(99.9)
Foreign exchange (gains)	(0.9)	1.6	(127.0)	1.6
Versant Power acquisition related costs (including finance charges) ⁽¹⁾	0.7	9.8	32.9	22.0
Impairment	-	-	2.6	-
Net income tax expense on unrealized (gains) on commodities, and foreign exchange (gains) losses, Versant Power acquisition related costs and impairment	9.0	13.1	9.1	25.0
Tax adjustments	-	26.6	-	26.6
Comparable net earnings (non-IFRS financial measure)	43.6	40.7	129.8	116.7
Add (deduct):				
Depreciation and amortization	77.4	60.0	219.2	178.5
Finance charges (excludes Versant Power acquisition related costs)	32.3	-	85.3	-
Remaining income tax (recovery)	(7.8)	3.2	(17.3)	(8.8)
Adjusted EBITDA (non-IFRS financial measure)	145.5	121.3	417.0	338.4

⁽¹⁾ For the three and nine months ended September 30, 2020 – Includes \$0.7 and \$24.4 million in OM&A costs (of which \$nil and \$14.4 million are stipulated costs), respectively and \$nil and \$8.5 million in net financing charges (of which \$nil and \$8.5 million are stipulated costs), respectively.

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 of how those activities are financed and amortized, or how the results are taxed. Adjusted EBITDA is also used to evaluate certain debt coverage ratios.

Adjusted EBITDA excludes the impact for impairments, unrealized (gains) on commodities, foreign exchange (gains) losses, and Versant Power acquisition related costs from the adjusted operating profit. Management believes that a measure of operating performance is more meaningful if these results, not related to normal operations are excluded. Unrealized (gains) on commodities reflect the impact of changes in forward natural gas and power prices and the volume of the positions for these derivatives over a certain period of time. These unrealized (gains) do not necessarily reflect the actual gains and losses that will be realized on settlement. Furthermore, unlike commodity derivatives, ENMAX's generation capacity and future sales to retail customers are not marked to market under IFRS.

ADJUSTED EBIT

<i>(millions of Canadian dollars)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Net earnings (IFRS financial measure)	101.8	42.5	312.9	141.4
Add (deduct):				
Unrealized (gains) on commodities	(67.0)	(52.9)	(100.7)	(99.9)
Foreign exchange (gains) losses	(0.9)	1.6	(127.0)	1.6
Finance charges (excludes Versant Power acquisition related costs)	32.3	17.4	85.3	52.0
Versant Power acquisition related costs (including finance charges) ⁽¹⁾	0.7	9.8	32.9	22.0
Impairment	-	-	2.6	-
Income tax (recovery)	1.2	42.9	(8.2)	42.8
Adjusted EBIT (non-IFRS financial measure)	68.1	61.3	197.8	159.9

⁽¹⁾ For the three and nine months ended September 30, 2020 – Includes \$0.7 and \$24.4 million in OM&A costs (of which \$nil and \$14.4 million are stipulated costs), respectively and \$nil and \$8.5 million in net financing charges (of which \$nil and \$1.1 million are stipulated costs), respectively.

The Corporation focuses on Adjusted EBIT, which excludes the impact of impairments, foreign exchange (gains) losses, unrealized (gains) on commodities, and Versant Power acquisition related costs. Adjusted EBIT is a useful measure of business performance, which provides an indication of the operating results generated by primary business activities.

Management believes that this non-IFRS measure provides a better representation of the underlying operations of the Corporation.

FREE CASH FLOW (FCF)

ENMAX defines free cash flow as IFRS net cash provided by operating activities less capital expenditures funded from operations. Management believes that FCF is a liquidity measure that provides useful information regarding cash provided by operating activities and operational cash used for investments in property and equipment that are required to maintain and grow the business over a twelve-month cycle.

For the twelve months ended September 30,		
<i>(millions of Canadian dollars)</i>	2020	2019
Net cash provided by operating activities ⁽¹⁾	577.7	333.1
Capital expenditures funded from operations ⁽²⁾	(277.3)	(237.0)
Versant Power acquisition funded from operations ⁽³⁾	(341.4)	-
Free cash flow (non-IFRS financial measure)	(41.0)	96.1

⁽¹⁾ Refer to Liquidity and Capital Resources section.

⁽²⁾ Includes cash provided to fund capital expenditures in Power Delivery that would otherwise be considered financing activities and excludes cash investment in the acquisition of Versant Power (See Significant Events section).

⁽³⁾ Versant Power acquisition funds from operations include \$1,392.9 million invested in the acquisition of Versant Power, reduced by incremental borrowings of \$1,051.5 million for the acquisition.

ENMAX's FCF decreased \$137.1 million for the twelve months ended September 30, 2020, as compared with the twelve months ended September 30, 2019. The decrease in FCF was primarily driven by net funds used to acquire Versant Power, including subsequent repayments of credit facilities, offset by favourable timing of working capital cashflows.

FINANCIAL CONDITION

SIGNIFICANT CHANGES IN THE CORPORATION'S FINANCIAL CONDITION

As at <i>(millions of Canadian dollars, except % change)</i>	September 30, 2020	December 31, 2019	\$ Change	% Change	Explanation for Change
ASSETS					
Cash and cash equivalents	52.8	1,079.9	(1,027.1)	(95.1)	Acquisition of Versant Power. Refer to Liquidity section.
Accounts receivable	638.9	689.4	(50.5)	(7.3)	Decrease is mainly attributable to timing of receipts and seasonal fluctuations in revenue.
Property, plant and equipment (PP&E)	5,814.7	4,495.2	1,319.5	29.4	Acquisition of Versant Power.
Intangible assets	281.8	184.7	97.1	52.6	Acquisition of Versant Power.
Financial Asset (liabilities) ⁽¹⁾	55.9	(56.4)	112.3	199.1	Change in fair value of hedged and non-hedged derivatives.
LIABILITIES AND SHAREHOLDER'S EQUITY					
Short-term financing	66.0	174.2	(108.2)	(62.1)	Net repayment of credit facilities in 2020.
Accounts payable	452.1	516.9	(64.8)	(12.5)	Decrease is mainly attributed to timing of disbursements.
Dividend payable	13.5	-	13.5	100	Dividend declared in March to be paid in quarterly payments over the course of 2020.
Long-term debt ⁽¹⁾	3,510.3	2,622.0	888.3	33.9	Additional \$547.0 million debt assumed on Versant Power acquisition, \$250.0 million term facility and \$164.9 million City Debentures acquired during Q2, partially offset by scheduled repayments of debt.
Asset retirement obligation and provisions ⁽¹⁾	171.7	122.2	49.5	40.5	Fair value adjustment to Asset Retirement Obligation and additional provision of Versant Power.

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

LIQUIDITY

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

Our credit facility agreements and term debt indentures include standard events of default and covenant provisions, whereby accelerated repayment and/or termination of the agreements may result if we were to default on payment or violate certain covenants. As at September 30, 2020, the Corporation was in compliance with all debt covenants and expects to remain in compliance.

ENMAX's total debt balance at September 30, 2020 was \$3,576.3 million (December 31, 2019 - \$2,796.2 million).

As at September 30, 2020, ENMAX has access to \$740.0 million (December 31, 2019 - \$490.0 million) in revolving credit facilities, of which \$624.4 million (December 31, 2019 - \$252.0 million) was available. These Corporation's credit facilities mature between 2022 and 2023 and are provided by national and regional lenders.

In March 2019, the Corporation entered into a \$250.0 million, two-year syndicated credit facility. Consistent with ENMAX's commitment to repay this Versant Power acquisition facility, on July 31, 2020 \$25.0 million was repaid, and on September 15, 2020, an additional \$20.0 million was repaid.

On March 24, 2020, S&P updated their credit rating for ENMAX, reducing the Corporation's credit rating to BBB- with a stable outlook. On March 25, 2020, DBRS updated their credit rating for ENMAX, reducing the Corporation's credit rating to BBB (high) with a stable outlook. The updates were in response to ENMAX's acquisition of Versant Power (see Significant Events section).

On July 15, 2020, Versant Power completed the issuance of an unsecured \$30.0 million USD senior note, and on September 15, 2020, Versant Power completed the issuance of an unsecured \$60.0 million USD senior note. Both notes bearing an interest at a rate of 2.8 per cent, payable semi-annually, and maturing on July 15, 2030 and September 15, 2030 respectively.

On September 14, 2020, S&P issued a credit rating for Versant Power of BBB+.

When prudent, ENMAX invests temporary surplus cash balances in short-term interest-bearing instruments to maximize investment income. As at September 30, 2020, ENMAX recognized \$66.0 million in short-term financing.

RISK MANAGEMENT AND UNCERTAINTIES

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. This period ended on June 18, 2020 (see Significant Events section). 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 has been implemented with disconnection for non-payment being suspended until further notice.

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, and 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 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. The dramatic decrease in oil prices is expected to have less of an impact on economic conditions and operations in Maine than in Alberta. ENMAX continues to actively monitor these events while implementing activities to mitigate the impact and continue to operate safely.

VERSANT POWER ACQUISITION

On March 24, 2020, the Corporation's business activities extended to include the operations of Versant Power. 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. With the addition of Versant Power, the Corporation has identified the following business and operational risks. Risks related to ENMAX's other business activities are disclosed in the 2019 Financial Review and an integrated risk review will be updated in ENMAX's 2020 Financial Review.

MARKET RISK

Versant Power has financial market risk exposure to changing interest rates on its variable rate debt as well as the fair value of fixed rate debt. Interest rate risk is managed through a combination of both fixed and variable rate debt instruments with staggered maturities.

The cost of debt is a component of rates and prudently incurred debt costs are recovered from customers. While the 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.

Versant Power is affected by demand for energy based on changing customer patterns. General economic conditions, consumer focus on energy efficiency, 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 enters the system and how it is bought and sold. In addition, an increase in distributed generation may impact demand, resulting in lower load and revenues. These changes could negatively impact Versant Power's operations, rate base, net earnings, and cash flows. Versant Power is focused on understanding customer demand, energy efficiency, and government policy to ensure that the impact of these activities benefit customers, that they do not negatively impact the reliability of energy service, and that they are addressed by regulators and appropriately reflected in rates.

ENMAX has foreign exchange (FX) rate exposure arising from the addition of its U.S. operations. ENMAX has effectively implemented various programs to reinforce internal controls over cash flow management to mitigate the exposure to extreme FX rate movements.

OPERATIONAL RISK

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

ENVIRONMENTAL RISK

Versant Power is subject to regulation by federal, state, and municipal authorities with respect to environmental matters primarily related to its utility operations. Changes in environmental legislation could adversely affect utility operations. Versant Power manages this risk through the development and application of environmental management systems. Versant Power is committed to operating in a manner that is respectful and protective of the environment and is in full compliance with legal requirements and its own policy.

CLIMATE RISK

Versant Power 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 Versant Power's transmission and distribution infrastructure. Versant Power has a program for storm hardening of 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

Versant Power operates as a cost-of-service utility, and oversight of 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.

ENMAX cannot predict future government policies that may impact the development of Versant Power'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, impact business planning transactions, increase costs, or restrict Versant Power's ability to grow earnings and recover costs.

This 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. Versant Power employs a collaborative regulatory approach through technical conferences and, where appropriate, negotiated settlements.

HUMAN RESOURCE RISK

The ability to deliver service to customers and execute capital plans depends on attracting, developing, and retaining a skilled workforce. Versant Power faces demographic challenges as it relates to trades, technical staff and engineers with an increasing number of employees expected to retire over the next several years. Failure to attract, develop, and retain an appropriately qualified workforce could adversely affect operations and financial results. Versant Power seeks to manage this risk through maintaining competitive compensation programs and human resources programs, and practices including employee engagement surveys, succession planning for key positions, and apprenticeship programs.

Certain employees are subject to a collective labour agreement, which expires on September 30, 2022. Approximately 50 per cent of Versant Power's employees are represented by a local union affiliated with the International Brotherhood of Electrical Workers. The inability to maintain or negotiate future agreements on acceptable terms could result in higher labor costs and work disruptions, which could adversely affect service to customers and have an adverse effect on earnings, cash flows, and financial position. Versant Power seeks to manage this risk through ongoing discussions and working to maintain positive relationships with the union.

TECHNOLOGY RISK

Versant Power's reliance on information technology to manage its business exposes it to potential risks related to cyber security attacks and unauthorized access to the sensitive or confidential and credit information of its customers, suppliers, counterparties, and employees through hacking, viruses, and other risks (collectively referred to as cyber security threats). Versant Power uses information technology systems and network infrastructure which include controls for interconnected systems of distribution and transmission, some of which is shared with third parties for operating purposes. Through the normal course of business, Versant Power also collects, processes, and retains sensitive and confidential customer, supplier, counterparty, and employee information.

Despite security measures in place, Versant Power's systems, assets and information could be vulnerable to cyber security attacks and other data security breaches that could cause system failures, disrupt operations, adversely affect safety, result in loss of service to customers, and release of sensitive or confidential information. Should such cyber security threats materialize, Versant Power could suffer costs, losses and damages, all or some of which may not be recoverable through regulatory processes or otherwise.

Versant Power relies on various information technology systems to manage operations. There are inherent costs and risks associated with maintaining, upgrading, replacing, and changing these systems. This includes impairment of information technology, potential disruption of internal control systems, substantial capital expenditures, demands on management time and other risks of delays, difficulties in upgrading existing systems, as well as transitioning to new systems or integrating new systems into its current systems.

This risk is managed through regular IT asset lifecycle management, dedicated project teams, executive oversight and appropriate governance structures, and strong project management practices. Employees with extensive subject matter expertise assist in planning, project management, implementation, and training. Formal back up and critical incident response practices ensure that continuity is maintained in the event of any disruptions or incidents.

LIQUIDITY RISK

Liquidity risk relates to Versant Power's ability to ensure sufficient funds are available to meet its financial obligations. The company manages this risk by forecasting cash requirements on a continuous basis to determine whether sufficient funds are available. Liquidity and capital needs will be financed through internally generated cash flows, short-term credit facilities, and ongoing access to capital markets. The company reasonably expects liquidity sources to exceed capital needs.

Versant Power has defined benefit (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 company'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.

CREDIT RISK

Versant Power is exposed to credit risk with respect to amounts receivable from customers. Credit risk assessments are conducted on all new customers and deposits are requested on any high-risk accounts. Versant Power also maintains provisions for potential credit losses, which are assessed on a regular basis.

REPORTING/DISCLOSURE RISK

With the addition of significant U.S. operations in the current year, the Corporation is required to convert Versant Power's transactions under 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 certification of key controls facilitated by Internal Audit and review of certain disclosures by the Board.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

<i>As at</i> (unaudited) (millions of Canadian dollars)	September 30, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents (Note 6)	\$ 52.8	\$ 1,079.9
Accounts receivable	638.9	689.4
Income taxes receivable	0.8	0.4
Current portion of financial assets (Note 8)	116.1	95.3
Other current assets (Note 14)	70.6	83.3
	879.2	1,948.3
Property, plant and equipment (Notes 10 and 12)	5,814.7	4,495.2
Intangible assets (Note 11)	281.8	184.7
Goodwill (Note 5)	644.2	-
Deferred income tax assets (Note 15)	40.1	35.9
Financial assets (Note 8)	79.2	35.7
Other long-term assets (Note 14)	233.0	44.3
TOTAL ASSETS	7,972.2	6,744.1
REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES (Note 9)	199.5	31.2
TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES (Note 7)	\$ 8,171.7	\$ 6,775.3
LIABILITIES		
Short-term financing	\$ 66.0	\$ 174.2
Accounts payable and accrued liabilities	452.1	516.9
Income taxes payable (Note 15)	5.5	18.0
Dividend payable (Note 18)	13.5	-
Current portion of long-term debt (Note 8)	72.8	73.3
Current portion of financial liabilities (Note 8)	88.1	114.4
Current portion of deferred revenue (Note 13)	8.9	10.5
Current portion of lease liabilities (Note 12)	5.4	5.4
Other current liabilities (Note 14)	71.6	32.0
Current portion of asset retirement obligations and other provisions	19.8	0.9
	803.7	945.6
Long-term debt (Note 8)	3,437.5	2,548.7
Deferred income tax liabilities (Note 15)	271.9	31.6
Post-employment benefits	170.6	90.2
Financial liabilities (Note 8)	51.3	73.0
Deferred revenue (Note 13)	555.2	555.1
Lease liabilities (Note 12)	51.9	55.5
Other long-term liabilities (Note 14)	20.1	13.1
Asset retirement obligations and other provisions	151.9	121.3
TOTAL LIABILITIES	5,514.1	4,434.1
REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES (Note 9)	155.2	1.5
SHAREHOLDER'S EQUITY		
Share capital	280.1	280.1
Retained earnings	2,351.0	2,092.1
Accumulated other comprehensive (loss) (Note 16)	(128.7)	(32.5)
	2,502.4	2,339.7
TOTAL LIABILITIES, REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES AND SHAREHOLDER'S EQUITY	\$ 8,171.7	\$ 6,775.3
Commitments and contingencies (Note 21)		
See accompanying Notes to Condensed Consolidated Interim Financial Statements.		

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

<i>(unaudited)</i> <i>(millions of Canadian dollars)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
REVENUE (Note 7)				
Transmission and distribution	\$ 258.0	\$ 186.8	\$ 682.1	\$ 559.4
Electricity	259.4	294.5	836.6	951.3
Natural gas	28.7	15.0	178.5	130.3
Local access fees	33.5	37.4	98.9	105.7
Contractual services	30.9	29.3	97.5	92.0
Contributions in aid of construction (CIAC) revenue (Note 13)	4.9	4.7	15.1	14.1
Other revenue (Note 17)	3.6	9.7	8.6	16.4
TOTAL REVENUE	619.0	577.4	1,917.3	1,869.2
OPERATING EXPENSES (Note 7)				
Transmission and distribution	115.6	88.6	324.1	272.9
Electricity and fuel purchases	113.1	153.1	474.6	600.3
Natural gas and delivery	19.1	6.5	136.4	89.7
Local access fees	33.5	37.4	98.9	105.7
Depreciation and amortization	77.2	59.9	218.8	177.0
Impairment (Notes 7 and 10)	-	-	2.6	-
Other expenses (Note 17)	124.3	112.7	277.8	339.9
TOTAL OPERATING EXPENSES	482.8	458.2	1,533.2	1,585.5
OPERATING PROFIT	136.2	119.2	384.1	283.7
Finance charges	32.3	18.6	93.8	58.4
NET EARNINGS BEFORE TAX	103.9	100.6	290.3	225.3
Current income tax (recovery) expense (Note 15)	5.8	26.6	(1.2)	26.7
Deferred income tax (recovery) (Note 15)	(4.6)	16.3	(7.0)	16.1
NET EARNINGS - BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES	102.7	57.7	298.5	182.5
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES (Note 9)	(0.9)	(15.2)	14.4	(41.1)
NET EARNINGS	\$ 101.8	\$ 42.5	\$ 312.9	\$ 141.4

See accompanying Notes to the Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

<i>(unaudited)</i> <i>(millions of Canadian dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
NET EARNINGS	\$ 101.8	\$ 42.5	\$ 312.9	\$ 141.4
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF INCOME TAX				
<i>Items that will not be reclassified subsequently to statement of earnings</i>				
Remeasurement (losses) on retirement benefits ⁽¹⁾	-	-	-	(0.2)
Cumulative (losses) on translation adjustment	(28.2)	-	(91.3)	-
<i>Items that will be reclassified subsequently to statement of earnings</i>				
Unrealized (losses) gains on derivative instruments ⁽²⁾	(0.3)	9.4	(11.6)	34.6
Reclassification of losses (gains) on derivative instruments to net earnings ⁽³⁾	2.5	(6.1)	6.7	(10.8)
Other comprehensive (loss) income, net of income tax	(26.0)	3.3	(96.2)	23.6
TOTAL COMPREHENSIVE INCOME	\$ 75.8	\$ 45.8	\$ 216.7	\$ 165.0

⁽¹⁾ Net deferred income tax of \$nil for the three months ended September 30, 2020 (2019 - \$nil), and \$nil income tax for the nine months ended September 30, 2020 (2019 - \$0.2 million tax expense)

⁽²⁾ Net deferred income tax recovery of \$0.1 million for the three months ended September 30, 2020 (2019 - \$1.3 million tax expense), and \$5.3 million income tax recovery for the nine months ended September 30, 2020 (2019 - \$10.3 million tax expense)

⁽³⁾ Net deferred income tax recovery of \$0.6 million for the three months ended September 30, 2020 (2019 - \$2.5 million tax expense), and \$1.6 million income tax recovery for the nine months ended September 30, 2020 (2019 - \$4.8 million tax expense)

See accompanying Notes to the Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS 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, 2020	\$ 280.1	\$ 2,092.1	\$ (32.5)	\$ 2,339.7
Net earnings	-	211.1	-	211.1
Other comprehensive (loss), net of income tax	-	-	(70.2)	(70.2)
Total comprehensive income	-	211.1	(70.2)	140.9
Dividend (Note 18)	-	(54.0)	-	(54.0)
As at June 30, 2020	280.1	2,249.2	(102.7)	2,426.6
Net earnings	-	101.8	-	101.8
Other comprehensive (loss), net of income tax	-	-	(26.0)	(26.0)
As at September 30, 2020	\$ 280.1	\$ 2,351.0	\$ (128.7)	\$ 2,502.4
As at January 1, 2019	\$ 280.1	\$ 1,985.9	\$ (4.7)	\$ 2,261.3
Net earnings	-	141.4	-	141.4
Other comprehensive income, net of income tax	-	-	23.6	23.6
Total comprehensive income	-	141.4	23.6	165.0
Dividend (Note 18)	-	(50.0)	-	(50.0)
As at September 30, 2019	280.1	2,077.3	18.9	2,376.3
Net earnings	-	14.8	-	14.8
Other comprehensive (loss), net of income tax	-	-	(51.4)	(51.4)
As at December 31, 2019	\$ 280.1	\$ 2,092.1	\$ (32.5)	\$ 2,339.7

See accompanying Notes to the Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

<i>(unaudited)</i>	Three months ended		Nine months ended	
<i>(millions of Canadian dollars)</i>	September 30,		September 30,	
	2020	2019	2020	2019
CASH (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES				
Net earnings	\$ 101.8	\$ 42.5	\$ 312.9	\$ 141.4
Reconciliation of net earnings to cash flow from operating:				
CIAC	4.7	9.2	14.2	19.8
CIAC revenue (Note 13)	(4.9)	(4.7)	(15.1)	(14.1)
Depreciation and amortization	77.2	59.9	218.8	177.0
Finance charges	32.3	18.6	93.8	58.4
Income tax recovery (Note 15)	1.2	38.5	(8.2)	38.3
Change in unrealized market value of financial contracts	(68.4)	(50.9)	(121.0)	(100.0)
Post-employment benefits	0.3	0.1	3.1	0.3
Foreign exchange	(2.5)	-	16.6	-
Change in non-cash working capital (Note 19)	(2.1)	31.0	(0.3)	(14.2)
Cash flow from operations	139.6	144.2	514.8	306.9
Interest paid ⁽¹⁾	(0.1)	(7.2)	(58.7)	(43.4)
Income taxes paid	(1.6)	-	(13.1)	(0.3)
Net cash flow provided by operating activities	137.9	137.0	443.0	263.2
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangibles ⁽¹⁾	(103.9)	(99.1)	(289.4)	(291.1)
Acquisition of Versant Power (Note 5)	-	-	(1,392.9)	-
Cash flow used in investing activities	(103.9)	(99.1)	(1,682.3)	(291.1)
FINANCING ACTIVITIES				
Repayment of short-term debt	(107.2)	-	(2,700.7)	(375.8)
Proceeds from short-term debt	114.2	-	2,592.5	357.8
Repayment of long-term debt	(206.0)	(14.0)	(400.8)	(51.9)
Proceeds from long-term debt	199.1	-	765.3	172.4
Repayment of lease liability	(0.8)	(1.4)	(3.6)	(3.9)
Dividend paid (Note 18)	(13.5)	(12.5)	(40.5)	(37.5)
Cash flow provided by (used in) financing activities	(14.2)	(27.9)	212.2	61.1
(Decrease) increase in cash and cash equivalents	19.8	10.0	(1,027.1)	33.2
Cash and cash equivalents, beginning of period	33.0	112.2	1,079.9	89.0
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 52.8	\$ 122.2	\$ 52.8	\$ 122.2
Cash and cash equivalents consist of:				
Cash	\$ 44.5	\$ 114.1	\$ 44.5	\$ 114.1
Restricted cash (Note 6)	8.3	8.1	8.3	8.1
	\$ 52.8	\$ 122.2	\$ 52.8	\$ 122.2

⁽¹⁾ Total interest paid during the three and nine months ended September 30, 2020 was \$3.2 and \$47.6 million, respectively (2019 - \$8.9 and \$48.3 million). Purchase of PP&E and intangibles includes \$2.8 and \$7.6 million of capitalized borrowing costs in the three and nine months ended September 30, 2020, respectively (2019 - \$2.1 and \$4.9 million).

See accompanying Notes to Condensed Consolidated Interim Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

1. DESCRIPTION OF THE BUSINESS

ENMAX Corporation and its subsidiaries (ENMAX or the Corporation), a wholly-owned subsidiary of The City of Calgary (The City), was incorporated under the *Business Corporations Act* (Alberta) in July 1997 to carry on the electric utility transmission and distribution operations previously carried on by the Calgary Electric System (CES), a former department of The City. Operations of the Corporation began on January 1, 1998, with the transfer of substantially all the assets and liabilities of the CES by The City into the Corporation at net book value, for consideration of one common share issued to The City. Since 1998, the Corporation has grown from its transmission and distribution roots to include electricity generation, commercial and residential solar, 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, USA. Versant Power's regulated operations are subject to the regulatory authority of the Maine Public Utilities Commission (MPUC) and the Federal Energy Regulatory Commission (FERC). BHD is a member of the New England Power Pool (NEPOOL) while MPD is a member of the Northern Maine Independent System Administrator (NMISA).

The Corporation's registered and 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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (IAS) 34, *Interim Financial Reporting*, and have been prepared following the same accounting policies and methods as those used in preparing the most recent consolidated financial statements, except as outlined in Notes 3 and 4. These condensed consolidated interim financial statements have been prepared under the historical cost basis, except for certain financial instruments which are stated at fair value. These condensed consolidated interim financial statements do not include all disclosures required for the preparation of audited annual financial statements. Accordingly, these statements should be read in conjunction with the 2019 audited annual consolidated financial statements, which are available on ENMAX's website at www.enmax.com.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on November 19, 2020.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed consolidated interim financial statements requires management to select appropriate accounting policies and to make judgments, 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 judgments concern matters that are inherently complex and uncertain. Estimates and judgements are continually evaluated and based on historical experience and expectations of future events. Changes to accounting estimates are recognized prospectively. Management has made significant estimates in determining the fair value of the total assets acquired and liabilities assumed in the Versant Power acquisition.

4. ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

The following standards and interpretations are not yet effective under International Financial Reporting Standards (IFRS) and have not been applied in preparing these condensed consolidated interim financial statements. The Corporation is currently assessing the impact of adopting these standards on its consolidated financial statements.

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. The amended standard applies to entities with year-ends beginning on or after January 1, 2022 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. The International Accounting Standards Board (IASB) have 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 gains and losses that could be recorded on such transactions. The IASB have not set an implementation date for this amended standard but companies have the option of early adopting this standard on a prospective basis.

5. ACQUISITION

On March 24, 2020, the Corporation acquired all the outstanding shares of BHE Holdings Inc., the parent company of Versant Power (formerly Emera Maine). On May 11, 2020, the Corporation changed the name of Emera Maine to Versant Power. Versant Power is a public utility based in Bangor, Maine USA that is engaged in the transmission and distribution of electricity. Versant Power serves an area of 10,400 square miles (27,000 square kilometers) throughout six counties across the state of Maine.

The aggregate purchase price was \$1,394.0 million (\$962.6 million USD) on closing, in addition to the assumption of approximately \$566.5 million (\$391.2 million USD) debt. The Corporation funded this transaction through a combination of cash, a two-year bank loan and issuance of private debentures.

The transaction constitutes a business acquisition and accordingly has been accounted for using the acquisition method of accounting. The excess of the purchase price over estimated fair values of net assets acquired has been recognized as goodwill at the acquisition date of March 24, 2020. The goodwill reflects the amount paid for access to regulated assets, net income and future cash flows, opportunities for adjacency growth, and an improved earnings risk profile.

The majority of Versant Power's operations are subject to the rate-setting authority of the MPUC and FERC. Except for unregulated long-term debt acquired, construction work in progress, and investments in corporate joint ventures, the fair value of assets and liabilities, subject to these rate-setting provisions, approximate their regulatory carrying values. This is because a market participant would not expect to recover any more or less than the net regulated carrying value. Accordingly, assets acquired and liabilities assumed do not reflect any adjustments related to these amounts.

The following table summarizes the allocation of the purchase consideration to the net assets acquired based on their fair values, using the March 24, 2020 exchange rate of \$1.00 USD = \$1.4482 CAD.

(millions of Canadian dollars)

Purchase Consideration	1,394.0
Fair value assigned to net assets:	
Current assets	59.5
Regulatory assets and deferred charges	157.5
Net investment in utility plant	1,306.9
Construction work in progress	50.3
Intangible assets	94.0
Investments in corporate joint ventures and other investments ⁽¹⁾	175.3
Current liabilities	(47.0)
Assumed long-term debt (including current portion)	(566.5)
Net deferred income taxes	(268.4)
Other regulatory liabilities	(176.2)
Accrued pension and postretirement benefit costs	(80.1)
Other regulatory and other long-term liabilities	(8.1)
Fair value of net assets acquired	697.2
Goodwill on acquisition	696.8
Foreign exchange adjustment	(52.6)
Goodwill as at September 30, 2020	644.2

⁽¹⁾ Includes Maine Electric Power Company (MEPCo) as a corporation jointly owned by Central Maine Power and Versant Power that owns a 182-mile (293-kilometer) transmission line from Wiscasset, Maine to the New Brunswick border. Versant Power owns 21.7 per cent of the common stock of MEPCo and has one representative on MEPCo's Board.

Certain assets and liabilities have been measured on a provisional basis. If new information is obtained within one year from the date of acquisition about facts and circumstances that existed at the date of acquisition, adjustments to the above amounts or additional provisions may result in a revision to the accounting for the acquisition.

Trade and other receivables included in current assets comprised gross contractual amounts due of \$58.4 million, of which \$2.6 million was determined to be uncollectible at the date of acquisition.

Goodwill is subject to an annual assessment for impairment at the reporting unit level.

During the nine months ended September 30, 2020, the Corporation recorded \$32.9 million (September 30, 2019 - \$22.0 million) in total Versant Power acquisition related costs, of which \$8.5 million (September 30, 2019 - \$6.4 million) are related to net finance charges. Among the acquisition related costs there are \$15.5 million (September 30, 2019 - \$nil) in one-time stipulated costs, of which \$1.1 million are related to finance charges.

6. RESTRICTED CASH

As at September 30, 2020, the Corporation had \$8.3 million of restricted cash (December 31, 2019 - \$1,040.1 million). This consists of \$5.6 million (December 31, 2019 - \$19.6 million) relating to margin posted with a financial institution, \$0.7 million (December 31, 2019 - \$nil) in deposits with a financial institution to meet certain financial assurance obligations, \$2.0 million (December 31, 2019 - \$nil) designated to be paid to the Balancing Pool and the Government of Alberta relating to the utility deferral program, and \$nil (December 31, 2019 - \$1,020.5 million) related to funds held in escrow for the Versant Power acquisition (see Note 5).

7. SEGMENT INFORMATION

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

POWER DELIVERY

Power Delivery is 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. Power Delivery'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.

VERSANT POWER

Versant Power is a regulated operating segment that carries on the business of electricity transmission and distribution in the Bangor Hydro District and Maine Public District. The segment operates in the Maine counties of Penobscot, Hancock, Washington, Waldo, Piscataquis and Aroostook. All of the Corporation's operations conducted in the USA are included in this segment.

COMPETITIVE ENERGY

Competitive Energy is an operating segment established to carry out competitive energy supply and retail functions and the Calgary Regulated Rate Option (RRO) retail function through various legal entities and affiliated companies. Competitive Energy is an integrated business providing customers with electricity, natural gas, distributed energy resource solutions, as well as engineering, procurement and construction services. The competitive retail business provides customers with fixed-price electricity linked to our wind and gas-fueled generation assets, and provides opportunities to offer additional energy services, such as solar installations and thermal energy. Competitive Energy also delivers project execution for customer infrastructure in areas such as power infrastructure, light rail transit, and commercial and residential development.

CORPORATE AND ELIMINATIONS

Corporate and Eliminations is responsible for providing shared services and financing for Competitive Energy, Power Delivery and Versant Power.

SEGMENTED TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT BALANCES

<i>As at</i> <i>(millions of Canadian dollars)</i>	September 30, 2020	December 31, 2019
Power Delivery	2,885.5	2,802.3
Versant Power	2,293.3	-
Competitive Energy	2,677.3	2,791.2
Corporate and Eliminations	116.1	1,150.6
Total assets	7,972.2	6,744.1
Regulatory deferral account debit balances	199.5	31.2
Total assets and regulatory deferral account debit balances	8,171.7	6,775.3

COMPARATIVE SEGMENT INFORMATION

Segment information reflects the presentation regularly reviewed by the chief operating decision maker, who uses adjusted operating profit as the basis for making decisions around asset allocation or assessing performance. Adjusted operating profit accounts for items such as unrealized gains and losses on commodities, foreign exchange, onerous provision recoveries on long-term contracts, and Versant Power acquisition related costs, which are reflected in the column “Adjusted Consolidated Totals” below.

Segment information as at September 30, 2020 has been reclassified to conform with the current year’s presentation. The presentation change had no impact on reported consolidated net earnings.

Three months ended September 30, 2020 (millions of Canadian dollars)	Power Delivery	Versant Power	Competitive Energy	Corporate and Eliminations	Adjusted Consolidated Totals	Regulatory Deferral Movement	Other Presentation Reclass	Consolidated Totals
REVENUE								
Transmission and distribution	179.5	73.7	-	-	253.2	4.8	-	258.0
Electricity	-	-	289.9	(30.5)	259.4	-	-	259.4
Natural gas	-	-	28.7	-	28.7	-	-	28.7
Local access fees	33.5	-	-	-	33.5	-	-	33.5
Other revenue	8.2	2.7	33.8	(1.6)	43.1	(3.7)	-	39.4
TOTAL REVENUE	221.2	76.4	352.4	(32.1)	617.9	1.1	-	619.0
OPERATING EXPENSES								
Transmission and distribution	96.2	16.2	-	-	112.4	3.2	-	115.6
Electricity and fuel purchases	-	-	210.1	(30.1)	180.0	0.1	(67.0)	113.1
Natural gas and delivery	-	-	19.0	0.1	19.1	-	-	19.1
Local access fees	33.5	-	-	-	33.5	-	-	33.5
Depreciation and amortization	31.7	11.7	35.0	(1.0)	77.4	(0.2)	-	77.2
Other expenses	31.2	23.5	77.1	(4.4)	127.4	(2.9)	(0.2)	124.3
TOTAL OPERATING EXPENSES	192.6	51.4	341.2	(35.4)	549.8	0.2	(67.2)	482.8
OPERATING PROFIT	28.6	25.0	11.2	3.3	68.1	0.9	67.2	136.2
Unrealized (gain) on commodities					(67.0)	-	67.0	-
Foreign exchange (gain) loss					(0.9)	-	0.9	-
Versant Power acquisition costs ⁽¹⁾					0.7	-	(0.7)	-
Finance charges					32.3	-	-	32.3
NET EARNINGS BEFORE TAX					103.0	0.9	-	103.9
Current income tax expense					5.8	-	-	5.8
Deferred income tax (recovery)					(4.6)	-	-	(4.6)
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					101.8	0.9	-	102.7
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					-	(0.9)	-	(0.9)
NET EARNINGS					101.8	-	-	101.8

⁽¹⁾ During the three months ended September 30, 2020, ENMAX recognized other expenses related to the acquisition of Versant Power (see Note 5) of \$0.7 million.

Three months ended September 30, 2019 <i>(millions of Canadian dollars)</i>	Power Delivery	Versant Power	Competitive Energy	Corporate and Eliminations	Adjusted Consolidated Totals	Regulatory Deferral Movement	Other Presentation Reclass	Consolidated Totals
REVENUE								
Transmission and distribution	189.4	-	-	-	189.4	(2.6)	-	186.8
Electricity	-	-	326.4	(31.8)	294.6	(0.1)	-	294.5
Natural gas	-	-	15.0	-	15.0	-	-	15.0
Local access fees	37.4	-	-	-	37.4	-	-	37.4
Other revenue	9.2	-	47.9	(0.2)	56.9	(13.2)	-	43.7
TOTAL REVENUE	236.0	-	389.3	(32.0)	593.3	(15.9)	-	577.4
OPERATING EXPENSES								
Transmission and distribution	105.3	-	-	-	105.3	(16.7)	-	88.6
Electricity and fuel purchases	-	-	237.8	(31.8)	206.0	-	(52.9)	153.1
Natural gas and delivery	-	-	6.4	0.1	6.5	-	-	6.5
Local access fees	37.4	-	-	-	37.4	-	-	37.4
Depreciation and amortization	29.8	-	31.2	(1.0)	60.0	(0.1)	-	59.9
Other expenses	29.3	-	88.1	(0.6)	116.8	(14.3)	10.2	112.7
TOTAL OPERATING EXPENSES	201.8	-	363.5	(33.3)	532.0	(31.1)	(42.7)	458.2
OPERATING PROFIT								
	34.2	-	25.8	1.3	61.3	15.2	42.7	119.2
Unrealized gain on commodities					(52.9)	-	52.9	-
Foreign exchange gain					1.6	-	(1.6)	-
Versant Power acquisition costs ⁽¹⁾					8.6	-	(8.6)	-
Finance charges ⁽²⁾					18.6	-	-	18.6
NET EARNINGS BEFORE TAX					85.4	15.2	-	100.6
Current income tax expense					26.6	-	-	26.6
Deferred income tax expense					16.3	-	-	16.3
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES								
					42.5	15.2	-	57.7
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES								
					-	(15.2)	-	(15.2)
NET EARNINGS								
					42.5	-	-	42.5

⁽¹⁾ During the three months ended September 30, 2019, ENMAX recognized other expenses related to the acquisition of Versant Power (see Note 5) of \$8.6 million.

⁽²⁾ During the three months ended September 30, 2019, ENMAX recognized finance charges related to the acquisition of Versant Power (see Note 5) of \$1.2 million.

Nine months ended September 30, 2020 <i>(millions of Canadian dollars)</i>	Power Delivery	Versant Power	Competitive Energy	Corporate and Eliminations	Adjusted Consolidated Totals	Regulatory Deferral Movement	Other Presentation Reclass	Consolidated Totals
REVENUE								
Transmission and distribution	528.1	144.3	-	-	672.4	9.7	-	682.1
Electricity	-	-	928.5	(91.9)	836.6	-	-	836.6
Natural gas	-	-	178.6	(0.1)	178.5	-	-	178.5
Local access fees	98.9	-	-	-	98.9	-	-	98.9
Other revenue	24.8	5.0	108.6	(3.4)	135.0	(13.8)	-	121.2
TOTAL REVENUE	651.8	149.3	1,215.7	(95.4)	1,921.4	(4.1)	-	1,917.3
OPERATING EXPENSES								
Transmission and distribution	272.6	30.1	-	-	302.7	21.4	-	324.1
Electricity and fuel purchases	-	-	666.1	(91.0)	575.1	0.2	(100.7)	474.6
Natural gas and delivery	-	-	136.2	0.2	136.4	-	-	136.4
Local access fees	98.9	-	-	-	98.9	-	-	98.9
Depreciation and amortization	94.4	26.8	101.0	(3.0)	219.2	(0.4)	-	218.8
Impairment ⁽¹⁾	-	-	-	-	-	-	2.6	2.6
Other expenses	96.2	47.0	251.8	(3.7)	391.3	(10.9)	(102.6)	277.8
TOTAL OPERATING EXPENSES	562.1	103.9	1,155.1	(97.5)	1,723.6	10.3	(200.7)	1,533.2
OPERATING PROFIT	89.7	45.4	60.6	2.1	197.8	(14.4)	200.7	384.1
Unrealized gain on commodities					(100.7)	-	100.7	-
Foreign exchange gain					(127.0)	-	127.0	-
Versant Power acquisition costs ⁽²⁾					24.4	-	(24.4)	-
Impairment ⁽¹⁾					2.6	-	(2.6)	-
Finance charges ⁽³⁾					93.8	-	-	93.8
NET EARNINGS BEFORE TAX					304.7	(14.4)	-	290.3
Current income tax recovery					(1.2)	-	-	(1.2)
Deferred income tax recovery					(7.0)	-	-	(7.0)
NET EARNINGS (LOSS) BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					312.9	(14.4)	-	298.5
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					-	14.4	-	14.4
NET EARNINGS					312.9	-	-	312.9

⁽¹⁾ During the nine months ended September 30, 2020, Competitive Energy segment recognized an impairment loss of \$2.6 million associated with certain property, plant and equipment.

⁽²⁾ During the nine months ended September 30, 2020, ENMAX recognized other expenses related to the acquisition of Versant Power (see Note 5) of \$24.4 million, of which \$14.4 million are stipulated costs.

⁽³⁾ During the nine months ended September 30, 2020, ENMAX recognized net finance charges related to the acquisition of Versant Power (see Note 5) of \$8.5 million, of which \$1.1 million are stipulated costs.

Nine months ended September 30, 2019 (millions of Canadian dollars)	Power Delivery	Versant Power	Competitive Energy	Corporate and Eliminations	Adjusted Consolidated Totals	Regulatory Deferral Movement	Other Presentation Reclass	Consolidated Totals
REVENUE								
Transmission and distribution	549.3	-	-	-	549.3	10.1	-	559.4
Electricity	-	-	1,050.3	(98.9)	951.4	(0.1)	-	951.3
Natural gas	-	-	130.4	(0.1)	130.3	-	-	130.3
Local access fees	105.7	-	-	-	105.7	-	-	105.7
Other revenue	26.8	-	128.1	(2.7)	152.2	(29.7)	-	122.5
TOTAL REVENUE	681.8	-	1,308.8	(101.7)	1,888.9	(19.7)	-	1,869.2
OPERATING EXPENSES								
Transmission and distribution	300.4	-	-	-	300.4	(27.5)	-	272.9
Electricity and fuel purchases	-	-	798.8	(98.6)	700.2	-	(99.9)	600.3
Natural gas and delivery	-	-	89.5	0.2	89.7	-	-	89.7
Local access fees	105.7	-	-	-	105.7	-	-	105.7
Depreciation and amortization	88.3	-	93.2	(3.0)	178.5	(1.5)	-	177.0
Other expenses	92.9	-	265.2	(3.6)	354.5	(31.8)	17.2	339.9
TOTAL OPERATING EXPENSES	587.3	-	1,246.7	(105.0)	1,729.0	(60.8)	(82.7)	1,585.5
OPERATING PROFIT	94.5	-	62.1	3.3	159.9	41.1	82.7	283.7
Unrealized gain on commodities					(99.9)	-	99.9	-
Foreign exchange loss					1.6	-	(1.6)	-
Versant Power acquisition costs ⁽¹⁾					15.6	-	(15.6)	-
Finance charges					58.4	-	-	58.4
NET EARNINGS BEFORE TAX					184.2	41.1	-	225.3
Current income tax expense					26.7	-	-	26.7
Deferred income tax expense					16.1	-	-	16.1
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					141.4	41.1	-	182.5
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					-	(41.1)	-	(41.1)
NET EARNINGS					141.4	-	-	141.4

⁽¹⁾ During the nine months ended September 30, 2020, ENMAX recognized other expenses related to the acquisition of Versant Power (see Note 5) of \$15.6 million.

⁽²⁾ During the nine months ended September 30, 2020, ENMAX recognized finance charges related to the acquisition of Versant Power (see Note 5) of \$6.4 million.

REVENUE

Types of Customers and Sales Channel

Types of Customers and Sales Channel	Nature and significant payment terms
Transmission	ENMAX receives revenue from 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 the acquisition of Versant Power, as at March 24, 2020, ENMAX began to receive revenues from residential, commercial, and industrial customers for use of its transmission and distribution grid system. Transmission rates are set by the FERC, while distribution rates are set by the MPUC.
Mass market	Mass Market is comprised of residential and small business customers who consume less than 250,000 kWh/year. These customers can be supplied electricity through competitive contracts or 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 of Calgary 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.
Non-government and non-institutional	ENMAX receives revenue from individual consumers to large corporations who in turn receive credit and terms based on their respective products and their credit history.

REVENUE – MAJOR CUSTOMERS AND SALES CHANNELS

<i>(millions of Canadian dollars)</i>	Transmission	Distribution	U.S. Operations	Mass Market	Commercial Market	City of Calgary Local Access Fees	Government and Institutional	Non-Government and Non-Institutional	Total
Three months ended September 30, 2020									
Transmission & distribution	24.7	159.6	73.7	-	-	-	-	-	258.0
Electricity									
Competitive Energy	-	-	-	58.0	171.9	-	-	-	251.2
Regulated	-	-	-	23.4	6.1	-	-	-	8.2
Natural gas	-	-	-	20.8	7.9	-	-	-	28.7
Local access fees	-	-	-	-	-	33.5	-	-	33.5
Contractual services	-	-	-	-	-	-	9.5	21.4	30.9
Other revenue & CIAC	-	-	2.7	-	-	-	-	5.8	8.5
TOTAL REVENUE	24.7	159.6	76.4	102.2	185.9	33.5	9.5	27.2	619.0

<i>(millions of Canadian dollars)</i>			U.S.	Mass	Commercial	City of Calgary Local	Government and	Government and Non-	
	Transmission	Distribution	Operations	Market	Market	Access Fees	Institutional	Institutional	Total
Three months ended September 30, 2019									
Transmission & distribution	22.5	164.3	-	-	-	-	-	-	186.8
Electricity									
Competitive Energy	-	-	-	52.4	205.6	-	-	-	258.0
Regulated	-	-	-	29.8	6.7	-	-	-	36.5
Natural gas	-	-	-	12.5	2.5	-	-	-	15.0
Local access fees	-	-	-	-	-	37.4	-	-	37.4
Contractual services	-	-	-	-	-	-	14.0	15.3	29.3
Other revenue & CIAC	-	-	-	-	-	-	-	14.4	14.4
TOTAL REVENUE	22.5	164.3	-	94.7	214.8	37.4	14.0	29.7	577.4

<i>(millions of Canadian dollars)</i>			U.S.	Mass	Commercial	City of Calgary Local	Government and	Government and Non-	
	Transmission	Distribution	Operations	Market	Market	Access Fees	Institutional	Institutional	Total
Nine months ended September 30, 2020									
Transmission & distribution	74.6	463.2	144.3	-	-	-	-	-	682.1
Electricity									
Competitive Energy	-	-	-	177.6	567.2	-	-	-	766.1
Regulated	-	-	-	74.2	17.6	-	-	-	70.5
Natural gas	-	-	-	129.6	48.9	-	-	-	178.5
Local access fees	-	-	-	-	-	98.9	-	-	98.9
Contractual services	-	-	-	-	-	-	31.6	65.9	97.5
Other revenue & CIAC	-	-	5.0	-	-	-	-	18.7	23.7
TOTAL REVENUE	74.6	463.2	149.3	381.4	633.7	98.9	31.6	84.6	1,917.3

<i>(millions of Canadian dollars)</i>			U.S.	Mass	Commercial	City of Calgary Local	Government and	Government and Non-	
	Transmission	Distribution	Operations	Market	Market	Access Fees	Institutional	Institutional	Total
Nine months ended September 30, 2019									
Transmission & distribution	67.4	492.0	-	-	-	-	-	-	559.4
Electricity									
Competitive Energy	-	-	-	165.2	681.5	-	-	-	846.7
Regulated	-	-	-	82.5	22.1	-	-	-	104.6
Natural gas	-	-	-	97.3	33.0	-	-	-	130.3
Local access fees	-	-	-	-	-	105.7	-	-	105.7
Contractual services	-	-	-	-	-	-	34.8	57.2	92.0
Other revenue & CIAC	-	-	-	-	-	-	-	30.5	30.5
TOTAL REVENUE	67.4	492.0	-	345.0	736.6	105.7	34.8	87.7	1,869.2

8. FINANCIAL INSTRUMENTS, HEDGES AND RISK MANAGEMENT

MARKET RISK

The Corporation manages its exposure to market risk (interest rate risk, foreign currency exchange risk, commodity price risk and equity price risk) on a portfolio basis.

CREDIT RISK

The corporation is exposed to credit risk primarily through its wholesale and retail energy sales business. Credit risk is the risk of financial loss that may result from counterparties' non-payment. The majority of the Corporation's accounts receivables are exposed to credit risk.

The COVID-19 pandemic has resulted in a number of government mandated response measures that may have adverse financial impacts on ENMAX customers. As the nature and duration of these response measures continues to evolve, it is not possible to fully measure the financial impact of these events. In response to increased credit risk, the Corporation has increased its monitoring of customer credit worthiness and has recorded provisions for credit losses on customer receivables totaling \$4.8 and \$11.0 million for the three and nine months ended September 30, 2020 (2019 - \$1.7 and \$9.6 million), respectively. Given the uncertain effects of the pandemic on ENMAX customers and the broader economy, the estimates and judgements made by management with respect to credit losses are subject to a high degree of estimation uncertainty. The Corporation continues to monitor its exposure to credit risk and will make adjustments to 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 condensed consolidated interim statement of financial position. As at September 30, 2020, the fair values of derivatives were as follows:

<i>As at</i>	September 30, 2020		December 31, 2019	
<i>(millions of Canadian dollars)</i>	Hedge Instruments	Non-Hedge Derivatives	Hedge Instruments	Non-Hedge Derivatives
Assets				
Current	7.3	108.8	23.8	71.5
Non-current	5.4	73.8	7.7	28.0
Liabilities				
Current	6.3	81.8	12.2	102.2
Non-current	1.0	50.3	5.2	67.8

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

For non-hedge derivatives, there were unrealized gains of \$68.4 and \$121.0 million for the three and nine months ended September 30, 2020, respectively (2019 - \$50.9 and \$100.0 million gain), primarily recorded in electricity and fuel purchases. The anticipated non-hedge derivatives are expected to settle in 2020 through 2032. 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 recorded at fair value, 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 their carrying amounts due to their short-term nature.

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

CARRYING AMOUNTS AND FAIR VALUES OF LONG-TERM DEBT

As at	September 30, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>(millions of Canadian dollars)</i>				
Long-term debt ⁽¹⁾ consisting of:				
Debtentures, with remaining terms of:				
Less than 5 years	37.6	38.5	44.1	44.7
5–10 years	36.2	40.5	27.6	29.5
10–15 years	317.3	384.3	216.3	247.8
15–20 years	578.1	658.4	575.2	625.4
20–25 years	435.5	469.5	420.2	432.5
General and refunding mortgage bonds ⁽²⁾				
8.98% series	25.0	29.9	-	-
Private debtentures				
Series 3 (3.81%)	196.9	220.7	196.4	207.6
Series 4 (3.84%)	293.9	337.7	293.4	310.7
Series 5 (2.92%)	299.1	311.4	298.8	303.4
Series 6 (3.33%)	298.7	325.0	298.5	305.3
Series 7 (3.88%)	248.7	284.3	248.6	256.8
Senior notes ⁽²⁾				
Unsecured note (3.61%)	77.4	85.3	-	-
Unsecured note (4.34%)	137.3	174.7	-	-
Unsecured note (4.36%)	62.5	79.1	-	-
Unsecured note (4.71%)	62.5	83.3	-	-
Unsecured note (3.79%)	74.9	86.3	-	-
Unsecured note (2.80%)	40.2	41.5	-	-
Unsecured note (2.80%)	80.3	82.9	-	-
Non-revolving term facility ⁽³⁾	205.0	205.0	-	-
Promissory note	2.7	2.9	2.9	3.1
Debt instrument	0.5	0.5	-	-
	3,510.3	3,941.7	2,622.0	2,766.8

⁽¹⁾ Includes current portion of \$72.8 million (December 31, 2019 – \$73.3 million). Maturity dates range from March 2021 to December 2049.

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

- a. \$30.0 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. \$20.0 million USD of General and Refunding mortgage bonds maturing 2022 with a coupon rate of 8.89 per cent.
- c. \$70.0 million USD of Senior unsecured notes maturing 2022 with a coupon rate of 3.61 per cent.
- d. \$110.0 million USD of Senior unsecured notes maturing 2044 with a coupon rate of 4.34 per cent.
- e. \$50.0 million USD of Senior unsecured notes maturing 2047 with a coupon rate of 4.36 per cent.
- f. \$50.0 million USD of Senior unsecured notes maturing 2048 with a coupon rate of 4.71 per cent.
- g. \$60.0 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 September 30, 2020.
- i. Debt instrument with 7.00 per cent cumulative rate.

⁽³⁾ \$250.0 million non-revolving 2-year term facility with a coupon rate of 2.09 per cent as at September 30, 2020.

As at September 30, 2020, ENMAX had \$nil commercial paper (December 31, 2019 - \$53.0 million, fair value of \$53.0 million with an average interest rate of 2.15 per cent), and bankers acceptances outstanding of \$66.0 million with a fair value of \$66.0 million with an average interest rate of 0.59 per cent (December 31, 2019 - \$ 121.2 million with an average rate of 2.04 per cent).

As at September 30, 2020 ENMAX had drawn \$271.0 million on existing credit facilities with an average rate of 0.49 per cent (December 31, 2019 - \$121.2 million at 2.04 per cent).

9. REGULATORY DEFERRAL ACCOUNT BALANCES

NATURE AND ECONOMIC EFFECT OF RATE REGULATION

ENMAX Transmission and ENMAX Distribution (the Divisions) are divisions of the Power Delivery segment. The Divisions are regulated operations established to carry out all electrical transmission and distribution service functions. The Alberta Utilities Commission (AUC) approves Transmission and Distribution Tariffs (rates and terms and conditions of service) subject to Sections 37 and 102 of the *Electric Utilities Act*.

With respect to Distribution, the 2018-2022 Distribution Access Service (DAS) rates are subject to a Performance Based Regulation (PBR) mechanism. In December 2018, the AUC approved PBR based rates for the period effective January 1, 2019.

Transmission rates are set based on an AUC-approved revenue requirement and are regulated under a traditional cost of service framework. In August 2020, the AUC approved final transmission rates based on Power Delivery's 2018-2020 General Tariff Application, which was filed in December 2018. These rates were made effective September 1, 2020.

ENMAX U.S. Operations

ENMAX through its wholly owned subsidiary Versant Power, has distribution and transmission operations in the state of Maine, USA. 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 distribution and transmission rates effective July 1, 2018, while other components being deferred are to be addressed in future regulatory proceedings.

Versant Power's distribution service operates under a traditional cost of service regulatory structure and distribution rates are set by the MPUC. Versant Power's transmission operations are split between two districts: BHD and MPD. 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. BHD's bulk transmission assets are managed by ISO-New England (ISO-NE) as part of a region-wide pool of assets. 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.

REGULATORY BALANCES

The timing of recognition of certain regulatory debits, credits, revenues and expenses may differ from what is otherwise expected under IFRS for non-regulated operations.

The Corporation has recorded the following regulatory deferral account debit and credit balances:

<i>As at</i> <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, 2020	21.0	6.6	3.6	-	31.2
Versant Power balance acquired	-	-	-	157.5	157.5
Balances arising in the period ⁽¹⁾	112.3	1.7	6.5	8.0	128.5
Recovery (reversal) ⁽²⁾	(103.9)	(0.2)	(1.1)	-	(105.2)
Foreign exchange	-	-	-	(8.8)	(8.8)
June 30, 2020	29.4	8.1	9.0	156.7	203.2
Balances arising in the period ⁽¹⁾	52.3	0.7	1.0	0.6	54.6
Recovery (reversal) ⁽²⁾	(52.6)	(0.1)	(2.2)	-	(54.9)
Foreign exchange	-	-	-	(3.4)	(3.4)
September 30, 2020	29.1	8.7	7.8	153.9	199.5
Expected recovery/reversal period	3 Months	25 Years	15 Months		
January 1, 2019	62.8	10.8	8.4	-	82.0
Balances arising in the period ⁽¹⁾	87.1	(1.6)	5.2	-	90.7
Recovery (reversal) ⁽²⁾	(108.4)	(1.5)	(8.5)	-	(118.4)
June 30, 2019	41.5	7.7	5.1	-	54.3
Balances arising in the period ⁽¹⁾	40.7	(1.1)	0.1	-	39.7
Recovery (reversal) ⁽²⁾	(54.8)	-	(1.9)	-	(56.7)
September 30, 2019	27.4	6.6	3.3	-	37.3
Balances arising in the period ⁽¹⁾	48.1	0.1	1.4	-	49.6
Recovery (reversal) ⁽²⁾	(54.5)	(0.1)	(1.1)	-	(55.7)
December 31, 2019	21.0	6.6	3.6	-	31.2
Expected recovery/reversal period	3 Months	25 Years	12 Months		

⁽¹⁾ "Balances arising in the period" row consists of new additions to regulatory deferral debits and credit balances.

⁽²⁾ "Recovery (reversal)" row consists of amounts collected/refunded through rate riders or transactions reversing existing regulatory balances.

<i>As at</i> <i>(millions of Canadian dollars)</i>	Accounts Payable (a)	Other Regulatory Credits (d)	U.S. Operations (e)	Total Regulatory Deferral Account Credit Balances
Regulatory deferral account credit balances				
January 1, 2020	-	1.5	-	1.5
Balances arising in the period ⁽²⁾	-	2.2	(0.1)	2.1
Versant Power balance assumed	-	-	176.2	176.2
Recovery (reversal) ⁽¹⁾	-	(2.2)	(6.2)	(8.4)
Foreign exchange	-	-	(9.4)	(9.4)
June 30, 2020	-	1.5	160.5	162.0
Balances arising in the period ⁽²⁾	-	(0.2)	(3.4)	(3.6)
Recovery (reversal) ⁽¹⁾	-	0.2	-	0.2
Foreign exchange	-	-	(3.4)	(3.4)
September 30, 2020	-	1.5	153.7	155.2
Expected recovery/reversal period		18 Months		
January 1, 2019	-	5.0	-	5.0
Balances arising in the period ⁽²⁾	-	-	-	-
Recovery (reversal) ⁽¹⁾	-	(1.8)	-	(1.8)
June 30, 2019	-	3.2	-	3.2
Balances arising in the period ⁽²⁾	-	-	-	-
Recovery (reversal) ⁽¹⁾	-	(1.8)	-	(1.8)
September 30, 2019	-	1.4	-	1.4
Balances arising in the period ⁽²⁾	-	1.2	-	1.2
Recovery (reversal) ⁽¹⁾	-	(1.1)	-	(1.1)
December 31, 2019	-	1.5	-	1.5
Expected recovery/reversal period		18 Months		

⁽¹⁾ "Recovery (reversal)" row consists of amounts collected/refunded through rate riders or transactions reversing existing regulatory balances.

⁽²⁾ "Balances arising in the period" row consists of new additions to regulatory deferral debits and credit balances.

The following describes each of the circumstances 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, that 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.

(a) Accounts receivable and payable

Accounts receivable and payable represents a deferral account for transmission charges from the AESO. In the absence of rate regulation standards per IFRS 14, actual costs would be recognized as an expense when incurred.

(b) Inter-company profit

A subsidiary of the Corporation performs construction work for the regulated operations of Power Delivery 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 regulated assets. In the absence of rate regulation and the standard, IFRS would require that inter-company profits be eliminated upon consolidation.

(c) Other regulatory debits

Other regulatory debits primarily relate to the AUC flow-through items and other costs that will be collected from customers via future rates such as access service charges. The 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. Any impairment related to regulatory deferral account debit balances are recorded in the period in which the related regulatory decisions are received.

(e) U.S. Operations

Regulatory assets and liabilities for Versant Power's operations consist of the following:

<i>As at</i> <i>(millions of Canadian dollars)</i>	September 30, 2020	December 31, 2019
Regulatory assets		
Deferred income tax asset	55.9	-
Pension and post-retirement medical plan	50.3	-
Storm reserve	11.4	-
Stranded cost recovery	2.5	-
Other	33.8	-
	153.9	-
Current	18.9	-
Long-term	135.0	-
Total regulatory assets	153.9	-
Regulatory liabilities		
Deferred income tax liabilities	138.5	-
FERC transmission liability	6.1	-
Maine Yankee Department of Energy proceeds	2.7	-
Stranded cost	-	-
Other	6.4	-
	153.7	-
Current	5.6	-
Long-term	148.1	-
Total regulatory liabilities	153.7	-

Unfunded Deferred Income Tax Asset and Liability

In accordance with IFRS 14, Versant Power is required to flow through to customers benefits/expenses of certain book versus tax timing differences including State of Maine excess tax depreciation, allowance for funds used during construction (AFUDC), and the excess of deferred taxes. Versant Power records the balance sheet impact for the temporary differences flowed through to customers as regulatory assets or liabilities and deferred income tax liabilities.

Pension and post-retirement medical plan

The asset relates to the deferred costs of pension and post-retirement benefits and is included in the rate base and earns a rate of return as permitted by the MPUC. The balance is amortized over the remaining service life of the plan participants.

Storm reserves

In December 2013 and November 2014, Versant Power experienced major storms in its service territory, resulting in over one-third of its customer base experiencing power outages. Due to the severity of the outages and damages to the electrical system, significant resources were utilized to restore service to the affected areas. Total incremental costs related to the 2013 and 2014 storms were \$4.8 million USD and \$4.6 million USD, respectively. For the 2013 storm, the MPUC approved the recovery of the incremental costs incurred, through a rate increase effective July 1, 2014 over 5 years. Of the 2014 storm related costs, \$4.6 million USD is being amortized over 5 years beginning January 2017.

In October 2017, Versant Power experienced a windstorm resulting in power outages to more than half its customer base. The incremental costs incurred in restoring power to its affected customers was \$7.2 million USD of which \$6.1 million USD will be recovered through rate adjustments.

In October 2019, Versant Power experienced two major storms resulting in power outages to approximately 99,000 of customers, cumulatively. The incremental costs incurred in restoring power to its affected customers was \$3.5 million USD. Given the significance of the storm related costs and the regulatory precedent set for rate recovery in similar events, Versant Power is seeking approval for recovery of these costs the MPUC.

In April 2020, Versant Power experienced two major storms resulting in power outages to approximately 135,000 of customers, cumulatively. The increment costs incurred in restoring power to its affected customers was \$4.5 million USD. Given the significance of the storm related costs and the regulatory precedent set for rate recovery in similar events, Versant Power is seeking approval for recovery of these costs the MPUC.

Stranded cost recoveries

Stranded cost recoveries in the State of Maine are set by the MPUC. These recoveries primarily related to the full recovery of net costs associated with purchase power contracts that the utility has been directed to purchase and resell by the MPUC.

Other

The Corporation through its wholly owned subsidiary, Versant Power, has various other regulatory assets and liabilities recorded on its consolidated financial statements where Versant Power's regulated rates are designed to recover/return these deferred costs/revenue to/from customers, including a return on unamortized assets.

10. PROPERTY, PLANT AND EQUIPMENT (PP&E)

<i>(millions of Canadian dollars)</i>	Transmission, Distribution and Substation Equipment	Generation Facilities and Equipment	Buildings and Site Development	Tools, Systems and Equipment	Land	Capital Spares and Other	Vehicles	Work in Progress	Government Grants	Total
Cost										
As at January 1, 2019	2,444.5	2,277.5	475.6	87.3	49.3	48.5	41.8	113.7	(20.0)	5,518.2
Additions	-	36.7	17.6	0.1	-	3.4	10.1	390.1	-	458.0
Transfers	196.6	31.8	13.8	11.3	-	-	6.1	(259.6)	-	-
Disposals	(7.1)	(17.9)	(8.3)	(3.3)	-	-	(5.9)	(7.3)	-	(49.8)
Changes to asset retirement costs	-	14.5	-	-	-	-	-	-	-	14.5
Impairment	-	-	-	-	-	-	-	(1.1)	-	(1.1)
As at December 31, 2019	2,634.0	2,342.6	498.7	95.4	49.3	51.9	52.1	235.8	(20.0)	5,939.8
Versant Power acquisition	1,144.7	0.5	56.1	21.5	33.4	10.2	40.5	48.4	-	1,355.3
Additions	23.4	4.6	3.3	5.1	-	5.4	1.9	216.0	-	259.7
Transfers	72.2	3.2	28.7	2.3	-	(0.1)	0.4	(106.0)	-	0.7
Disposals	(7.7)	(4.7)	(7.6)	(5.2)	-	-	(3.4)	(2.4)	-	(31.0)
Adjustments	-	-	-	-	-	-	-	(13.8)	-	(13.8)
Changes to asset retirement costs	-	30.3	-	-	-	-	-	-	-	30.3
Impairment	-	-	-	-	-	-	-	(2.6)	-	(2.6)
Foreign exchange	(87.6)	(0.1)	(4.1)	(1.6)	(2.5)	(0.7)	(3.1)	(4.2)	-	(103.9)
As at September 30, 2020	3,779.0	2,376.4	575.1	117.5	80.2	66.7	88.4	371.2	(20.0)	7,434.5
Accumulated Depreciation										
As at January 1, 2019	(346.2)	(772.8)	(105.1)	(43.3)	-	-	(9.8)	-	12.9	(1,264.3)
Depreciation	(94.5)	(98.6)	(16.0)	(8.1)	-	-	(5.3)	-	0.4	(222.1)
Disposals	13.3	16.7	3.5	3.3	-	-	5.0	-	-	41.8
As at December 31, 2019	(427.4)	(854.7)	(117.6)	(48.1)	-	-	(10.1)	-	13.3	(1,444.6)
Depreciation	(92.7)	(80.0)	(13.6)	(9.2)	-	-	(5.4)	-	-	(200.9)
Disposals	9.7	0.7	7.1	5.2	0.2	-	2.6	-	-	25.5
Foreign exchange	0.3	-	(0.2)	-	-	-	0.1	-	-	0.2
As at September 30, 2020	(510.1)	(934.0)	(124.3)	(52.1)	0.2	-	(12.8)	-	13.3	(1,619.8)
Net Book Value										
As at December 31, 2019	2,206.6	1,487.9	381.1	47.3	49.3	51.9	42.0	235.8	(6.7)	4,495.2
As at September 30, 2020	3,268.9	1,442.4	450.8	65.4	80.4	66.7	75.6	371.2	(6.7)	5,814.7

Real property, including land and buildings, with a carrying amount of \$531.2 million as at September 30, 2020 (December 31, 2019 - \$430.4 million), was subject to a right of first refusal to purchase held by The City.

For the nine months ended September 30, 2020, capitalized borrowing costs amounted to \$7.6 million (2019 - \$4.9 million), with capitalization rates ranging from 3.18 to 3.86 per cent (2019 - 3.15 to 3.91 per cent). Interest is capitalized based on the actual cost of debt used to finance the capital construction projects. Interest rates ranged from 1.97 to 5.02 per cent (2019 - 1.95 to 5.02 per cent).

During 2020, ENMAX recognized an impairment loss of \$2.6 million (2019 - \$nil) associated with certain property, plant and equipment (prior to the project being completed and included in one of ENMAX's CGU's). ENMAX no longer expects to bring the project to market due to changes in the market conditions.

Leases are discussed in Note 12 and these balances include the Corporation's right-of-use assets.

11. INTANGIBLE ASSETS

<i>(millions of Canadian dollars)</i>	Computer Systems	Renewable Energy Certificates and Water Licenses	Land Easements, Rights and Lease Options	Work in Progress	Total
Cost					
As at January 1, 2019	248.4	12.4	33.9	9.1	303.8
Additions	-	-	-	28.3	28.3
Transfers	18.5	-	-	(18.5)	-
As at December 31, 2019	266.9	12.4	33.9	18.9	332.1
Versant Power acquisition	43.4	-	50.6	2.1	96.1
Additions	0.1	-	(0.4)	26.9	26.6
Transfers	8.3	-	-	(8.2)	0.1
Foreign exchange	(5.0)	-	(4.4)	(0.3)	(9.7)
As at September 30, 2020	313.7	12.4	79.7	39.4	445.2
Accumulated amortization					
As at January 1, 2019	(106.0)	(12.3)	(7.7)	-	(126.0)
Amortization	(20.1)	-	(1.3)	-	(21.4)
As at December 31, 2019	(126.1)	(12.3)	(9.0)	-	(147.4)
Amortization	(17.0)	-	(1.5)	(1.7)	(20.2)
Foreign exchange	3.5	-	0.7	-	4.2
As at September 30, 2020	(139.6)	(12.3)	(9.8)	(1.7)	(163.4)
Net book value					
As at December 31, 2019	140.8	0.1	24.9	18.9	184.7
As at September 30, 2020	174.1	0.1	69.9	37.7	281.8

12. LEASES

ENMAX leases several assets categorized as: generation facilities and equipment, buildings and site development, land, tools, systems and equipment and vehicles. The average term remaining on the leases is 3.8 years.

Right-of-use assets

The changes in the net book value for the Corporation's right-of-use assets during the nine months ended September 30, 2020 were as follows:

<i>(millions of Canadian dollars)</i>	Generation Facilities and Equipment	Buildings and Site Development	Land	Tools, Systems and Equipment	Vehicles	Total
Cost						
As at January 1, 2019	5.1	-	-	-	-	5.1
Opening balance adjustment IFRS 16	27.9	13.3	8.8	0.1	7.7	57.8
Net changes	(0.1)	0.1	-	-	1.9	1.9
As at December 31, 2019	32.9	13.4	8.8	0.1	9.6	64.8
Net changes	-	1.3	0.5	0.1	(0.3)	1.6
As at September 30, 2020	32.9	14.7	9.3	0.2	9.3	66.4
Accumulated Depreciation						
As at January 1, 2019	(1.7)	-	-	-	-	(1.7)
Net changes	(1.2)	(1.2)	(0.3)	(0.1)	(2.6)	(5.4)
As at December 31, 2019	(2.9)	(1.2)	(0.3)	(0.1)	(2.6)	(7.1)
Net changes	(0.9)	(1.4)	(0.1)	(0.1)	(1.1)	(3.6)
As at September 30, 2020	(3.8)	(2.6)	(0.4)	(0.2)	(3.7)	(10.7)
Net Book Value						
As at December 31, 2019	30.0	12.2	8.5	-	7.0	57.7
As at September 30, 2020	29.1	12.1	8.9	-	5.6	55.7

Amounts recognized in profit and loss

<i>(millions of Canadian dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Depreciation expense	0.3	1.0	3.6	3.9
Lease expense on short-term leases	0.2	-	0.6	0.2
Interest expense on lease liabilities	0.6	0.6	2.0	1.9
Amounts expensed in profit and loss	1.1	1.6	6.2	6.0

Lease payments

The required lease payments at September 30, 2020, are as follows:

<i>(millions of Canadian dollars)</i>	2020
Less than 1 year	8.1
1–5 years	22.7
More than 5 years	56.3

The total cash outflow for leases amounts to \$2.1 million and \$7.1 million for the three and nine months ended September 30, 2020, respectively. ENMAX does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored through ENMAX's treasury function.

13. DEFERRED REVENUE

As at

(millions of Canadian dollars)

	CIAC	Other	Total
January 1, 2020	544.1	21.5	565.6
Additions	9.5	4.3	13.8
Recognized as revenue	(10.2)	(3.9)	(14.1)
June 30, 2020	543.4	21.9	565.3
Additions	4.8	1.8	6.6
Movements to PP&E	(0.1)	-	(0.1)
Recognized as revenue	(4.9)	(2.8)	(7.7)
September 30, 2020	543.2	20.9	564.1
Less: current portion	-	(8.9)	(8.9)
	543.2	12.0	555.2
January 1, 2019	533.6	21.8	555.4
Additions	8.6	4.1	12.7
Movements to PP&E	(1.6)	-	(1.6)
Recognized as revenue	(9.4)	(0.5)	(9.9)
June 30, 2019	531.2	25.4	556.6
Additions	13.5	2.7	16.2
Movements to PP&E	(0.4)	-	(0.4)
Recognized as revenue	(4.7)	(6.6)	(11.3)
September 30, 2019 ⁽¹⁾	539.6	21.5	561.1
Additions	9.9	2.2	12.1
Movements to PP&E	(0.4)	-	(0.4)
Recognized as revenue	(5.0)	(2.2)	(7.2)
December 31, 2019	544.1	21.5	565.6
Less: current portion	-	(10.5)	(10.5)
	544.1	11.0	555.1

⁽¹⁾ Includes current portion of \$10.9 million in other deferred revenue as at September 30, 2019.

14. OTHER ASSETS AND LIABILITIES

<i>As at</i> <i>(millions of Canadian dollars)</i>	September 30, 2020	December 31, 2019
Other current assets		
Prepaid expenses	24.1	17.8
Collateral paid	3.0	18.4
Deferred asset	0.4	0.5
Emission offsets	38.5	39.9
Other	4.6	6.7
	70.6	83.3
Other long-term assets		
Prepaid expenses	9.4	6.1
Long-term accounts receivable	31.7	18.0
Deferred asset	6.6	5.5
Equity investments	152.4	-
Other	32.9	14.7
	233.0	44.3
Other current liabilities		
Deposits	37.7	25.0
Other	33.9	7.0
	71.6	32.0
Other long-term liabilities		
Other	20.1	13.1
	20.1	13.1

15. INCOME TAXES

The calculation of the Corporation's current and deferred income taxes involves a degree of estimation and judgment. The carrying value of deferred income tax assets is reviewed at the end of each reporting period. For the three months ended September 30, 2020, management adjusted the income tax provision using its best estimate with considerations including management's expectation of future operating results and interpretation of applicable tax positions and allowances, where uncertainty surrounding the realization of the tax benefit exists.

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

<i>As at</i> <i>(millions of Canadian dollars)</i>	September 30, 2020	December 31, 2019
Net unrealized gains on derivatives designated as cash flow hedges, including deferred income tax expense of \$1.9 million (December 31, 2019 - \$5.7 million expense)	3.4	8.3
Net actuarial losses on defined benefit plans, including deferred income tax recovery of \$0.7 million (December 31, 2019 - \$0.7 million recovery)	(40.8)	(40.8)
Cumulative translation adjustment	(91.3)	-
Accumulated other comprehensive loss, including deferred income tax expense of \$1.2 million (December 31, 2019 - \$5.0 million expense)	(128.7)	(32.5)

17. OTHER REVENUE AND EXPENSES

<i>(millions of Canadian dollars)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
OTHER REVENUE				
Interest and penalty revenue	0.5	2.5	2.8	7.4
Miscellaneous	3.1	7.2	5.8	9.0
	3.6	9.7	8.6	16.4
OTHER EXPENSES				
Contractual services costs	18.7	19.2	57.4	59.6
Staff costs	51.2	45.2	172.6	141.1
Consulting costs	4.1	10.7	15.5	23.6
Advertising and promotion	1.0	2.6	7.3	5.9
Administrative and office expenses	20.5	18.3	62.2	59.7
Operating costs	18.0	9.8	42.7	29.8
Building and property costs	11.0	5.8	33.1	18.1
Other costs	0.6	(0.4)	13.9	0.6
Foreign exchange (gains) losses	(0.8)	1.5	(126.9)	1.5
	124.3	112.7	277.8	339.9

18. DIVIDENDS

On March 19, 2020, the Corporation declared a dividend of \$54.0 million to The City (2019 – \$50.0 million). The dividend is paid in equal quarterly instalments during 2020.

19. CHANGE IN NON-CASH WORKING CAPITAL

<i>(millions of Canadian dollars)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Accounts receivable	(19.6)	(32.5)	102.1	89.8
Regulatory deferral account debit balances	1.5	17.0	(22.3)	44.7
Other assets	(13.5)	17.8	(14.1)	25.9
Accounts payable and accrued liabilities	20.2	10.3	(85.6)	(180.8)
Regulatory deferral account credit balances	(3.9)	(1.8)	(9.2)	(3.6)
Other liabilities	17.8	20.2	18.2	10.6
Deferred revenue (non-CIAC)	(1.1)	-	(0.6)	-
Provisions	(3.5)	-	11.2	(0.8)
Change in non-cash working capital	(2.1)	31.0	(0.3)	(14.2)

20. 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.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

<i>(millions of Canadian dollars)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Revenue ⁽¹⁾	32.6	44.0	93.1	114.7
Local access fees and other expenses ⁽²⁾	32.3	39.1	99.4	109.8

⁽¹⁾ The significant components include contract sales of electricity, construction of infrastructure, provision of non-regulated power distribution services, and billing and customer care services relating to The City's utilities departments.

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

<i>As at</i>	September 30,	December 31,
<i>(millions of Canadian dollars)</i>	2020	2019
Accounts receivable	20.4	32.4
Property, plant and equipment ⁽¹⁾	6.0	3.2
Accounts payable and accrued liabilities	15.5	13.7
Long-term debt ⁽²⁾	1,404.7	1,283.3
Other long-term liabilities ⁽³⁾	6.0	6.2

⁽¹⁾ Assets under lease.

⁽²⁾ Payments inclusive of interest for the three and nine months ended September 30, 2020 were \$6.5 million (2019 - \$6.5 million) and \$66.6 million (2019 - \$66.2 million) respectively. In addition, for the three and nine months ended September 30, 2020, the Corporation paid a management fee of \$0.9 million (2019 - \$0.8 million) and \$2.5 million (2019 - \$2.3 million) respectively to The City.

⁽³⁾ Includes finance lease obligation.

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's operations.

21. COMMITMENTS AND CONTINGENCIES

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

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

HISTORICAL TRANSMISSION LINE LOSS CHARGES

ENMAX has participated in various proceedings regarding the 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. Proceedings relating to the LLR address the AUC's authority to order retroactive adjustments (Module A); the replacement of the 2006-2016 methodology (Module B); and the calculation and invoicing of retroactive loss charges and credits for the 2006-2016 period (Module C). The AUC issued its decision on the last module, Module C, on December 18, 2017. The AUC's decisions in each of Module A and C have been the subject of permission to appeal applications before the Alberta Court of Appeal as well as review and variance applications before the AUC.

The permission to appeal applications were heard by the Alberta Court of Appeal in the second quarter of 2018. On December 20, 2018, the Court issued a decision denying permission to appeal the AUC's decision on Module A and further reserving its decision on permission to appeal Module C and related matters. On June 3, 2019, the Court of Appeal of Alberta issued a decision denying permission to appeal the AUC's Model C decision. Since the Court did not grant permission to appeal Module A or Module C, the decision of the AUC will stand unless the Court's decision is further challenged.

Based on the Court's decision in Module A and Module C, management believes that ENMAX may be required to make material payments to the AESO for historical amounts. Because the AUC's previous decisions do not require the AESO to consider commercial agreement terms and service transfer circumstances when the AESO determines which party to invoice, ENMAX could be invoiced for amounts for which it may not ultimately, in whole or in part, be responsible. Moreover, the invoices may 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.

The AESO had expected to be in a position to issue charges or credits in April 2021, with initial settlement to occur in June 2021. In December 2019, the AESO filed an application to review and vary the settlement approach set out in the Module C decision. In July 2020, the AUC decided to vary the Module C Decision by requiring the AESO to settle historic amounts using three settlement periods, comprising of one three-year period and two four-year periods.

It is currently expected that the settlement of the first period, applicable to the years 2016, 2015, and 2014, will occur by December 2020. While some ENMAX entities are expected to be required to provide payment to the AESO, management expects ENMAX will be a net recipient of credits and will receive an overall credit for those specific years.

It is currently expected that settlement of the second period, applicable to the years 2013, 2012, 2011 and 2010, will occur March 1, 2021 and that settlement of the third period, applicable to the years 2009, 2008, 2007 and 2006 will occur by April 2021. Management does not have the information necessary to calculate a reliable range of expected charges and credits across the portfolio of generation held during the entirety of the relevant period and the impact to ENMAX of such amounts.

ENMAX believes it has sufficient access to cash to satisfy any amounts which may be required to be paid.

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 (MSA) 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 FERC. The financial impact of decisions, market rules, regulations and regulatory proceedings is reflected in the condensed consolidated interim 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 (ROE) under the ISO-NE Open Access Transmission Tariff (OATT). Complaint four is still outstanding, Complaint one is refunded based on prior FERC order, while provisions have been recorded for the other two.

Complaint IV was filed by the Eastern Massachusetts Consumer Owned Systems (EMCOS). On March 27, 2018, a FERC Administrative Law Judge issued an Initial Decision concluding that the currently filed base ROE of 10.57 per cent, which with incentive adders may reach a maximum ROE of 11.74 per cent, is not unjust and unreasonable.

On October 16, 2018, the FERC issued an order that addresses the complaint proceedings. The FERC order proposes a new methodology to set ROEs. Based on the new methodology, the FERC's preliminary finding is a 10.41 per cent base ROE for the ISO-NE OATT. In January and February 2019, various parties commented on FERC's proposal and its application to the pending complaint proceedings.

On November 21, 2019, the FERC approved an order affecting transmission ROEs in the Midcontinent ISO (MISO) region that alters the Commission's methodology for analyzing the base return on equity component of a jurisdictional public utility's rates. Although the methodology was applied to MISO, it is expected to be used in the pending ISO NE cases. No date for a decision has been made yet, but the FERC is expected to rule on these outstanding ISO-NE cases in 2020. Additionally, both the MISO case, and a decision in the ISO-NE cases, will be subject to further appeal rights, and if appealed, a final decision would be unlikely to occur before Q4 2020. No reserves have been made with respect to all the remaining pending complaints as it is not possible to determine the impact at this time.

COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic. Governments around the world have introduced public health and emergency measures to combat the spread of the virus. 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. This period ended on June 18, 2020. During this time, utilities could not disconnect customers for non-payment. In Maine, the MPUC directed all electric utilities not to engage in disconnection activity until further notice was received. This direction applied equally to residential and business customers. On September 17, 2020, the MPUC established a process for transitioning away from the moratorium, noting the decision was rooted in the public's best interest. As a result, Versant Power may begin limited collection activity beginning November 1, 2020; however, due to the length and severity of these developments it is not possible to reliably estimate the impact the moratorium will have on the financial results and condition of the Company in future periods.

The duration and impact are unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Corporation in future periods.

22. SUBSEQUENT EVENTS

On November 6, 2020, ENMAX announced a definitive agreement to sell its District Energy Centre assets for \$27.0 million. The sale is expected to close in early 2021, subject to required approvals.

GLOSSARY OF TERMS

AESO	Alberta Electric System Operator	MPD	Maine Public District
AFUDC	Allowance for funds used during construction	MPUC	Maine Public Utilities Commission
AUC	Alberta Utilities Commission	MSA	Market Surveillance Administrator
BHD	Bangor Hydro District	MW	Megawatt
Bill 14	Alberta Utility Payment Deferral Program	MWh	Megawatt hour
CAIDI	Customer average interruption duration index	NEPOOL	New England Power Pool
CES	Calgary Electric System	NGTL	Nova Gas Transmission Ltd.
CHP	Combined Heat and Power	NMISA	Northern Maine Independent System Administrator
CIAC	Contributions in aid of construction	OATT	Open Access Transmission Tariff
COVID-19	Strain of the novel coronavirus	OCI	Other comprehensive income
DAS	Distribution Access Service	OM&A	Operations, maintenance and administration
DB	Defined benefit	PBR	Performance Based Regulation
EBIT	Earnings before interest and income taxes	PP&E	Property, plant and equipment
EBITDA	Earnings before interest, income tax and depreciation and amortization	ROE	Return on Equity
EMCOS	Eastern Massachusetts Consumer Owned Systems	RRO	Regulated Rate Option
ENMAX	ENMAX Corporation and its subsidiaries	SAIDI	System average interruption duration index
ERM	Enterprise Risk Management	SAIFI	System average interruption frequency index
FCF	Free Cash Flow	Shepard	Shepard Energy Centre
FERC	United States Federal Energy Regulatory Commission	The City	The City of Calgary
FX	Foreign exchange	The Corporation	ENMAX Corporation and its subsidiaries
GJ	Gigajoule	The Divisions	ENMAX Transmission and ENMAX Distribution
GWh	Gigawatt hour	The JVA	Genesee 4/5 Joint Venture Agreement
IAS	International Accounting Standards	The Notice	Notice of departure from the Genesee 4/5 generation project
IASB	International Accounting Standards Board	U.S. GAAP	United States Generally Accepted Accounting Principles
IEEE	The Institute of Electrical Electronics Engineers		
ISO-NE	ISO-New England		
kWh	Kilowatt hour		
LLR	Line Loss Rule		
MD&A	Management's Discussion and Analysis		
MEPCo	Maine Electric Power Company		
MISO	Midcontinent ISO		

ADDITIONAL INFORMATION

ENMAX welcomes questions from stakeholders.

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

Please direct financial inquiries to:

Wayne O'Connor

President and Chief Executive Officer

403.514.3000

Davin Kivisto

Interim Chief Financial Officer

403.514.3000

Please direct media inquiries to:

Gina Sutherland

Senior Advisor, External Relations

403.689.6134