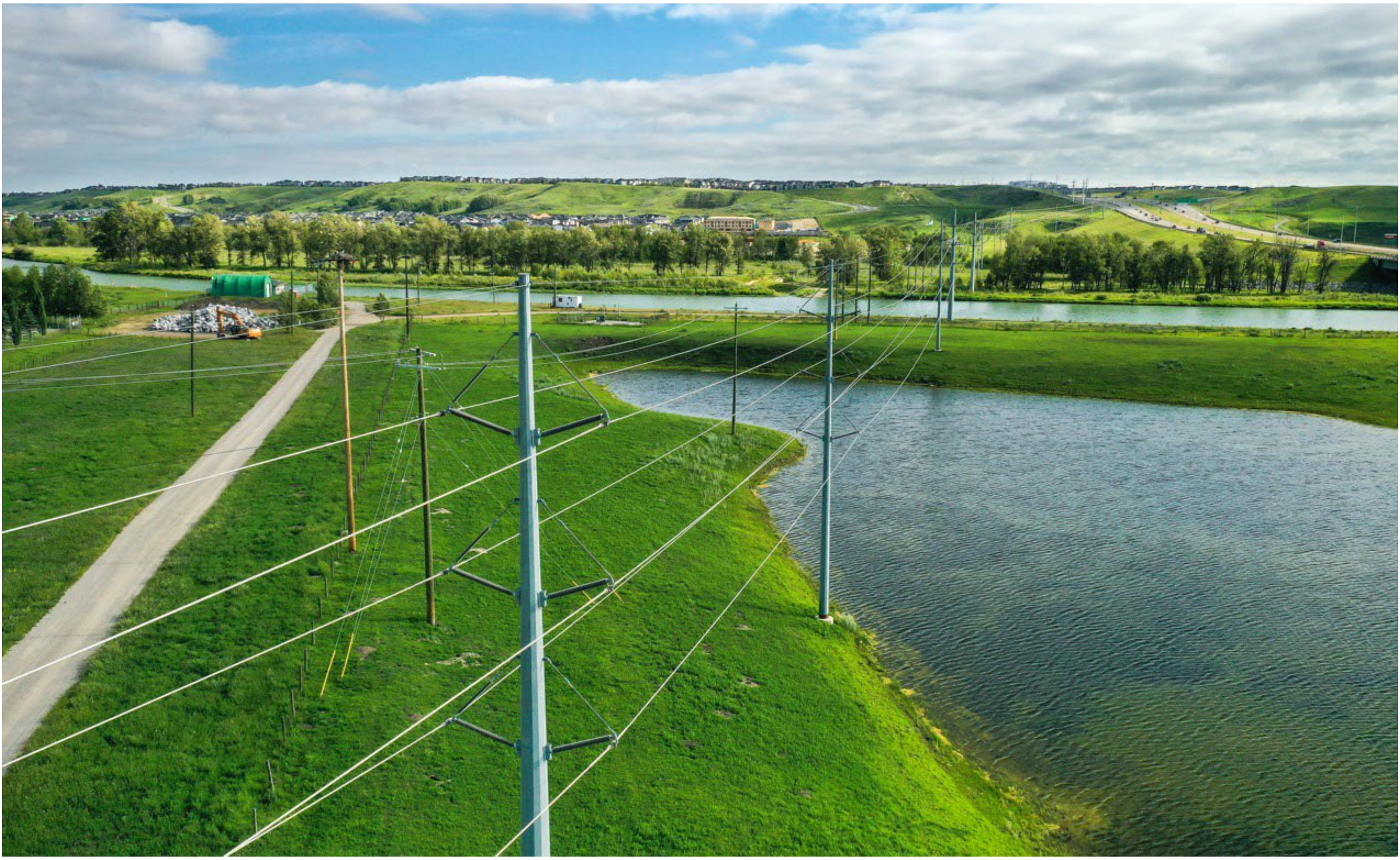

# 2023
## Financial Report
## ENMAX Corporation

# CAUTION TO READER

This Financial Report contains statements about future events and financial and operating results of ENMAX Corporation and its subsidiaries (collectively referred to herein as ENMAX or the Corporation) that are forward-looking. All forward-looking statements included herein reflect ENMAX's current expectations, projections, beliefs, judgments and assumptions based on available information as of the date hereof and in light of ENMAX's experience and its perception of historical trends. 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.

By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. ENMAX believes the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements, as many factors could cause actual future results, conditions, actions or events to differ materially from financial and operating targets, expectations, estimates or intentions expressed in the forward-looking statements. Factors that could cause results or events to differ from current expectations include, without limitation: regulatory decisions and outcomes of legal proceedings; the operating performance of the Corporation's assets; economic conditions in North America, as well as globally; the availability and market prices of commodities; liquidity and access to capital markets on competitive terms; timing and costs associated with certain capital investments; estimated energy consumption rates; changes in customer energy usage patterns; cyber security and technological developments, including those that could reduce demand for electricity; competition in the businesses in which the Corporation operates; unexpected or unusual weather; unanticipated maintenance and other expenditures; interest, tax, foreign exchange and inflation rates; the impact of hedging transactions; performance and credit risk of the Corporation's counterparties; disruption of fuel supply; environmental risks; the Corporation's ability to effectively anticipate, assess and respond to changes to government policies and regulations, including those relating to the environment, financial reporting and taxation; pension plan performance and funding requirements; loss of service area; global health crises, such as pandemics and epidemics and the unexpected impacts related thereto; market energy sales prices; labour relations; and the cost and availability of labour, equipment and materials.

Each forward-looking statement in this Financial Report is qualified in its entirety by the above cautionary statements and speaks 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 section of the Management's Discussion and Analysis (MD&A) titled *Risks and Risk Management*.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A, dated February 29, 2024, is a review of the results of operations of ENMAX for the year ended December 31, 2023, compared with 2022, and of the Corporation's financial condition and future prospects. This MD&A should be read in conjunction with the audited consolidated financial statements for years ended December 31, 2023 and 2022, and the notes to the respective financial statements, including a summary of significant accounting policies (the Annual Financial Statements). This MD&A contains forward-looking information and should be read in conjunction with the Caution to Reader as detailed above.

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

The Corporation reports on certain non-IFRS financial performance measures that are used by management to evaluate performance of business segments. As 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. The definition, calculation and reconciliation of non-IFRS financial measures are provided in the Non-IFRS Financial Measures section.

**Contents**

ENMAX Overview.......... 3
2023 Overview.......... 4
Non-IFRS Financial Measures.......... 6
Financial Performance.......... 10
Liquidity and Capital Resources.......... 12
Risk and Risk Management.......... 15
Environmental, Social and Governance.......... 25

Glossary of terms can be found on page 93.

# ENMAX OVERVIEW

Headquartered in Calgary, Alberta, Canada, ENMAX's mission is to power the potential of people, businesses and communities by safely and responsibly providing electricity and energy services in ways that matter now and in the future. ENMAX has a proud history of providing Albertans with electricity, and through the acquisition of Versant Power in 2020, serves an international customer base. The City of Calgary (The City) is the sole shareholder of ENMAX Corporation.

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

- ENMAX Power owns and operates electricity transmission and distribution assets that provide rate-regulated service to approximately 570,000 customer sites in the Calgary area (1,089 square kilometres in and around Calgary). ENMAX Power is regulated by the Alberta Utilities Commission (AUC). The transmission business operates under a cost-of-service model, under which ENMAX Power applies for rates designed to recover the forecast cost of providing transmission service, including an allowed return on capital in service. After public review of an application, the AUC issues a decision approving a revenue requirement and monthly transmission tariff that is ultimately recovered from Alberta customers. The distribution business is regulated under a Performance-Based Regulation (PBR) model. Under this model, distribution rates paid by customers are set annually during the PBR term, using a formula that considers inflationary factors and operational efficiencies. PBR is intended to create additional incentives for utilities to find efficiencies in their operations as these efficiencies can lead to higher returns during the PBR term. Currently, approximately 14 per cent of ENMAX Power's electricity revenue is from transmission operations and 86 per cent is associated with distribution operations.

- Versant Power owns and operates electricity transmission and distribution assets that provide rate-regulated service to approximately 165,000 customer sites in the Maine Public District (MPD) and Bangor Hydro District (BHD), covering six counties in Maine, U.S., and a total operating area of approximately 27,000 square kilometres (10,400 square miles). BHD is a member of ISO-New England and is interconnected with other New England utilities to the south and with New Brunswick Power Corporation to the north. MPD is a member of the Northern Maine Independent System Administrator. Versant Power is regulated by the Maine Public Utilities Commission (MPUC) with respect to distribution rates, service standards, territories served, issuance of securities and other matters and by the United States Federal Energy Regulatory Commission (FERC) with respect to transmission services. Versant Power earns revenue by charging customers for delivery of electricity across its transmission and distribution facilities. This retail revenue is divided into separate transmission, distribution and stranded cost rates. Rates for each element are established in distinct regulatory proceedings. Currently, approximately 44 per cent of Versant Power's electricity revenue is from transmission operations, 45 per cent is associated with distribution operations and 11 per cent relates to stranded cost recoveries and conservation charges.

- ENMAX Energy is an Alberta-based integrated competitive generation and retail business, providing electricity, natural gas, distributed energy resource solutions and customer care services to approximately 747,000 customers throughout Alberta. ENMAX Energy also carries out retail energy supply and related functions for the Calgary Regulated Rate Option (RRO) through affiliated legal entities. The competitive retail business provides customers with either fixed or variable-priced electricity and natural gas and offers additional energy services. As at December 31, 2023, ENMAX Energy owned an interest in 1,522 megawatts (MW) of electricity generation capacity: 1,305 MW from natural gas-fuelled plants and 217 MW from wind power. ENMAX uses its generation capacity and market transactions as a natural hedge to retail customers to provide certainty of supply and risk mitigation. Natural gas retail contracts are backed by market transactions to provide supply certainty, margin stability and risk mitigation. Natural gas fuel requirements for the generation portfolio are balanced through the purchase of natural gas in the Alberta market.

- ENMAX's Corporate segment provides resources primarily for Canadian operations, including financing and shared legal, finance and accounting, human resources, corporate governance, information technology and other functions. .

## 2023 OVERVIEW

2023 has seen volatility in Alberta commodity prices and inflationary pressure across the broader economy. Central banks in both Canada and the U.S. implemented a series of interest rate hikes in an attempt to curb inflation. The Bank of Canada raised its overnight lending rate by 25 basis point increments in each of January, June and July 2023. The U.S. Federal Reserve raised the federal funds rate by 25 basis point increments in each of February, March, May and July 2023. As of December 31, 2023, the Bank of Canada overnight rate was 5.00 per cent, 75 basis points higher than the rate at December 31, 2022, and the U.S. federal funds rate was 5.25 per cent, 100 basis points higher than the rate at December 31, 2022.

Governments in Canada and the U.S. have continued to signal an emphasis on reducing carbon intensity across their economies, incentivizing non-emitting generation and electric transportation, while setting target dates for limiting sales of internal combustion powered vehicles and increasing carbon pricing in Canada.

In this rapidly evolving business environment, affordability, reliability, safety and sustainability remain key points of focus for utilities and their customers.

The discussion below relates to results for the year ended December 31, 2023, as compared to 2022.

Adjusted Earnings Before Interest, Taxes, and Depreciation and Amortization (Adjusted EBITDA)(1) of $829 million for 2023 has increased by $92 million from 2022, largely due to a $81 million increase in transmission and distribution margin and a $41 million increase in electricity margin due to favourable market conditions in the Alberta electricity market, partially offset by a $34 million increase in Operations, Maintenance and Administration (OM&A). Comparable Net Earnings (CNE)(1) of $316 million for 2023 was $42 million higher than 2022, as the increase in Adjusted EBITDA noted above was partially offset by higher depreciation and amortization expenses and finance charges. The increase in CNE was significantly outpaced by unrealized mark-to-market losses on financial commodities contracts due to changes in forward natural gas prices resulting in a Net loss of $16 million in 2023, compared to Net earnings of $296 million in 2022.

Other highlights from 2023 include:

- In Q4 2023, the AUC set the Generic Cost of Capital (GCOC) parameters, return on equity (ROE) and deemed debt to equity ratio for 2024 and beyond. The AUC approved a formula to determine the target return on equity (ROE) commencing in 2024. A notional ROE of nine per cent will be adjusted annually by the approved formula, which results in ROE of 9.28 per cent for 2024. The deemed debt to equity ratio remains unchanged from 63 per cent debt and 37 per cent equity. The AUC has stated

(1) Adjusted EBITDA and Comparable Net Earnings are non-IFRS financial measures. See Non-IFRS Financial Measures section.

that the 37 per cent equity and a 9 per cent notional ROE “will enable the utilities to target a credit rating in the A-range.” [2]

- In Q4 2023, the AUC approved ENMAX Power’s 2023-2025 transmission revenue requirement. This decision provides revenue certainty for the transmission business until the end of 2025. ENMAX Power’s 2024 interim revenue requirement took effect January 1, 2024.
- In Q4 2023, the AUC established the parameters for the third PBR term for distribution utilities. Included in the decision are updated PBR parameters for inflation, productivity, incremental capital funding and a mechanism to share earnings with customers when ENMAX Power earns more than two per cent above the approved ROE set by the AUC in its GCOC decision (discussed above). This decision provides revenue certainty for ENMAX Power’s distribution business from 2024 to 2028. Updated interim distribution rates took effect January 1, 2024.
- In Q4 2023, the AUC issued a decision confirming that all electric utility distribution rates will reflect a maximum investment of $3,016 per service, in standard and non-standard residential developments, approximately 20 per cent lower than ENMAX Power’s prior investment level. The new investment level is effective January 1, 2024.
- On July 1, 2023, Versant Power implemented rate changes in its distribution, stranded cost, and conservation rates for BHD and MPD and transmission rates for MPD. The change in distribution and stranded cost rates was approved to take effect in two phases on July 1, 2023, and January 1, 2024, with 50 per cent of the distribution increase and approximately 80 per cent of the stranded cost rate increase effective July 1, 2023, with the remaining portion of the two rate increases effective January 1, 2024.
- On November 7, 2023, Mainers had a ballot initiative that provided the option to vote “to create a new power company governed by an elected board to acquire and operate existing for-profit electricity transmission and distribution facilities in Maine, U.S.” (namely, Versant Power and Central Maine Power). Seventy per cent of voters rejected this proposal, and as a result, Versant Power will continue to operate as a stand-alone subsidiary of ENMAX.
- Alberta Electric System Operator (AESO) pool prices averaged $133.55 per megawatt-hour (MWh) in 2023, a decrease of 18 per cent from 2022. The second half of 2023, particularly Q4, saw significantly lower prices than the prior year due to mild weather, lower natural gas prices and strong renewable generation.
- Alberta natural gas daily index prices averaged $2.54 per gigajoule (GJ) in 2023, a 50 per cent decrease from 2022. Prices were weaker in 2023 largely due to an increase in supply throughout the year as Alberta production remained strong, hitting all-time highs near the end of the year. In addition, mild weather in Q4 2023 led to lower than expected demand.
- Spark spread, which is the difference between the wholesale electricity price and cost of natural gas to produce the electricity, is a proxy for gross margin contribution of a natural gas-fuelled power plant from generating an unhedged unit of electricity, prior to carbon pricing impacts. The average spark spread for year ended December 31, 2023, was $114.52 per MWh, a decrease of 8 per cent from 2022.

[2] AUC Decision 27084-D02-2023.

- Alberta Bill 2, the *Inflation Relief Statutes Amendment Act, 2022*, received Royal Assent on December 15, 2022. Bill 2 set a price ceiling of 13.5 cents per kilowatt-hour (kWh) on the electric energy charge portion of the RRO from January 1, 2023 to March 31, 2023. RRO customer billings for energy charges above 13.5 cents per kWh during this period were deferred and are being recovered from RRO customers between April 1, 2023 and December 31, 2024. The Government of Alberta provided interest-free advances to RRO providers in the amount of aggregate customer deferrals, repayable over the recovery period. As at December 31, 2023, ENMAX had $24 million remaining to repay to the Government of Alberta.
- In March 2023, ENMAX Energy successfully completed a major planned maintenance outage at Shepard Energy Centre within the scheduled time frame with no lost time incidents.
- Sheri Primrose was appointed Chief Financial Officer effective September 25, 2023. Sheri has spent the past 17 years of her career at ENMAX where she most recently held the role of VP Finance, Strategic Planning and Corporate Optimization.
- A settlement with CUPE Local 38 was ratified on March 27, 2023, which is in effect from 2023 to 2025.
- Capital spending equated to $657 million in 2023, an increase of 15 per cent from 2022. The increase primarily relates to Substation No. 1 and the continued enablement of The City's Green Line light rail transit project in ENMAX Power and advanced metering infrastructure in Versant Power. Of the total capital expenditures, 92 per cent was invested in the regulated businesses.

## NON-IFRS FINANCIAL MEASURES

Management believes that financial measures of operating performance are more meaningful if the impacts of specific items that are non-recurring or are not representative of core business operations are excluded from the financial information. ENMAX uses Adjusted EBITDA and CNE as an indication of cash flows and earnings from recurring primary business activities, without consideration of non-cash depreciation and amortization charges, how those activities are financed, or how the results are taxed. Adjusted EBITDA is also used to evaluate certain debt coverage ratios.

CNE includes depreciation and amortization and finance charges, as well as income tax effects of core operations, but both Adjusted EBITDA and CNE exclude unrealized gains or losses on commodities, unrealized foreign exchange gains or losses, impairment charges (if any) and related tax effects of these items. Unrealized gains or losses on commodities reflect the impact of changes in forward natural gas and power prices and the volume of positions for these derivatives over a certain period. These unrealized gains or losses 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 fair valued under IFRS. Similarly, unrealized foreign exchange gains or losses do not necessarily reflect the actual gains and losses that will be realized on settlement. Impairments are by nature non-recurring adjustments that do not necessarily reflect ongoing core operations. Management believes Adjusted EBITDA and CNE are more representative of ongoing core operations as adjusted for the items noted above.

These financial measures do not have any standard meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. These financial measures and their reconciliation to IFRS financial measures are shown below.

## ADJUSTED EBITDA, COMPARABLE NET EARNINGS AND NET (LOSS) EARNINGS

| ***Year ended December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Adjusted EBITDA [(1)] | | |
| ENMAX Power | **325** | 278 |
| Versant Power | **133** | 131 |
| ENMAX Energy | **373** | 326 |
| Corporate | **(2)** | 2 |
| Consolidated Adjusted EBITDA | **829** | 737 |
| Add (deduct): | | |
| Depreciation and amortization (excluding regulatory deferral movement) | **(357)** | (327) |
| Income tax expense related to recurring core operations [(2)] | **(8)** | (8) |
| Finance charges | **(148)** | (128) |
| Comparable Net Earnings [(1)] | **316** | 274 |
| Add (deduct): | | |
| Unrealized (loss) gain on commodities [(3)] | **(378)** | 68 |
| Unrealized foreign exchange loss [(4)] | **(2)** | (11) |
| Impairment | **-** | (40) |
| Net income tax recovery (expense) on unrealized (loss) gain on commodities, unrealized foreign exchange loss and impairment [(2)] | **48** | 5 |
| Net (loss) earnings | **(16)** | 296 |

(1) Adjusted EBITDA and CNE omit the separate presentation of regulatory deferral changes that is required in the Consolidated Statement of (Loss) Earnings under IFRS. See Note 6 to the Annual Financial Statements.
(2) Presented as current and deferred income tax (recovery) expense in the Consolidated Statement of (Loss) Earnings.
(3) Included in Electricity and fuel purchases expense in the Consolidated Statement of (Loss) Earnings.
(4) Included in Other expenses in the Consolidated Statement of (Loss) Earnings.

## SEGMENT RESULTS

Results of operations are not necessarily indicative of future performance, due to factors including fluctuating commodity prices, timing of receipt of regulatory decisions, performance of generation facilities and impact of government policies. ENMAX's regulated businesses represent 55 per cent of 2023 Adjusted EBITDA.

| *(millions of Canadian dollars)* | **ENMAX Power** | **Versant Power** | **ENMAX Energy** | **Corporate** | **ENMAX Consolidated** |
|---|---|---|---|---|---|
| Adjusted EBITDA [(1)] for the year ended December 31, 2022 | 278 | 131 | 326 | 2 | 737 |
| Increased (decreased) margins attributable to: | | | | | |
| Transmission and distribution | 47 | 34 | - | - | 81 |
| Electricity | - | - | 43 | (2) | 41 |
| Natural gas | - | - | 7 | - | 7 |
| Contractual services and other | (10) | 1 | 7 | (1) | (3) |
| Decreased (increased) expense: | | | | | |
| Operations, maintenance and administration (OM&A) [(2)] | 10 | (33) | (10) | (1) | (34) |
| **Adjusted EBITDA [(1)] for the year ended December 31, 2023** | **325** | **133** | **373** | **(2)** | **829** |

(1) Adjusted EBITDA is a non-IFRS financial measure. See Non-IFRS Financial Measures section.
(2) Normalized to exclude impact of intercompany transactions with no consolidated impact.

## ENMAX POWER

ENMAX Power Adjusted EBITDA for the year ended December 31, 2023, was $325 million, compared with $278 million for the prior year. Higher transmission and distribution margins were driven by the approval of the 2023 transmission and distribution revenue requirement and an increase in customer sites and demand in the regulated distribution business. The increase in regulated revenue and lower OM&A spending were partially offset by a decrease in margins related to contractual services, relative to 2022.

Management characterizes OM&A as other expenses recognized on the Consolidated Statement of (Loss) Earnings in the Annual Financial Statements, excluding unrealized foreign exchange gains and losses and costs that are included in contractual service margin. OM&A spending for the year ended December 31, 2023, was $10 million lower than prior year, largely due to a one-time charge for the resolution of a historical legal matter in 2022.

### KEY BUSINESS STATISTICS

| *Year ended December 31,* | 2023 | 2022 |
|---|---|---|
| Distribution volume in gigawatt hours (GWh) | **9,450** | 9,483 |
| System average interruption duration index (SAIDI) (1) | **0.62** | 0.50 |
| System average interruption frequency index (SAIFI) (2) | **0.52** | 0.65 |
| Customer average interruption duration index (CAIDI) (3) | **1.20** | 0.77 |

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

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

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

Total electricity delivered within the Calgary service area for the year ended December 31, 2023, was lower than 2022, primarily due to significantly reduced energy consumption in the month of December resulting from warmer than usual weather.

SAIDI and CAIDI were unfavourable compared to 2022 due to implementing enhanced safety protocols for responding to outages, as well as equipment failures, increased wildlife contact and public interference outages. SAIFI was favourable compared to the prior year due to fewer outages from cable failures.

## VERSANT POWER

Versant Power Adjusted EBITDA for the year ended December 31, 2023, was $133 million compared with $131 million in 2022. Higher transmission and distribution margins were largely offset by an increase in OM&A spending. Transmission and distribution rate increases began to take effect on July 1, 2023. The increase in OM&A spending primarily relates to increased promotional expenses and staffing costs, compared to the same periods in 2022.

### KEY BUSINESS STATISTICS

| *Year ended December 31,* | **2023** | **2022** |
|---|---|---|
| Distribution volume in gigawatt hours (GWh) | **2,021** | 2,051 |
| System average interruption duration index (SAIDI) [(1)(4)(5)] | **4.54** | 5.43 |
| System average interruption frequency index (SAIFI) [(2)(4)(5)] | **1.98** | 2.46 |
| Customer average interruption duration index (CAIDI) [(3)(5)] | **2.30** | 2.21 |

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

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

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

(4) The methodology for these calculations includes management judgement and is currently under review. No material impact is expected.

(5) The Institute of Electrical and Electronics Engineers defines a “sustained” outage as one that is five minutes or longer. This is a known distinction from the Canadian equivalent definition.

The volume of electricity delivered for the year ended December 31, 2023, was lower than the same period in 2022. This decrease was driven by more moderate weather in 2023 compared to 2022 and increased net energy billing participation by residential customers in 2023.

Versant Power experienced improved SAIDI and SAIFI levels, but elevated CAIDI levels for the year ended December 31, 2023, compared to 2022. Improved SAIFI and SAIDI were a result of fewer weather events and increased vegetation management, while CAIDI weakened due to fewer short duration outage events.

### ENMAX ENERGY

ENMAX Energy Adjusted EBITDA for the year ended December 31, 2023, was $373 million, compared with $326 million for the prior year. The increase in electricity margin of $43 million was driven by strong customer growth in the retail business, higher realized gains on trading positions and favourable cost to supply, in comparison to 2022. Favourable margins were partially offset by an increase in OM&A due to higher spend on staffing and technology costs.

#### KEY BUSINESS STATISTICS

| *Year ended December 31,* | 2023 | 2022 |
|---|---|---|
| Natural gas-fuelled plant availability (%) [(1)] | **93.6** | 93.0 |
| Average flat pool price ($/MWh) | **133.55** | 162.12 |
| Average natural gas price ($/GJ) | **2.54** | 5.08 |
| Average spark spread ($/MWh) [(2)] | **114.52** | 124.02 |

[(1)] Natural gas-fuelled plant availability (%) reflects planned maintenance and forced outages.
[(2)] Based on market prices and does not include costs such as variable operations and maintenance.

# FINANCIAL PERFORMANCE

## CHANGES IN NET (LOSS) EARNINGS

*(millions of Canadian dollars)*

| | |
|---|---|
| Net (loss) earnings for the year ended December 31, 2022 | 296 |
| (Decrease) increase attributable to: | |
| Transmission and distribution revenues | 151 |
| Electricity and natural gas revenues | (94) |
| Contractual services, CIAC and other revenues | 26 |
| Transmission and distribution expenses | 32 |
| Electricity, fuel and natural gas purchases and delivery expenses | (326) |
| Depreciation and amortization expenses | (30) |
| Impairment | 40 |
| Other expenses | (52) |
| Finance charges | (20) |
| Income taxes | 43 |
| Net movement in regulatory deferral account balances | (82) |
| **Net (loss) earnings for the year ended December 31, 2023** | **(16)** |

Net loss for the year ended December 31, 2023, was $16 million, a decrease from $296 million of net earnings in 2022. The increase in transmission and distribution margins was significantly outpaced by a decrease in electricity and natural gas margins due to changes in unrealized gains and losses on financial commodities contracts resulting from unfavourable price movements on forward market financial positions.

## OTHER COMPREHENSIVE (LOSS) INCOME AND SHAREHOLDER'S EQUITY

Other Comprehensive (Loss) 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 remeasurement gains and losses on post-employment benefits.

For the year ended December 31, 2023, OCI includes losses of $23 million, compared with income of $124 million in 2022. The fluctuation in OCI is primarily a result of cumulative foreign exchange translation on consolidation of foreign operations.

Accumulated other comprehensive loss is reflected in shareholder's equity along with retained earnings and share capital. Retained earnings at December 31, 2023, decreased by $98 million largely due to $82 million in dividends on common shares, as well as a net loss during the year.

## SIGNIFICANT CHANGES IN FINANCIAL POSITION

Changes over $32 million (10 per cent of CNE for the year ended 2023) and 10 per cent from December 31, 2022, are detailed below.

| ***As at December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** | **$ Change** | **% Change** | **Explanation for Change** |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Accounts receivable | **938** | 1,220 | (282) | (23) | Decrease due to lower average electricity price in Q4 2023 than the average price in Q4 2022 |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | | | | |
| Short-term financing | **444** | 304 | 140 | 46 | Increased borrowing to fund working capital requirements |
| Accounts payable and accrued liabilities | **830** | 1,134 | (304) | (27) | Lower commodity prices on purchased electricity and gas during Q4 2023 than Q4 2022 |
| Net financial liabilities (assets) (1) | **52** | (62) | 114 | 184 | Change in market value of derivatives |
| Net deferred income tax liabilities (1) | **209** | 241 | 32 | 13 | Decrease primarily due to tax effect on change in value of derivatives |

(1) Includes current and long-term portions.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

| ***As at December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Total assets and regulatory deferral account debit balances | **9,446** | 9,710 |
| Long-term debt (non-current) | **3,185** | 3,156 |

| ***Year ended December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Total revenue | **3,811** | 3,663 |
| Adjusted EBITDA [(1)(2)] | **829** | 737 |
| Comparable Net Earnings [(1)(2)] | **316** | 274 |
| Net (loss) earnings | **(16)** | 296 |
| Capital expenditures | **657** | 569 |

(1) See Non-IFRS Financial Measures section.
(2) Does not include:

- Unrealized foreign exchange loss for the year ended December 31, 2023 of $2 million (2022 - $11 million).
- Unrealized electricity and gas mark-to-market loss for the year ended December 31, 2023 of $378 million (2022 - $68 million gain).

## LIQUIDITY AND CAPITAL RESOURCES

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

Cash and cash equivalents decreased to $90 million as at December 31, 2023, from $95 million as at December 31, 2022. Short-term financing of $444 million as at December 31, 2023, up from $304 million at December 31, 2022, reflects working capital management to address timing of expenditures.

ENMAX’s credit facility agreements and trust indenture include events of default and covenant provisions, whereby accelerated repayment and/or termination of agreements may result if the Corporation were to default on payment or violate certain covenants. As at December 31, 2023, the Corporation was compliant with all debt covenants.

As at December 31, 2023, ENMAX Corporation had $214 million in CAD commercial paper outstanding with a fair value of $214 million and an average interest rate of 6.11 per cent (December 31, 2022 - $99 million at 5.21 per cent) and had drawn $230 million on existing credit facilities with a weighted average cost of borrowing of 6.64 per cent (December 31, 2022 - $205 million at 5.92 per cent).

As at December 31, 2023, Versant Power had $nil USD outstanding on credit facilities (December 31, 2022 - $nil). On August 16, 2023, Versant Power issued an unsecured $100 million USD senior note, which bears an interest rate of 5.80 per cent, payable semi-annually and maturing on August 15, 2053.

ENMAX’s total consolidated debt balance as at December 31, 2023, was $3,921 million (December 31, 2022 - $3,545 million). The increase in total debt was primarily to fund regulated capital investments and to meet working capital requirements.

Fitch affirmed its BBB with a Stable Outlook credit rating for ENMAX on May 19, 2023. DBRS affirmed its credit rating of BBB (high) with Stable Trends for ENMAX on July 7, 2023. S&P revised its rating for ENMAX Corporation on July 14, 2023, to BBB- with a Stable Outlook, up from BBB- with a Negative Outlook. S&P revised its standalone rating for Versant Power on July 14, 2023, to BBB+ with a Stable Outlook, up from BBB+ with a Negative Outlook.

### CREDIT FACILITIES

| ***As at December 31,*** | **2023** | | **2022** | |
|---|---|---|---|---|
| | **Borrowing capacity** | **Available [4]** | **Borrowing capacity** | **Available [4]** |
| *(millions of Canadian dollars)* | | | | |
| Committed Credit Facilities [1] | **1,000** | **554** | 1,000 | 696 |
| Demand Credit Facilities [2] | **1,250** | **881** | 1,250 | 460 |
| Total CAD | **2,250** | **1,435** | 2,250 | 1,156 |
| *(millions of U.S. dollars)* | | | | |
| Committed Credit Facilities [3] | **80** | **78** | 80 | 77 |
| Total USD | **80** | **78** | 80 | 77 |

[1] The Corporation's committed syndicated credit facilities mature in 2026 and are provided by national and regional lenders.

[2] Demand credit facilities currently have $1,170 million CAD allocated to letters of credit and the remaining $80 million CAD allocated for general corporate purposes.

[3] This USD Committed Credit Facility is strictly to fund Versant Power operations for either letters of credit or general corporate purposes.

[4] Capacity remaining after consideration for borrowings, letters of credit and commercial paper backstop.

## CASH PROVIDED BY OPERATING ACTIVITIES

Cash provided by operating activities for the year ended December 31, 2023, was $345 million, compared to $704 million in 2022, resulting from lower commodity prices.

## INVESTING ACTIVITIES

The following table outlines investment in capital additions and other changes for the year ended December 31, 2023:

| ***Year ended December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Property, plant and equipment | **587** | 523 |
| Intangibles | **54** | 35 |
| Capitalized interest | **14** | 9 |
| Investment entities | **2** | 3 |
| Proceeds on disposal | **(3)** | (1) |
| Total | **654** | 569 |

During 2023, ENMAX continued to execute its strategic direction by investing in property, plant and equipment to better serve its growing customer base. In alignment with ENMAX's financial objectives, over 70 per cent of capital investment was in its regulated businesses (2023 actual: 92 per cent). Some of the more significant capital investments include Substation No. 1 and accommodating The City's Green Line light rail transit project in ENMAX Power and advanced metering infrastructure in Versant Power.

## FINANCING ACTIVITIES

ENMAX makes use of revolving credit facilities to fund general operating requirements and to provide liquidity support for commercial paper and commodity marketing programs. At December 31, 2023, ENMAX Corporation had $214 million in CAD commercial paper outstanding with a fair value of $214 million and an average interest rate of 6.11 per cent (December 31, 2022 - $99 million at 5.21 per cent) and had drawn $230 million on existing credit facilities with a weighted average cost of borrowing of 6.64 per cent (December 31, 2022 - $205 million at 5.92 per cent).

During 2023, ENMAX made regularly scheduled long-term debt repayments of $89 million (2022 - $483 million) and received proceeds from long-term debt issuance of $339 million (2022 - $356 million). During 2023:

- ENMAX Corporation issued $204 million of promissory notes to The City and made $88 million of regularly scheduled principal payments on promissory notes with The City.
- Versant Power issued an unsecured $100 million USD senior note, bearing interest at a rate of 5.80 per cent, payable semi-annually, maturing August 15, 2053.

ENMAX's dividend policy is to pay The City the greater of 30 per cent of prior year CNE, or $30 million. Dividends for a fiscal year are established in the first quarter of that year, based on results from the prior year. As per normal course, the payment and level of dividends is affected by factors such as financial performance and ENMAX's liquidity requirements. On March 8, 2023, ENMAX declared a dividend of $82 million, payable to The City in quarterly instalments throughout 2023. All quarterly instalments of this dividend were paid by the end of 2023. On February 29, 2024, a total dividend of $95 million was declared, payable to The City in four quarterly instalments throughout 2024.

# RISK AND RISK MANAGEMENT

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

Risk exposures are managed within levels approved by the Board and the Chief Executive Officer and monitored by personnel in the business units, the planning and risk departments and the senior management team. At a management level, each accountability area is responsible for assessing its risk exposures and implementing risk management plans. Enterprise level risk oversight is provided through the Board's Corporate Governance Committee (CGC). Together, the CGC and the Board oversee identified risk exposures and risk management programs, including the ERM program.

ENMAX's overall risk control approach includes:

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

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

## REGULATORY AND LEGAL RISK

ENMAX is subject to regulatory oversight of the operation of its assets, and of the rates that ENMAX Power and Versant Power charge customers for service. ENMAX Energy's operations are subject to regulation by the Alberta Department of Energy and Minerals and other departments and agencies. Rates charged to customers by ENMAX Power are subject to regulation by the AUC, and rates charged by Versant Power are subject to regulation by the MPUC and FERC. Regulatory proceedings and related decisions may affect ENMAX's service quality and reliability levels, as well as allowed rate of return and deemed capital structure, rate structure, design and development of transmission and distribution assets, depreciation and amortization and recovery of operating costs. The regulatory approval process can result in time lags between applying for customer rate changes and implementing them and may result in the alteration or denial of applied-for rates.

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

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

ENMAX is subject to risks associated with changing laws and regulations in Canada and the U.S., including but not limited to environmental and emissions regulations, labour laws and public health orders. It is not always possible to predict changes in laws and regulations that could impact operations, revenues and expenses, cash flows, or the ability to renew licenses and permits as required. ENMAX mitigates these risks by monitoring proposed changes to laws and regulations and business activities that could be subject to public or private legal actions, including contracts with third parties and claims allegedly involving the Corporation.

ENMAX is occasionally named as a party in various claims and legal proceedings that arise during the normal course of its business. The Corporation reviews each of these claims, including the nature of the claim and the amount in dispute. Although there is no assurance that each claim will be resolved in favour of the Corporation, the Corporation does not believe that the outcome of any claims or potential claims it is currently aware of will have a material adverse effect on the financial results or position of the Corporation, after considering amounts previously reserved by the Corporation. For further information, refer to Note 30 in the notes to the Annual Financial Statements.

## HEALTH, SAFETY, AND OPERATIONAL RISK

ENMAX owns, controls or operates assets and facilities involved in the generation, transmission and distribution of electricity in both urban and rural areas. Working with electricity involves hazards that could result in injury to employees, contractors or the public, or damage to property. The failure or improper use of generation, transmission and distribution assets and infrastructure due to natural disasters, human error or other factors may result in performance below expected or contracted levels of output, which could impact service reliability and the Corporation's earnings and cash flows.

Electricity generation is subject to risks including inefficiency or interruption in natural gas supply for gas-fuelled assets and wind variability for wind powered assets. Weather can play a major role in driving demand for electricity and natural gas and can also lead to interruptions of transmission and distribution service or damage to assets. The interconnected nature of electricity grid infrastructure in Alberta and Maine can create circumstances in which outages on industry peers' facilities may impact service to ENMAX customers. Events that could result from war, terrorism, global pandemic, civil unrest or vandalism may cause damage to ENMAX assets or have an impact on its generation, transmission and distribution operations or administrative functions. Any of these risks could result in impacts on the Corporation's operations, earnings, capital expenditures and cash flows, and the results could be unpredictable.

To mitigate these risks, ENMAX engages in a robust training program and continuously educates staff and contractors on procedures to address operational hazards, as well as engaging in regular public awareness campaigns to inform the public of potential hazards associated with electricity infrastructure and operations. ENMAX also enters into contracts with reputable third parties to buy and sell natural gas and electricity, in order to secure sufficient electricity supply to meet customer demand, to secure natural gas supply for gas-fuelled generation assets and to limit earnings volatility caused by commodity price fluctuations and supply/demand imbalances.

ENMAX uses asset management plans, security protocols, business continuity and emergency response plans and other measures to mitigate or respond to physical risks to its facilities and operations. To mitigate financial risks associated with damage to assets or service interruption, ENMAX maintains property, business interruption and other insurance coverage, although such programs and measures may not prevent or cover the occurrence of any or all of these events and the adverse effects they may generate. There is no assurance that ENMAX will be able to obtain or maintain adequate insurance in the future at rates the Corporation considers reasonable, that insurance will continue to be available on terms as favourable as the existing arrangements, or that insurance companies will pay claims.

## MARKET AND LIQUIDITY RISK

The Bank of Canada increased the prime lending rate by 25 basis points on three separate occasions during 2023: January 25, June 7 and July 12. The U.S. Federal Reserve increased the federal funds rate in 25 basis point increments effective on four separate dates in 2023: February 2, March 23, May 4 and July 26. The Corporation's debt is largely long-term and fixed rate, therefore exposure to interest rate risk is not currently significant. However, ENMAX is exposed to rate increases on short-term financing and any new long-term issuances. At as December 31, 2023, 11 per cent (2022 - 9 per cent) of ENMAX total debt is short-term financing and 8 per cent (2022 - 3 per cent) of ENMAX long-term debt is current.

ENMAX is affected by demand for energy based on changing consumer habits. General economic conditions, consumer focus on energy efficiency, weather and adoption of new technologies impact the demand for energy. Government policies promoting increased electrification, distributed generation, low or net zero carbon strategies and new technology developments enabling those policies have the potential to impact how electricity users connect to and utilize the system. Changes in how and where consumers work and increasing electrification of transportation may influence both the amount and distribution of energy consumption across service areas. These changes could impact ENMAX's operations, assets, net earnings and cash flows. The regulatory constructs governing ENMAX Power and Versant Power partially mitigate the impact of changes in demand on long-term financial performance by facilitating a return on and return of prudently deployed capital through future rates. The electrification of transportation could and is currently projected to increase consumption and the need for investment in distribution systems. ENMAX is focused on understanding customer demand, energy efficiency initiatives and government policy to provide benefit to customers while maintaining service reliability and appropriate rates.

ENMAX is exposed to price fluctuations on its electricity and natural gas commodity positions arising from owned and controlled generation assets and customer demand obligations. ENMAX also purchases and sells electricity and natural gas in wholesale markets to manage such positions. While ENMAX's business model is designed to achieve a net long generation position (supply available exceeds customer demand) portfolio, in the near-term, electricity and natural gas positions may experience periodic imbalances resulting in exposure to price volatility from spot or short-term contract markets. In the longer term, the nature of retail customer renewal cycle increases ENMAX's exposure to market prices. ENMAX uses numerous tools to forecast electricity consumption and generation, as well as the pattern of consumption and generation between hours (load shape). However, it is not possible to effectively hedge all positions every hour. As such, there is exposure to volume and load shape risk. ENMAX actively manages supply by matching generation and market purchases to consumption volumes, and uses derivative instruments, such as swaps and forward contracts, to manage exposure to commodity price risk. Financial gains and losses are recognized as a result of volatility in the market values of these contracts. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these derivative financial instruments may involve management's judgement or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. The inability or failure to effectively hedge its portfolio and prevent financial losses from derivative instruments could adversely affect ENMAX's business, results of operations, financial condition or the future prospects of the Corporation. ENMAX's hedging strategies and corporate governance models are designed to mitigate these commodity price risks. Occasionally, hedging is ineffective as it may require a minimum level of market liquidity to actively manage positions.

ENMAX has foreign exchange (FX) rate exposures arising from certain procurement and energy commodity business activities. ENMAX makes use of forward contracts to buy or sell currencies to mitigate certain FX risk exposures as they arise. However, these may not be sufficient to cover FX exposure in the event of timing mismatches or extreme FX rate movements.

Changes in interest rates can impact borrowing costs on ENMAX's variable rate debt as well as the fair value of fixed rate debt. ENMAX primarily holds long-term debt comprised of promissory notes and private debentures with fixed interest rates, which reduces exposure to interest rate fluctuations in the near term. Most of ENMAX's interest rate risk relates to short-term financing and refinancing of long-term debt maturities with new debt. Certain debt costs incurred in the transmission and distribution businesses may be recovered from customers through rates, if approved by the regulator. ROE in ENMAX's rate-regulated businesses tends to move directionally with interest rates, such that regulator-approved ROEs tend 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.

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

ENMAX's subsidiary Versant Power operates as a separate and distinct entity and must maintain adequate capital for normal obligations. This requires Versant Power to raise its own capital and maintain its own credit rating. Versant Power's assets and credit are not available to satisfy the debts and other obligations of the Corporation whether through collateral or guarantees.

ENMAX and Versant Power offer defined benefit (DB) pension plans for qualifying employees and retirees. Versant Power's DB plans are closed to new entrants. Contributions to the plans are based on periodic actuarial valuations, and the amount of contributions required in the future may change based on future investment returns, changes in benefits and changes in actuarial assumptions. This potential volatility could require additional sources of liquidity in future, could impact the Corporation's financial position, earnings and cash flows, and the impact could be material. To manage this risk, ENMAX has investment policies and procedures in place to govern the assets of the various plans and engages actuarial and investment management experts as advisors. The Human Resources Committee of the Board reviews these policies and procedures annually, and monitors plan performance. ENMAX's contributions to its pension plans satisfy, and are expected to continue to satisfy, minimum funding requirements.

For accounting purposes, as at December 31, 2023 the pension plans have an accrued total net benefit obligation of $42 million (December 31, 2022 - $55 million).

## CLIMATE CHANGE AND ENVIRONMENTAL RISK

ENMAX's operations are influenced significantly by changes in the environment. Short term weather patterns can influence the level and distribution of demand for electricity and the market price for electricity. Extreme weather events may result in service disruptions, damage to assets, or threats to the health and safety of employees and customers. Climate change is influencing behaviour changes in individuals, organizations and governments. Government policy around the ways electricity is generated, transmitted, distributed, stored and used by customers is rapidly evolving.

The *Canadian Net-Zero Emissions Accountability Act* became law in 2021 and is supported by Canada's 2030 Emissions Reduction Plans. In 2023, the Government of Canada released the draft Clean Electricity Regulations to advance net-zero electricity by 2035. The regulations (which are expected to be finalized in late 2024) include requirements for natural gas generation facilities to significantly reduce emissions. The main risk of these regulations is a limit on combustion of fossil fuels. Due to a lack of flexibility, implementation of the Clean Electricity Regulations as drafted could put the Corporation's natural gas generation facilities at risk of reduced output. ENMAX and other stakeholders, including the AESO, have provided feedback to the Government of Canada on the Clean Electricity Regulations to highlight concerns with grid reliability, regional differences, resource limitations and timing, among others. There is still uncertainty about the pace and detailed implementation of some of the proposed regulatory and policy changes. All proposed, drafted and finalized regulations are incorporated into ENMAX's annual scenario analysis and strategic planning. ENMAX advocates for a measured approach to the energy transition that maintains continued system reliability and affordability for customers.

The electricity sector, as a key player in a lower-carbon future, is experiencing rapid transformation as it responds to the opportunity of electrification, enables growth in distributed forms of renewable energy and embraces lower carbon sources of energy as part of the energy transition. Advancements in transportation electrification, energy storage and energy efficiency are accelerating this transition. ENMAX has a critical role to play in supporting customers and enabling opportunity throughout this transition. We continue to explore renewable energy generation and focus on emissions reductions across Canadian operations. Transition-related risks and opportunities include regulatory, market and technological changes that result from the energy transition and could impact ENMAX. Some of these changes present both a risk and opportunity for the Corporation.

In order to prepare for and adapt to climate change, ENMAX undertakes annual scenario planning to understand the evolving risks and opportunities that a changing climate may present for its business over the long term. This work is in response to the Task Force on Climate-related Financial Disclosures recommendations. In 2023, ENMAX conducted physical risk workshops with more than 20 subject matter experts in Alberta and Maine to discuss the potential impacts of climate change on its assets. The workshop participants assessed ENMAX Power, ENMAX Energy and Versant Power assets against nine relevant climate hazards: extreme heat, higher average temperatures, wildfire, drought, short duration high intensity storms, severe storms (tornadoes, hail), high winds (convective storms and strong wind gusts), river flooding and heavy snowfall. In addition, Versant Power assets were assessed against hurricanes and sea level rise, hazards specific to the operating areas in Maine. The Corporation also developed models to assess the range of future possible outcomes under various climate-related policy and market conditions. This work informs corporate strategy and business planning and enables the incorporation of important climate-related risks into decision making. The first elements from scenario analysis planning to be integrated into the business plan are carbon price, commodity price and policy application.

The Province of Alberta is currently experiencing drought conditions and is in water shortage management stage 4 (out of 5) as at December 31, 2023, where multiple water management areas are impacted by water shortage. The next stage (stage 5) would be to declare an emergency and enact a water management strategy with the potential to provide legislative tools to manage the shortage under the *Water Act*.

Prolonged drought can increase load of ENMAX's transmission and distribution wires, limit access to water for power generation and impact ENMAX's ability to effectively operate its facilities. The Corporation has implemented the following measures to mitigate this risk:

- Working to reduce freshwater use and optimize water use at operational facilities.
- Minimizing freshwater use through water recycling and treatment processes and by using 100 per cent reclaimed water at Shepard Energy Centre.
- Incorporating considerations from The City's Drought Resilience Plan into ENMAX's climate-related physical risk workshops.

The generation, transmission and distribution of electricity requires the use and disposal of certain hazardous materials. ENMAX is subject to federal, provincial or state and local laws and regulations regarding air, land and water quality and other environmental matters. In addition to imposing continuing compliance obligations, these laws and regulations authorize the imposition of substantial penalties for non-compliance, including fines, injunctive relief and other sanctions. Modifications of existing facilities may require new environmental permits or amendments to existing permits. Delays in the environmental permitting process, denials of permit applications and conditions imposed in permits may materially affect the cost and timing of projects. Non-compliance with environmental laws and regulations or incurrence of new costs or liabilities could adversely affect the business, results of operations, financial condition or prospects of the Corporation. ENMAX has implemented various programs to manage environmental risk exposures, many of which focus on prevention of and preparedness for adverse events.

## STRATEGIC RISK

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

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

ENMAX faces risk with respect to its strategy due to changing government policies. Political uncertainties and changing governments with different perspectives and policies could potentially impact ENMAX's ability to deliver on its strategy. ENMAX factors in these uncertainties and attempts to mitigate this risk by focusing resources on rate-regulated businesses with stable, predictable cash flows and contracted revenue.

ENMAX's asset ownership strategy requires the development and construction of transmission and distribution projects, as well as capital improvements to existing assets and the evaluation of opportunities to construct new assets. ENMAX's ability to successfully identify, value, evaluate, complete and integrate new organic growth opportunities and major capital projects is subject to risk. These include competition for resources, the performance of the economy in Alberta and Maine and regulatory or legislative decisions by various levels of government. Some of these risks are beyond the Corporation's control. For any given project, ENMAX could be subject to additional costs, delays to in-service dates, termination payments and losses under committed contracts. Such business development challenges could adversely affect the business, operations, financial condition and growth prospects of the Corporation.

ENMAX performs risk assessments and develops risk mitigation plans for major capital programs and projects and uses a phase gate approval process on developments. Capital programs and projects are budgeted on an annual basis, and funding for specific approved capital programs and projects is sourced on an ongoing basis. ENMAX makes use of fixed price contracts with vendors to mitigate cost escalation risk where available and appropriate. Project performance relative to expectations is regularly reported to senior management and the Board, and any corrective measures are taken as required. Delays and overspending in the development and construction of capital projects could affect ENMAX's financial results.

## HUMAN RESOURCES RISK

ENMAX's workforce is composed of union and non-union staff in a variety of administrative, technical, and supervisory roles across multiple disciplines in both Alberta and Maine. The variety of technical expertise and experience possessed by ENMAX staff and required by their roles means that ENMAX is exposed to risks around attracting and retaining qualified personnel, and succession planning for the loss or retirement of key employees.

More than half of ENMAX's workforce belong to one of three unions: The Canadian Union of Public Employees (CUPE) Local 38, the International Brotherhood of Electrical Workers (IBEW) Local 254 in Alberta, or IBEW Local 1837 in Maine. ENMAX has entered into collective bargaining agreements with these unions and is committed to maintaining mutually beneficial relationships with its unionized staff. There are risks that difficulties renewing or updating collective bargaining agreements as required periodically could result in higher labour costs, work stoppages or strikes, or attraction or retention rates below expectations. An agreement with CUPE Local 38 is in effect from 2023 to 2025. The agreements with IBEW Local 254 and IBEW Local 1837 are in effect until December 31, 2024 and June 30, 2024, respectively.

To mitigate these risks, ENMAX has implemented a variety of training and development programs for staff at all organizational levels, regularly solicits feedback on staff engagement to provide input for future initiatives and makes use of specialized recruitment experts. ENMAX is also focused on providing an inclusive workplace with a focus on recognition and strives to maintain competitive compensation and benefits programs.

## TECHNOLOGICAL RISK

ENMAX operates a variety of complex technology systems to enable the operations of its transmission, distribution, power generation and electricity and natural gas sales businesses, along with corporate functions and enterprise data. Ongoing investments are required to ensure reliable and efficient data and technologies to support current operations and enable strategic initiatives. Such investments include upgrading, replacing and modernizing the technology landscape as well as improving cybersecurity and disaster recovery capabilities.

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

Cyber security is a key business risk associated with technology advancements and increasing operational reliance on technology platforms. Given the evolving nature of these cyber threats, there is potential that ENMAX may experience security incidents that could materially impact the business. With the objective of safeguarding ENMAX assets, operations, reputation, customer and enterprise data, ENMAX has a vigilant, risk-based cyber security program that applies significant focus on employee cyber awareness training, collaboration with industry experts and effective incident response procedures. A portion of employee compensation is tied to phishing and cyber performance metrics for ENMAX Corporation.

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

## CREDIT RISK

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

ENMAX has implemented an effective credit risk management program to mitigate its exposures to credit risk. While it seeks to manage credit exposure by evaluating creditworthiness before and after entering agreements, monitoring business activity, and obtaining collateral when prudent to do so, ENMAX may not be able to identify and avoid all counterparties that are not creditworthy. ENMAX records provisions for expected credit losses based on historical default rates and knowledge of market conditions, however actual defaults by suppliers, retailers, service providers, customers and other counterparties could differ from these estimates, and the differences could be significant.

## REPORTING AND DISCLOSURE RISK

The application of critical accounting policies reflects complex judgements and estimates. These policies include but are not limited to industry-specific accounting applicable to rate-regulated utilities, to pensions and to derivative instruments. Accounting standards and disclosure requirements are continually evolving, and new disclosure requirements such as environmental, social and governance (ESG) reporting are emerging. Adoption of new accounting standards, or changes to current accounting policies or interpretations of such policies, could adversely affect the business, results of operations, financial condition or prospects of the Corporation.

Versant Power records transactions under U.S. Generally Accepted Accounting Principles (U.S. GAAP) and operates in U.S. dollars. ENMAX must translate Versant Power's financial results to IFRS and Canadian dollars in order to include Versant Power in ENMAX's consolidated reporting. This may involve estimates and the use of judgement to interpret the appropriate treatment of complex transactions. ENMAX has implemented various programs to reinforce its Internal Controls over Financial Reporting, including retaining qualified staff, use of experts where appropriate, quarterly review of the financial statements by executive management, quarterly certification of key controls facilitated by Internal Audit and review of certain disclosures by the Board.

## INCOME TAX RISK

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

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

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

The computation of the Corporation's provision for income taxes is an inherently complex process, requiring management to interpret continually changing regulations and to make certain professional judgements. This computation is impacted by changes in tax legislation that governs each legal entity, and such changes can affect future earnings, cash flows and financial position, as well as the existing deferred tax assets and liabilities. ENMAX monitors the status of existing tax laws to ensure that changes are appropriately reflected in the tax compliance filings and financial results. For instance, in December 2021, the Organisation for

Economic Co-operation and Development issued model rules for a new global minimum tax framework (Pillar Two), and various governments around the world have issued, or are in the process of issuing corresponding legislation. In Canada, the government released draft legislation on Pillar Two in July 2023. ENMAX is in the process of assessing the full impact of this.

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ENMAX continually strives to enhance the public disclosure and reporting of its ESG performance. ENMAX's ESG disclosure aligns with the Sustainability Accounting Standards Board and the Task Force on Climate-related Financial Disclosures standards. The most recent ESG performance report is available on enmax.com.

In 2023, ENMAX undertook an annual review of existing ESG practices, engaged with key stakeholders, and identified a series of forward-focused objectives and goals. These goals reflect ENMAX's priorities of achieving a lower carbon future, advancing electrification, enabling a talented, diverse, and inclusive team, and providing continued access to safe, reliable and affordable energy for years to come. Details of ENMAX's ESG framework are available within the latest ESG report.

### ENVIRONMENTAL

The advancement of a cleaner energy future is a mandate under which ENMAX has operated for decades. The increasing importance of advancing efforts to address climate change is a core part of the Corporation's strategy and business focus. ENMAX has an objective to achieve net zero scope 1 (direct) and scope 2 (indirect, i.e., facility energy use) GHG emissions by 2050. As milestones towards achieving this goal, ENMAX had targeted to reduce or offset 70 per cent of scope 1 and scope 2 emissions by 2030, from a 2015 baseline, and to electrify 35 per cent of its mobile fleet by 2030.

In 2023, ENMAX re-assessed the target of transitioning 35 per cent of its mobile fleet to zero emission vehicles (ZEVs) by 2030. Results from ENMAX's exploration of ZEVs thus far have illustrated a risk of reduced operational reliability and efficiency and significant delays in the supply of ZEVs and charging infrastructure presented challenges to meeting the target. Given these areas of concern, ENMAX determined the ZEV target was too ambitious at this time and decided to remove it. Going forward, ZEVs will be added to the fleet on a case-by-case basis. At the end of 2023, 10 per cent of the fleet was composed of ZEVs.

ENMAX is dedicated to delivering safe, reliable and responsible energy. In 2023, ENMAX:

- Continued to deploy modern meters, otherwise known as Advanced Metering Infrastructure (AMI), in Calgary and Maine. AMI technology supports the collection of analytics that can assist with distribution system planning, asset management and outage reviews, as well as provides customers with actionable insights into their energy usage to drive energy efficiency.
- Invested in decarbonization technologies through Energy Impact Partners (EIP), a global investment firm custom-built to invest in the energy transition. ENMAX has invested approximately $8 million USD of the $10 million USD it has committed to invest to this fund, joining more than 60 partners in EIP's efforts to decarbonize the global economy. ENMAX also committed $10 million between 2024

and 2026 to Mobility Impact Partners, a private equity fund investing in the future of transportation that provides access to experts and insights regarding vehicle electrification.

- Continued to advance the front-end engineering and design (FEED) study (leveraging funding from Emissions Reduction Alberta) to explore the feasibility and cost of constructing and integrating a carbon capture unit at Shepard Energy Centre.
- Progressed the ENMAX Community Solar Fund, a partnership between ENMAX and The City to support renewable energy, representing a $5 million in-kind investment to support solar-energy installations at over 30 community halls throughout Calgary. Solar installments were completed at 13 community centers in 2023 with a total of 25 installations complete on the project to date. The remaining six installations are targeted for completion in Q2 of 2024.
- In 2023, ENMAX introduced new Seasonal Solar™ rates for customers with solar panels who are able to export excess energy back to the grid during the sunnier months. The rate provides customers with bill credits passed through from the AESO, promotes the use of residential solar and expands support for microgeneration and renewables.

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

## SOCIAL

Electricity is an essential service, and energy affordability is critical to customers and communities. ENMAX aims to help eliminate barriers for vulnerable customers that may impact or inhibit access to safe, reliable and affordable electricity. The Corporation centres its efforts on supporting customers at each stage of the affordability lifecycle:

- Crisis management – relief to customers in energy-need crisis through agency partnerships.
- Prevention – programming to reduce barriers to affordable-energy access.
- Conservation – sustainable energy solutions, tools, education and awareness.

ENMAX is dedicated to providing customers access to safe, reliable and affordable energy through programs, resources and partnerships. ENMAX targets to spend at least 30 per cent of the community investment budget each year on activities and organizations that support customers at the various stages of the energy affordability lifecycle. In 2023, ENMAX allocated 36 per cent of the community investment budget towards energy affordability. ENMAX plans to increase the proportion of spending in this area to 40 per cent of the community investment budget by 2025. ENMAX also had a target to conduct six pilot projects by 2025 to test programs or solutions designed to improve accessibility and affordability of energy, which has been met by the end of 2023. Customer accessibility and affordability will remain a key focus for the Corporation.

ENMAX continues to deliver a comprehensive community investment strategy that targets essential needs, well-being of the communities and neighbourhoods, active employee engagement and opportunities for volunteering. In 2023, ENMAX continued the support of their long-standing community partners, Trellis Society, Distress Centre Calgary, United Way of Calgary and Area, Aboriginal Friendship Centre of Calgary, Bissel Centre (Edmonton) and United Way of Central Alberta. These partnerships support the crisis intervention stage of the energy affordability lifecycle and allow ENMAX to direct people to organizations to get the help they need. Increasing support to these agencies and others in key communities where we operate, such as Lethbridge Housing Authority, means that more families and individuals will have access to funding for essential needs and services.

ENMAX is working to foster a culture of inclusion that embraces diversity and allows everyone to feel respected, valued and included. A diverse and inclusive workforce fosters unique perspectives that enhances culture, sparks creativity, fosters innovation and creates value. All targets for 2023 were completed, which included:

- Update and expand categories of workforce diversity measurement and survey all employees.
- Pilot inclusive training to individual contributors.
- Expand training for customer facing teams on communicating with diverse customers and communities.
- Provide training to employees in Canada on the history of Indigenous Peoples.
- Create a diversity, inclusion and belonging roadmap at Versant Power.

ENMAX continues to work towards a vision of building a workforce that is reflective of its communities and where everyone has a sense of belonging. In 2024, new targets relating to workforce and leadership diversity will be added.

## GOVERNANCE

ENMAX's Board and executive team are committed to strong and effective standards of corporate governance and ethical conduct. For over 13 years, ENMAX's disclosures have been guided by the standards for Canadian reporting issuers for disclosure requirements regarding governance and executive compensation practices. ENMAX recognizes that having a majority of independent, highly qualified directors from diverse backgrounds is essential to effective decision-making. For the year ended December 31, 2023, all directors were independent, other than the President and CEO. ENMAX's Diversity Policy includes an aspirational target that women continue to comprise not less than 30 per cent of its directors and has achieved that target since 2017. The CGC is responsible for monitoring the implementation of the Diversity Policy on an annual basis and reports its findings to the Board with recommendations as appropriate. As at December 31, 2023, 33 per cent of directors are women and 17 per cent self-identify as members of an underrepresented group. In addition, more than 50 per cent of the executive team are women.

In support of ENMAX's commitment to diversity, ENMAX is a signatory to the Leadership Accord on Gender Diversity, headed by Electricity Human Resources Canada and a member of the 30% Club Canada, an organization working towards having women represent 30 per cent of board seats and C-suites in Canada by 2024.

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

## BOARD AND EXECUTIVE OVERSIGHT – ESG GOVERNANCE

The Board has ultimate oversight of ENMAX's ESG strategy and approach to ESG matters, including ESG targets and ensuring alignment between ESG initiatives and business strategy. The Board is also responsible for the Corporation's risk profile and decision making.

During 2023, the Board was supported by the Safety, Environment and Sustainability Committee (SESC) in fulfilling its ESG oversight responsibilities, which primarily include health, safety, environmental, sustainability, social and governance matters and climate-related issues. In addition, this committee supports the Board by:

- Reviewing progress and performance against ESG targets
- Reviewing periodic reports related to developments, trends, best practices, risks and issues related to the ESG targets and reporting, and
- Recommending for approval the publication of the annual ESG Report.

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

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

# CONSOLIDATED FINANCIAL STATEMENTS

## Contents


MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING ..... 30
INDEPENDENT AUDITOR'S REPORT ..... 31
CONSOLIDATED STATEMENT OF FINANCIAL POSITION ..... 33
CONSOLIDATED STATEMENT OF (LOSS) EARNINGS ..... 34
CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME ..... 35
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY ..... 36
CONSOLIDATED STATEMENT OF CASH FLOWS ..... 37
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ..... 38

1. DESCRIPTION OF THE BUSINESS ..... 38
2. BASIS OF PREPARATION ..... 38
3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS ..... 38
4. MATERIAL ACCOUNTING POLICY INFORMATION ..... 40
5. ACCOUNTING PRONOUNCEMENTS ..... 54
6. SEGMENT INFORMATION ..... 54
7. FINANCIAL INSTRUMENTS, HEDGES AND RISK MANAGEMENT ..... 60
8. INCOME TAXES ..... 68
9. REGULATORY DEFERRAL ACCOUNT BALANCES ..... 71
10. RESTRICTED CASH ..... 74
11. OTHER ASSETS AND LIABILITIES ..... 74
12. PROPERTY, PLANT AND EQUIPMENT ..... 75
13. INTANGIBLE ASSETS ..... 76
14. GOODWILL ..... 77
15. LEASES ..... 77
16. LONG-TERM DEBT ..... 79
17. POST-EMPLOYMENT BENEFITS ..... 80
18. DEFERRED REVENUE ..... 85
19. ASSET RETIREMENT OBLIGATIONS AND OTHER PROVISIONS ..... 85
20. SHARE CAPITAL ..... 86
21. ACCUMULATED OTHER COMPREHENSIVE LOSS ..... 86
22. JOINT ARRANGEMENTS ..... 86
23. INTEREST IN ASSOCIATES ..... 86
24. DIVIDENDS ..... 87
25. FINANCE CHARGES ..... 87
26. CHANGES IN NON-CASH WORKING CAPITAL ..... 87
27. RELATED PARTY TRANSACTIONS ..... 88
28. SUBSIDIARIES ..... 89
29. OTHER REVENUE AND EXPENSES ..... 90
30. COMMITMENTS AND CONTINGENCIES ..... 90
31. SUBSEQUENT EVENTS ..... 92
32. COMPARATIVE FIGURES ..... 92

GLOSSARY OF TERMS ..... 93
ADDITIONAL INFORMATION ..... 95

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Preparation and presentation of the accompanying consolidated financial statements of ENMAX Corporation is the responsibility of management and has been approved by the Board of Directors (the Board). In management's opinion, the consolidated financial statements have been prepared within reasonable limits of materiality in accordance with International Financial Reporting Standards (IFRS). The preparation of financial statements requires judgement and estimation when events affecting the current year depend on determinations to be made in the future. Management has exercised careful judgement where estimates were required, and these consolidated financial statements reflect all information available up to February 29, 2024. Financial information presented elsewhere in this report is consistent with that in the consolidated financial statements.

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

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

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

On behalf of management,

| | |
|---|---|
| Mark Poweska | Sheri Primrose |
| President and Chief Executive Officer | Chief Financial Officer |

February 29, 2024

Deloitte.

Deloitte LLP
700, 850 2 Street SW
Calgary AB T2P 0R8
Canada

Tel: 403-267-1700
Fax: 403-213-5791
www.deloitte.ca

# Independent Auditor's Report

To the Shareholder of ENMAX Corporation

## Opinion

We have audited the consolidated financial statements of ENMAX Corporation and its subsidiaries (the "Corporation"), which comprise the consolidated statement of financial position as at December 31, 2023 and 2022, and the consolidated statement of (loss) earnings, comprehensive (loss) income, changes in shareholder's equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

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

## Other Information

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

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

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

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
February 29, 2024

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *As at December 31,*<br>*(millions of Canadian dollars)* | **2023** | 2022 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents (Notes 7 and 10) | **$ 90** | $ 95 |
| Accounts receivable (Note 7) | **938** | 1,220 |
| Current portion of financial assets (Note 7) | **202** | 401 |
| Other current assets (Note 11) | **31** | 24 |
| | **1,261** | 1,740 |
| Property, plant and equipment (PP&E) (Notes 12 and 15) | **6,451** | 6,141 |
| Intangible assets (Note 13) | **335** | 332 |
| Goodwill (Note 14) | **632** | 647 |
| Deferred income tax assets (Note 8) | **81** | 64 |
| Post-employment benefits (Note 17) | **34** | 18 |
| Financial assets (Note 7) | **120** | 282 |
| Other long-term assets (Note 11) | **201** | 190 |
| TOTAL ASSETS | **9,115** | 9,414 |
| REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES (Note 9) | **331** | 296 |
| TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES | **$ 9,446** | $ 9,710 |
| LIABILITIES | | |
| Short-term financing (Note 7) | **$ 444** | $ 304 |
| Accounts payable and accrued liabilities | **830** | 1,134 |
| Income taxes payable (Note 8) | **2** | 1 |
| Current portion of long-term debt (Notes 7 and 16) | **292** | 85 |
| Current portion of financial liabilities (Note 7) | **180** | 465 |
| Current portion of deferred revenue (Note 18) | **5** | 5 |
| Current portion of lease liabilities (Note 15) | **3** | 5 |
| Other current liabilities (Note 11) | **69** | 42 |
| Current portion of asset retirement obligations and other provisions (Note 19) | **3** | 6 |
| | **1,828** | 2,047 |
| Long-term debt (Note 7 and 16) | **3,185** | 3,156 |
| Deferred income tax liabilities (Note 8) | **290** | 305 |
| Post-employment benefits (Note 17) | **76** | 73 |
| Financial liabilities (Note 7) | **194** | 156 |
| Deferred revenue (Note 18) | **614** | 601 |
| Lease liabilities (Note 15) | **39** | 38 |
| Other long-term liabilities (Note 11) | **18** | 16 |
| Asset retirement obligations and other provisions (Note 19) | **110** | 95 |
| TOTAL LIABILITIES | **6,354** | 6,487 |
| REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES (Note 9) | **140** | 150 |
| SHAREHOLDER'S EQUITY | | |
| Share capital (Note 20) | **280** | 280 |
| Retained earnings | **2,700** | 2,798 |
| Accumulated other comprehensive loss (Note 21) | **(28)** | (5) |
| | **2,952** | 3,073 |
| TOTAL LIABILITIES, REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES AND SHAREHOLDER'S EQUITY | **$ 9,446** | $ 9,710 |

Commitments and contingencies (Note 30).
See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF (LOSS) EARNINGS

| ***Year ended December 31,***<br>*(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| REVENUE (Note 6) | | |
| Transmission and distribution | **$ 1,269** | $ 1,118 |
| Electricity | **1,634** | 1,672 |
| Natural gas | **451** | 507 |
| Local access fees (Note 27) | **303** | 238 |
| Contractual services | **107** | 83 |
| Contributions in aid of construction (CIAC) (Note 18) | **17** | 22 |
| Other revenue (Note 29) | **30** | 23 |
| TOTAL REVENUE | **3,811** | 3,663 |
| OPERATING EXPENSES (Note 6) | | |
| Transmission and distribution | **509** | 541 |
| Electricity and fuel purchases | **1,550** | 1,161 |
| Natural gas and delivery | **378** | 441 |
| Local access fees (Note 27) | **303** | 238 |
| Depreciation and amortization | **356** | 326 |
| Impairment (Note 6) | **-** | 40 |
| Other expenses (Note 29) | **594** | 542 |
| TOTAL OPERATING EXPENSES | **3,690** | 3,289 |
| OPERATING PROFIT | **121** | 374 |
| Finance charges (Note 25) | **148** | 128 |
| NET (LOSS) EARNINGS BEFORE TAX | **(27)** | 246 |
| Current income tax expense (Note 8) | **1** | 3 |
| Deferred income tax recovery (Note 8) | **(41)** | - |
| NET EARNINGS - BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES | **13** | 243 |
| NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES (Note 9) | **(29)** | 53 |
| NET (LOSS) EARNINGS | **$ (16)** | $ 296 |

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME

| ***Year ended December 31,*** *(millions of Canadian dollars)* | | **2023** | | 2022 |
|---|---|---|---|---|
| NET (LOSS) EARNINGS | **$** | **(16)** | $ | 296 |
| OTHER COMPREHENSIVE (LOSS) INCOME, NET OF INCOME TAX | | | | |
| ***Items that will not be reclassified subsequently to statement of earnings*** | | | | |
| Remeasurement gain on retirement benefits (Note 17) [(1)] | | **13** | | 41 |
| Cumulative (loss) gain on translation adjustment | | **(35)** | | 84 |
| ***Items that will be reclassified subsequently to statement of earnings*** | | | | |
| Reclassification of loss on derivative instruments to net earnings | | **(1)** | | (1) |
| Other comprehensive (loss) income, net of income tax | | **(23)** | | 124 |
| TOTAL COMPREHENSIVE (LOSS) INCOME | **$** | **(39)** | $ | 420 |

[(1)] Net of deferred income tax expense of $1 million (2022 - $nil).
See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

| *(millions of Canadian dollars)* | Share Capital | Retained Earnings | Accumulated Other Comprehensive (Loss) Income | Total |
|---|---|---|---|---|
| As at December 31, 2022 | $ 280 | $ 2,798 | $ (5) | $ 3,073 |
| Net (loss) earnings | - | (16) | - | (16) |
| Other comprehensive loss, net of income tax | - | - | (23) | (23) |
| Total comprehensive loss | - | (16) | (23) | (39) |
| Dividends (Note 24) | - | (82) | - | (82) |
| **As at December 31, 2023** | **$ 280** | **2,700** | **(28)** | **2,952** |

| | | | | |
|---|---|---|---|---|
| As at December 31, 2021 | $ 280 | $ 2,564 | $ (129) | $ 2,715 |
| Net earnings | - | 296 | - | 296 |
| Other comprehensive income, net of income tax | - | - | 124 | 124 |
| Total comprehensive income | - | 296 | 124 | 420 |
| Dividends (Note 24) | - | (62) | - | (62) |
| As at December 31, 2022 | $ 280 | $ 2,798 | $ (5) | $ 3,073 |

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

| ***Year ended December 31,*** *(millions of Canadian dollars)* | **2023** | 2022 |
|---|---|---|
| CASH PROVIDED BY (USED IN): | | |
| OPERATING ACTIVITIES | | |
| Net (loss) earnings | **$ (16)** | $ 296 |
| Reconciliation of net (loss) earnings to cash flow from operating: | | |
| CIAC additions (Note 18) | **32** | 39 |
| CIAC revenue (Note 18) | **(17)** | (22) |
| Depreciation and amortization | **356** | 326 |
| Impairment | **-** | 40 |
| Finance charges | **148** | 128 |
| Income tax (recovery) expense | **(40)** | 3 |
| Loss on sale of assets | **-** | 3 |
| Change in unrealized market value of financial contracts | **377** | (67) |
| Post-employment benefits | **(4)** | (10) |
| Foreign exchange | **12** | 21 |
| Change in non-cash working capital (Note 26) | **(349)** | 82 |
| Cash flow from operations | **499** | 839 |
| Interest paid [1] | **(154)** | (135) |
| Net cash flow provided by operating activities | **345** | 704 |
| | | |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment and intangible assets [1] | **(657)** | (570) |
| Proceeds from disposal of property, plant and equipment | **3** | 1 |
| Cash flow used in investing activities | **(654)** | (569) |
| | | |
| FINANCING ACTIVITIES | | |
| Repayment of short-term debt | **(6,294)** | (1,466) |
| Proceeds from short-term debt | **6,434** | 1,552 |
| Repayment of long-term debt | **(89)** | (483) |
| Proceeds from long-term debt | **339** | 356 |
| Repayment of lease liability | **(4)** | (6) |
| Dividend paid (Note 24) | **(82)** | (62) |
| Cash flow used in financing activities | **304** | (109) |
| | | |
| Effect of foreign exchange on cash and cash equivalents | **-** | 4 |
| (Decrease) increase in cash and cash equivalents | **(5)** | 30 |
| Cash and cash equivalents, beginning of period | **95** | 65 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | **$ 90** | $ 95 |
| Cash and cash equivalents, end of period consist of: | | |
| Cash | **$ 60** | $ 48 |
| Restricted cash (Note 10) | **30** | 47 |
| | $ **90** | $ 95 |

[1] Interest paid excludes $14 million of capitalized borrowing costs (2022 - $9 million), which is included in purchase of PP&E and Intangible assets. Including capitalized borrowing costs, total interest paid during the year was $168 million (2022 - $144 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. DESCRIPTION OF THE BUSINESS

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

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

ENMAX Corporation's subsidiary, Versant Power, engages in transmission and distribution operations in the Bangor Hydro District (BHD) as well as the Maine Public District (MPD), in northern and eastern Maine, U.S.

## 2. BASIS OF PREPARATION

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

These consolidated financial statements were approved and authorized for issuance by ENMAX's Board of Directors on February 29, 2024.

### BASIS OF MEASUREMENT

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

### FUNCTIONAL AND PRESENTATION CURRENCY

The Corporation operates in two functional currencies: Canadian and U.S. dollars (USD). The latter is translated into the Corporation's presentation currency and, unless otherwise stated, these consolidated financial statements are presented in millions of Canadian dollars.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

## SIGNIFICANT ACCOUNTING JUDGEMENTS

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

## SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

## 4. MATERIAL ACCOUNTING POLICY INFORMATION

### (a) CONSOLIDATION

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

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

### (b) JOINT ARRANGEMENTS

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

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

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

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

### (c) BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

### (d) ASSOCIATES

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

### (e) REGULATORY DEFERRAL ACCOUNTS

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

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

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

## (f) FINANCIAL INSTRUMENTS

### Recognition

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

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

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

### Derecognition

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

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

### Classification

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

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

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

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

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

### Derivatives and hedging activities

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

Fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 7. Movements in the hedging reserve are recognized in the accumulated other comprehensive income (AOCI) portion of equity and are shown in Note 21. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

### Cash flow hedges

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

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

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

#### *Estimation uncertainty*

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

### Presentation

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

### Impairment of financial assets

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

#### *Estimation uncertainty*

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

### Hedges

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

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

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

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

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

## (g) FOREIGN CURRENCY

### Foreign currency transactions

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

### Foreign operations

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

## (h) CASH AND CASH EQUIVALENTS

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

## (i) PROPERTY, PLANT AND EQUIPMENT

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

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

| Asset Class | Depreciation Rates | | |
|---|---|---|---|
| Transmission, distribution and substation | 1.07% | to | 50.00% |
| Generation facilities and equipment | 2.00% | to | 20.00% |
| Generation overhauls and inspections | 6.67% | to | 66.67% |
| Buildings and site development | 1.21% | to | 10.00% |
| Tools, systems and equipment | 1.23% | to | 25.00% |
| Vehicles | 3.70% | to | 8.00% |

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

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

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

### *Significant judgement*

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

## (j) DEFERRED REVENUE

Under various statutory requirements and agreements with customers and developers, the Corporation receives contributions in aid of construction (CIAC) in the form of cash contributions. Such contributions are recorded as deferred revenue when funds are received and recognized into revenue over the useful life of the related underlying asset. The Corporation also recognizes deferred revenue related to warranty obligations on certain sales. Deferred revenue related to warranty obligations is recognized at the point of sale and is amortized into earnings over the related warranty term.

## (k) GOVERNMENT GRANTS

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

## (l) CAPITALIZATION OF BORROWING COSTS

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

## (m) INTANGIBLE ASSETS

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

| Asset Class | Depreciation Rates | | |
|---|---|---|---|
| Computer systems | 0.64% | to | 38.85% |
| Land easements, rights and lease options | 1.17% | to | 12.50% |

Useful lives of intangible assets are based on past experience, current facts and formal amortization studies. These assets are assessed annually for impairment or more frequently if events or changes in circumstances indicate that the asset may be impaired.

## (n) ASSET IMPAIRMENT

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

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

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

***Significant judgement and estimation uncertainty***

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

### (o) POST-EMPLOYMENT BENEFITS

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

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

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

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

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

### *Estimation uncertainty*

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

## (p) LEASES

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

Assets under financing leases are amortized on a straight-line basis over the term of the underlying leases (see Note 15) and are tested for impairment using the same approach as is applied for long-lived assets.

### *Significant judgement*

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

## (q) ASSET RETIREMENT OBLIGATIONS

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

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

### *Estimation uncertainty*

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

## (r) PROVISIONS AND CONTINGENCIES

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

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

### *Significant judgement*

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

## (s) REVENUE RECOGNITION

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

### Electricity and gas revenue

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

**Performance obligations**

Typical commodity contracts with customers include two performance obligations, which are to provide supplies of the commodity and to arrange for the delivery of these supplies to the customers' specified locations. These performance obligations are considered to be a series of performance obligations satisfied over time as the customers simultaneously take delivery of and consume the commodity.

ENMAX is the principal for commodity delivery charges within the Calgary city limits, with these charges reflected as gross revenue on ENMAX's consolidated financial statements. ENMAX is an agent for commodity delivery charges outside the Calgary city limits, and therefore the payment and recovery of these flow-through costs are presented on a net basis.

**Transaction price**

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

**Revenue recognition**

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

***Estimation uncertainty***

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

**Transmission and distribution revenue**

Transmission and distribution contracts with customers represent ENMAX's agreement to provide delivery of electricity to end customers through collaboration with electricity retailers.

**Performance obligation**

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

**Transaction price**

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

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

**Revenue recognition**

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

***Estimation uncertainty***

ENMAX applies the provisions of IFRS 14 *Regulatory Deferral Accounts* in accounting for its rate-regulated transmission and distribution businesses, to reflect the impact of regulatory decisions on the financial results of these businesses. An entity applying IFRS 14 may record revenues, expenses and regulatory deferral debits and credits that would not be recorded by an entity not applying IFRS 14. Estimates are necessary given that the regulatory environments in which the Corporation operates often require amounts to be recorded at estimated values until finalization and adjustment, pursuant to subsequent regulatory proceedings or decisions.

### Contractual services revenue

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

**Performance obligation**

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

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

**Transaction price**

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

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

**Revenue recognition**

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

#### *Estimation Uncertainty*

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

## (t) EMISSION CREDITS AND ALLOWANCES

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

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

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

## (u) DIVIDENDS

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

## (v) INCOME TAXES

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

Versant Power related entities are subject to U.S. Federal and the State of Maine corporate income tax regimes. For U.S. tax purposes, commonly controlled corporations are permitted to file a consolidated U.S. tax return.

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

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

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

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

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

### *Significant judgement and estimation uncertainty*

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

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

## 5. ACCOUNTING PRONOUNCEMENTS

There are new, revised and amended IFRS standards that are not yet effective until annual periods beginning on or after January 1, 2024, which have not been applied in preparing these consolidated financial statements. The Corporation does not anticipate the implementation of these new accounting standards to have a material impact on the consolidated financial statements.

## 6. SEGMENT INFORMATION

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

### ENMAX POWER

ENMAX Power owns and operates electricity transmission and distribution assets that provide rate-regulated service to approximately 570,000 customer sites in the Calgary area (1,089 square kilometres in and around Calgary). ENMAX Power is regulated by the Alberta Utilities Commission (AUC). The transmission business operates under a cost-of-service model, under which ENMAX Power applies for rates designed to recover the forecast cost of providing transmission service, including an allowed return on capital in service. After public review of an application, the AUC issues a decision approving a revenue requirement and monthly transmission tariff that is ultimately recovered from Alberta customers. The distribution business is regulated under a Performance-Based Regulation (PBR) model. Under this model, distribution rates paid by customers are set annually during the PBR term, using a formula that considers inflationary factors and operational efficiencies. PBR is intended to create additional incentives for utilities to find efficiencies in their operations as these efficiencies can lead to higher returns during the PBR term. Currently, approximately 14 per cent of ENMAX Power's electricity revenue is from transmission operations and 86 per cent is associated with distribution operations.

### VERSANT POWER

Versant Power owns and operates electricity transmission and distribution assets that provide rate-regulated service to approximately 165,000 customer sites in the Maine Public District (MPD) and Bangor Hydro District (BHD), covering six counties in Maine, U.S., and a total operating area of approximately 27,000 square kilometres (10,400 square miles). BHD is a member of ISO-New England and is interconnected with other New England utilities to the south and with New Brunswick Power Corporation to the north. MPD is a member of the Northern Maine Independent System Administrator. Versant Power is regulated by the Maine Public Utilities Commission (MPUC) with respect to distribution rates, service standards, territories served, issuance of securities and other matters and by the United States Federal Energy Regulatory Commission (FERC) with respect to transmission services. Versant Power earns revenue by charging customers for delivery of electricity across its transmission and distribution facilities. This retail revenue is divided into separate transmission, distribution and stranded cost rates. Rates for each element are established in distinct regulatory proceedings. Currently, approximately 44 per cent of Versant Power's electricity revenue is from transmission operations, 45 per cent is associated with distribution operations and 11 per cent relates to stranded cost recoveries and conservation charges. Rates for each element are established in distinct regulatory proceedings.

### ENMAX ENERGY

ENMAX Energy is an Alberta-based integrated competitive generation and retail business, providing electricity, natural gas, distributed energy resource solutions and customer care services to approximately 747,000 customers throughout Alberta. ENMAX Energy also carries out retail energy supply and related functions for the Calgary Regulated Rate Option (RRO) through affiliated legal entities. The competitive retail business provides customers with either fixed or variable-priced electricity and natural gas and offers additional energy services. As at December 31, 2023, ENMAX Energy owned an interest in 1,522 megawatts (MW) of electricity generation capacity: 1,305 MW from natural gas-fuelled plants and 217 MW from wind power. ENMAX uses its generation capacity and market transactions as a natural hedge to retail customers to provide certainty of supply and risk mitigation. Natural gas retail contracts are backed by market transactions to provide supply certainty, margin stability and risk mitigation. Natural gas fuel requirements for the generation portfolio are balanced through the purchase of natural gas in the Alberta market.

### CORPORATE

ENMAX's Corporate segment provides resources primarily for Canadian operations, as well as financing and shared legal, finance and accounting, human resources, corporate governance, information technology and other functions to the operating segments.

### SEGMENTED TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT BALANCES

| ***As at December 31,***<br>*(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| ENMAX Power | **3,651** | 3,347 |
| Versant Power | **2,548** | 2,417 |
| ENMAX Energy | **2,744** | 3,508 |
| Corporate | **172** | 142 |
| Total assets | **9,115** | 9,414 |
| Regulatory deferral account debit balances (Note 9) | **331** | 296 |
| Total assets and regulatory deferral account debit balances | **9,446** | 9,710 |

## COMPARATIVE SEGMENT INFORMATION

Segment information reflects the presentation regularly reviewed by executive management, who use segmented operating profit as an input for making decisions around asset allocation or assessing performance. Items such as Unrealized gain or loss on financial commodities contracts, Unrealized foreign exchange gain or loss, Impairment and separate presentation of net regulatory deferral movements are excluded from operating profit in the "Total" column below. The "IFRS Financial Total" column reflects what is reported in the Consolidated Statement of (Loss) Earnings.

| *Year ended December 31, 2023* *(millions of Canadian dollars)* | ENMAX Power | Versant Power | ENMAX Energy | Corporate [1] | Total | Regulatory Deferral Movement | Other Presentation | IFRS Financial Total |
|---|---|---|---|---|---|---|---|---|
| REVENUE | | | | | | | | |
| Transmission and distribution | 843 | 375 | - | - | 1,218 | 51 | - | 1,269 |
| Electricity | - | - | 1,776 | (121) | 1,655 | (21) | - | 1,634 |
| Natural gas | - | - | 451 | - | 451 | - | - | 451 |
| Local access fees | 303 | - | - | - | 303 | - | - | 303 |
| Contractual services | 97 | - | 22 | (1) | 118 | (11) | - | 107 |
| CIAC | 17 | - | - | - | 17 | - | - | 17 |
| Other revenue | 1 | 9 | 18 | 2 | 30 | - | - | 30 |
| TOTAL REVENUE | 1,261 | 384 | 2,267 | (120) | 3,792 | 19 | - | 3,811 |
| OPERATING EXPENSES | | | | | | | | |
| Transmission and distribution | 408 | 101 | - | - | 509 | - | - | 509 |
| Electricity and fuel purchases | - | - | 1,290 | (118) | 1,172 | - | 378 | 1,550 |
| Natural gas and delivery | - | - | 378 | - | 378 | - | - | 378 |
| Local access fees | 303 | - | - | - | 303 | - | - | 303 |
| Depreciation and amortization | 168 | 65 | 127 | (3) | 357 | (1) | - | 356 |
| Other expenses | 225 | 150 | 226 | - | 601 | (9) | 2 | 594 |
| TOTAL OPERATING EXPENSES | 1,104 | 316 | 2,021 | (121) | 3,320 | (10) | 380 | 3,690 |
| OPERATING PROFIT | 157 | 68 | 246 | 1 | 472 | 29 | (380) | 121 |
| Unrealized loss on commodities | | | | | 378 | - | (378) | - |
| Unrealized foreign exchange loss | | | | | 2 | - | (2) | - |
| Finance charges | | | | | 148 | - | - | 148 |
| NET (LOSS) EARNINGS BEFORE TAX | | | | | (56) | 29 | - | (27) |
| Current income tax expense | | | | | 1 | - | - | 1 |
| Deferred income recovery | | | | | (41) | - | - | (41) |
| NET (LOSS) EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES | | | | | (16) | 29 | - | 13 |
| NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES | | | | | - | (29) | - | (29) |
| NET (LOSS) EARNINGS | | | | | (16) | - | - | (16) |

[1] Includes consolidation adjustments.

| *Year ended December 31, 2022* *(millions of Canadian dollars)* | ENMAX Power | Versant Power | ENMAX Energy | Corporate (1) | Total | Regulatory Deferral Movement | Other Presentation | IFRS Financial Total |
|---|---|---|---|---|---|---|---|---|
| REVENUE | | | | | | | | |
| Transmission and distribution | 828 | 341 | - | - | 1,169 | (51) | - | 1,118 |
| Electricity | - | - | 1,789 | (118) | 1,671 | 1 | - | 1,672 |
| Natural gas | - | - | 507 | - | 507 | - | - | 507 |
| Local access fees | 238 | - | - | - | 238 | - | - | 238 |
| Contractual services | 89 | - | 21 | (1) | 109 | (26) | - | 83 |
| CIAC | 22 | - | - | - | 22 | - | - | 22 |
| Other revenue | - | 8 | 12 | 3 | 23 | - | - | 23 |
| TOTAL REVENUE | 1,177 | 349 | 2,329 | (116) | 3,739 | (76) | - | 3,663 |
| OPERATING EXPENSES | | | | | | | | |
| Transmission and distribution | 440 | 101 | - | - | 541 | - | - | 541 |
| Electricity and fuel purchases | - | - | 1,346 | (117) | 1,229 | - | (68) | 1,161 |
| Natural gas and delivery | - | - | 441 | - | 441 | - | - | 441 |
| Local access fees | 238 | - | - | - | 238 | - | - | 238 |
| Depreciation and amortization | 153 | 58 | 119 | (3) | 327 | (1) | - | 326 |
| Impairment (2) | - | - | - | - | - | - | 40 | 40 |
| Other expenses | 221 | 117 | 216 | (1) | 553 | (22) | 11 | 542 |
| TOTAL OPERATING EXPENSES | 1,052 | 276 | 2,122 | (121) | 3,329 | (23) | (17) | 3,289 |
| OPERATING PROFIT | 125 | 73 | 207 | 5 | 410 | (53) | 17 | 374 |
| Unrealized (gain) on commodities | | | | | (68) | - | 68 | - |
| Foreign exchange loss | | | | | 11 | - | (11) | - |
| Impairment (2) | | | | | 40 | - | (40) | - |
| Finance charges | | | | | 128 | - | - | 128 |
| NET EARNINGS BEFORE TAX | | | | | 299 | (53) | - | 246 |
| Current income tax (recovery) | | | | | 3 | - | - | 3 |
| NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES | | | | | 296 | (53) | - | 243 |
| NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES | | | | | - | 53 | - | 53 |
| NET EARNINGS | | | | | 296 | - | - | 296 |

(1) Includes consolidation adjustments.

(2) During the year ended December 31, 2022, ENMAX recognized impairment losses of $38 million on the Corporation's investment in MEPCO (Note 23) and $2 million impairment loss associated with certain PP&E (Note 12).

## REVENUE

| Types of Customers and Sales Channels | Nature and significant payment terms |
|---|---|
| Transmission | ENMAX receives revenue from the Alberta Electric System Operator (AESO) specifically for the use of its transmission grid system in Alberta. |
| Distribution | ENMAX receives revenue from electricity retailers specifically for the use of its electricity distribution system to deliver electricity to customers in the Calgary area. |
| U.S. Operations | Through Versant Power, ENMAX receives revenues from residential, commercial and industrial customers for use of its transmission and distribution grid system in Maine. In addition, Versant receives revenue from ISO New England for use of pool transmission facilities. Transmission rates are set by the United States Federal Energy Regulatory Commission (FERC), while distribution rates are set by the Maine Public Utilities Commission (MPUC). |
| Mass Market | Mass Market is comprised of residential and small business electricity and/or natural gas customers who consume less than 250,000 kilowatt hours per year. These customers can be supplied electricity through competitive contracts, the Regulated Rate Option or default supplier rate which fluctuates monthly. Natural gas is always supplied under a competitive contract. |
| Commercial Market | Commercial Market is business-to-business competitive contracting for electricity and/or natural gas. A small number of commercial customers who do not negotiate a contract are supplied electricity on a default supplier rate which fluctuates monthly. |
| City of Calgary local access fees | ENMAX collects fees from electricity customers in Calgary based on rates established by the Franchise Fee Agreement between ENMAX and The City. These fees are remitted to The City. |
| Government and institutional | ENMAX receives revenue from governments and municipalities (counties, cities and towns), entities backed by governments, universities, colleges and school boards for administrative services and engineering, procurement and construction services for infrastructure. |
| Other | ENMAX receives other revenue from customers ranging from individual consumers to large corporations for contractual services and CIAC. |

## REVENUE – MAJOR CUSTOMERS AND SALES CHANNELS

| *Year ended December 31, 2023 (millions of Canadian dollars)* | Transmission | Distribution | U.S. Operations | Mass Market | Commercial Market | City of Calgary Local Access Fees | Government and Institutional | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Transmission and distribution | 129 | 765 | 375 | - | - | - | - | - | 1,269 |
| Electricity | | | | | | | | | |
| ENMAX Energy | - | - | - | 435 | 995 | - | - | - | 1,430 |
| Regulated | - | - | - | 157 | 47 | - | - | - | 204 |
| Natural gas | - | - | - | 325 | 126 | - | - | - | 451 |
| Local access fees | - | - | - | - | - | 303 | - | - | 303 |
| Contractual services | - | - | - | - | - | - | 27 | 80 | 107 |
| CIAC | - | - | - | - | - | - | - | 17 | 17 |
| Other revenue | - | - | 9 | - | - | - | - | 21 | 30 |
| TOTAL REVENUE | 129 | 765 | 384 | 917 | 1,168 | 303 | 27 | 118 | 3,811 |

| *Year ended December 31, 2022 (millions of Canadian dollars)* | Transmission | Distribution | U.S. Operations | Mass Market | Commercial Market | City of Calgary Local Access Fees | Government and Institutional | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Transmission and distribution | 104 | 673 | 341 | - | - | - | - | - | 1,118 |
| Electricity | | | | | | | | | |
| ENMAX Energy | - | - | - | 352 | 1,140 | - | - | - | 1,492 |
| Regulated | - | - | - | 144 | 36 | - | - | - | 180 |
| Natural gas | - | - | - | 358 | 149 | - | - | - | 507 |
| Local access fees | - | - | - | - | - | 238 | - | - | 238 |
| Contractual services | - | - | - | - | - | - | 33 | 50 | 83 |
| CIAC | - | - | - | - | - | - | - | 22 | 22 |
| Other revenue | - | - | 7 | - | - | - | - | 16 | 23 |
| TOTAL REVENUE | 104 | 673 | 348 | 854 | 1,325 | 238 | 33 | 88 | 3,663 |

## 7. FINANCIAL INSTRUMENTS, HEDGES AND RISK MANAGEMENT

### MARKET RISK

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

Sensitivities provided in the following risk discussions disclose how earnings and OCI would be affected by changes in risk variables that were reasonably possible at the reporting date. These sensitivities are based on financial instruments carried at fair value, which include derivative contracts. The impact of a change in one factor may be compounded or offset by changes in other factors. Those sensitivities do not consider tax nor the impact of any interrelationship among the factors, such as the underlying position and the optionality of the Corporation's integrated business. Generation capacity and future sales to customers are not mark-to-market, which creates an earnings mismatch. Sensitivities are hypothetical and should not be considered to be indicative of future results.

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

- The same methodologies used in the fair values section of this note were used in calculating the sensitivities.
- Changes in the fair value of derivative instruments that are effective cash flow hedges are recorded in OCI.
- Changes in the fair value of derivative instruments that are not designated as hedges, which are fair value hedges or ineffective cash flow hedges, are recorded in earnings.
- Foreign currency balances, principal and notional amounts are based on amounts as at December 31, 2023 and 2022.

### COMMODITY PRICE RISK

The Corporation uses electricity and gas forward contracts to manage its exposure to certain market risks. Fluctuations in forward prices of electricity and natural gas impact the fair value of these commodity derivatives, resulting in unrealized mark-to-market adjustments. Based on contracts outstanding as at December 31, 2023, holding all other variables constant, a 10 per cent increase or decrease in the forward price of electricity would increase or decrease earnings by $19 million (2022 - $26 million). As at December 31, 2023, holding all other variables constant, a 10 per cent increase or decrease in the forward price of natural gas would increase or decrease earnings by $159 million (2022 - $206 million). These electricity and natural gas forward contracts' delivery dates extend from 2024 to 2029.

### FOREIGN EXCHANGE AND INTEREST RATE RISK

Foreign exchange and interest rate risks are created by fluctuations in the fair values or cash flows of financial instruments due to changes in foreign exchange rates and/or changes in market interest rates.

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

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

As at December 31, 2023, a 10 per cent strengthening or weakening in the Canadian dollar in relation to the U.S. dollar, holding all other variables constant, would increase or decrease earnings by $88 million (2022 - $59 million).

## CREDIT RISK

The Corporation is exposed to credit risk primarily through wholesale and retail energy sales. Credit risk is the loss that may result from counterparties' non-performance. The Corporation evaluates credit risks from wholesale and retail competitive supply activities separately. The Corporation's maximum financial statement exposure to credit risk is the carrying value of financial assets. This maximum exposure does not reflect losses expected by management nor does it reflect losses experienced in the past.

Provisions for ECL on customer receivables were $22 million as at December 31, 2023 (December 31, 2022 - $24 million).

## FINANCIAL ASSETS

| ***As at December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Cash and cash equivalents (a) | **90** | 95 |
| Accounts receivable (b) | **938** | 1,220 |
| Current portion of financial assets (c) | **202** | 401 |
| Financial assets (c) | **120** | 282 |
| Long-term accounts receivable (b) | **16** | 17 |

### (a) Cash and cash equivalents

Credit risk associated with cash and cash equivalents is minimized by ensuring these assets are placed with governments, well-capitalized financial institutions and other credit-worthy counterparties. Regular reviews are performed to evaluate changes in the credit quality of counterparties.

### (b) Current and long-term accounts receivable

The majority of the Corporation's accounts receivable are exposed to credit risk. Exposure to credit risk occurs through competitive electricity and natural gas supply activities that serve residential, commercial and industrial customers. The risk represents the loss that may occur due to the non-payment of a customer's accounts receivable balance, as well as the loss that may be incurred from the resale of energy previously allocated to serve the customer.

Management monitors credit risk exposure and has implemented measures to mitigate losses. In specific situations, this includes, but is not limited to, a reduction of credit limits, requests for additional collateral or restrictions on new transaction terms.

### AGING ANALYSIS OF TRADE RECEIVABLES PAST DUE

| ***As at December 31,***<br>*(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| 1 – 30 days past due | **99** | 61 |
| 31 – 60 days past due | **13** | 11 |
| 61 days or more past due | **54** | 50 |
| Total past due | **166** | 122 |

### CHANGES IN EXPECTED CREDIT LOSSES

| ***As at December 31,***<br>*(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Provision at the beginning of the year | **24** | 27 |
| Increase to ECL | **17** | 9 |
| Recoveries | **(19)** | (12) |
| Provision at end of the year | **22** | 24 |

The ECL provision is assessed by each business segment considering the unique factors of the business segment's current and long-term receivables and using historic collection rates. During the year ended December 31, 2023, the Corporation recognized provisions by applying specific risk factors to a combination of industry sectors, aged balances or by reviewing material accounts on a case-by-case basis.

The remainder of the accounts receivable balance outstanding at December 31, 2023, consists of current trade receivables and unbilled revenue accruals. No provision has been recorded due to the minimal credit risk at the statement of financial position date.

### (c) Current and non-current financial assets

The Corporation measures wholesale credit risk as the replacement cost for open energy commodity and derivative transactions (both mark-to-market and accrual), adjusted for amounts owed due to or due from counterparties for settled transactions and all other amounts owing but not yet due. The replacement cost of open positions represents unrealized gains, net of any unrealized losses, where the Corporation has a legally enforceable right of offset and intends to settle on a net basis. The Corporation monitors and manages the credit risk of wholesale operations through credit policies and procedures that include an established credit approval process, daily monitoring of counterparty credit limits and the use of credit mitigation measures such as parental guarantees, margin, collateral, letters of credit and/or prepayment arrangements.

Due to the possibility of extreme volatility in the prices of energy commodities and derivatives, the market value of contractual positions with individual counterparties could exceed established credit limits or collateral provided by those counterparties. In such cases, the Corporation would either obtain increased parental guarantee amounts or margin call for additional collateral. The Corporation deems the risk of a material loss from a counterparty failing to perform its obligations under contract is low.

Additionally, if a counterparty were to default and the Corporation were to liquidate all contracts with that entity, the credit loss would include the loss in value of mark-to-market contracts, the amount owed for settled transactions and unbilled deliveries and additional payments, if any, that would have to be made to settle unrealized losses on accrual contracts. The majority of counterparties enabled for wholesale transactions are rated investment grade (BBB- or higher) by recognized rating agencies, and the risk of default from investment-grade counterparties is considered low.

### LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach to managing liquidity risk is to maintain sufficient cash and credit facilities to meet its obligations when due.

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

### CONTRACTUAL MATURITIES OF NON-DERIVATIVE FINANCIAL LIABILITIES

| ***As at December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Less than 1 year (includes accounts payable) | **1,778** | 1,683 |
| Years 2 – 3 | **730** | 899 |
| Years 4 – 5 | **694** | 353 |
| More than 5 years | **3,203** | 3,124 |

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

### CONTRACTUAL MATURITIES OF DERIVATIVE FINANCIAL LIABILITIES

| ***As at December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Less than 1 year | **180** | 465 |
| Years 2 – 3 | **153** | 127 |
| Years 4 – 5 | **41** | 28 |
| More than 5 years | **-** | 1 |

## VALUATION OF DERIVATIVE ASSETS AND LIABILITIES

Derivative financial instruments are recorded at fair value on the statement of financial position. As at December 31, 2023, the fair values were as follows:

| ***As at December 31,*** *(millions of Canadian dollars)* | **2023** | | **2022** | |
|---|---|---|---|---|
| | **Hedge Instruments** | **Non-Hedge Derivatives** | **Hedge Instruments** | **Non-Hedge Derivatives** |
| Assets | | | | |
| Current | **2** | **200** | 1 | 400 |
| Non-current | **-** | **120** | 2 | 280 |
| Liabilities | | | | |
| Current | **-** | **180** | - | 465 |
| Non-current | **-** | **194** | - | 156 |

For non-hedge derivatives, there were unrealized losses of $377 million for the year ended December 31, 2023 (2022 - $67 million gain), primarily recorded in electricity and fuel purchases. These derivatives contracts are expected to settle in 2024 through to 2031. The mark-to-market adjustments do not consider the impact of any interrelationship among factors such as the underlying position and the optionality of the Corporation's integrated business. Generation capacity or future sales to customers are not mark-to-market, which creates a mismatch in the timing of earnings.

## FAIR VALUE

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

## LEVEL DETERMINATION AND CLASSIFICATIONS

Level I, II and III classifications in the fair value hierarchy used by the Corporation are defined as follows:

### Level I

Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access. For Level I determinations, the Corporation uses quoted prices for identically traded commodities obtained from active exchanges such as the New York Mercantile Exchange and the ICE NGX.

### Level II

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

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

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

### Level III

Fair values are determined using significant unobservable data or inputs.

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

## FAIR VALUES OF THE CORPORATION'S DERIVATIVES

| *As at December 31, 2023* *(millions of Canadian dollars)* | Quoted Prices in Active Markets (LEVEL I) | Significant Other Observable Inputs (LEVEL II) | Significant Unobservable Inputs [(1)] (LEVEL III) | TOTAL |
|---|---|---|---|---|
| Financial assets measured at fair value: | | | | |
| Energy trading forward contracts | **245** | **49** | **6** | **300** |
| Foreign currency forward contracts | **-** | **11** | **-** | **11** |
| Other | **11** | **-** | **-** | **11** |
| Financial assets total | **256** | **60** | **6** | **322** |
| Financial liabilities measured at fair value: | | | | |
| Energy trading forward contracts | **(369)** | **(106)** | **(4)** | **(479)** |
| Foreign currency forward contracts | **-** | **(11)** | **-** | **(11)** |
| Energy trading margin balance | **116** | **-** | **-** | **116** |
| Financial liabilities total | **(253)** | **(117)** | **(4)** | **(374)** |
| Net derivative assets (liabilities) | **3** | **(57)** | **2** | **(52)** |

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

| *As at December 31, 2022* *(millions of Canadian dollars)* | Quoted Prices in Active Markets (LEVEL I) | Significant Other Observable Inputs (LEVEL II) | Significant Unobservable Inputs [(1)] (LEVEL III) | TOTAL |
|---|---|---|---|---|
| Financial assets measured at fair value: | | | | |
| Energy trading forward contracts | 513 | 304 | 2 | 819 |
| Foreign currency forward contracts | - | 24 | - | 24 |
| Energy trading margin balance | (168) | - | - | (168) |
| Other | 8 | - | - | 8 |
| Financial assets total | 353 | 328 | 2 | 683 |
| Financial liabilities measured at fair value: | | | | |
| Energy trading forward contracts | (420) | (217) | - | (637) |
| Foreign currency forward contracts | - | (9) | - | (9) |
| Energy trading margin balance | 25 | - | - | 25 |
| Financial liabilities total | (395) | (226) | - | (621) |
| Net derivative assets (liabilities) | (42) | 102 | 2 | 62 |

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

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

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

| *(millions of Canadian dollars)* | **Hedges** |
|---|---|
| Net derivative assets as at December 31, 2021 | 2 |
| Changes attributable to [1]: | |
| Commodity price changes | 1 |
| New contracts entered | - |
| Transfers in/out of Level III | (1) |
| Net derivative assets as at December 31, 2022 | 2 |
| Changes attributable to [1]: | |
| Commodity price changes | - |
| New contracts entered | 1 |
| Transfers in/out of Level III | (1) |
| **Net derivative assets as at December 31, 2023** | **2** |

(1) Total changes recognized in OCI are a fair value loss of $4 million (2022 - $2 million gain) and in pre-tax earnings a fair value gain of $4 million (2022 - $2 million loss).

### NON-DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Fair values for cash and cash equivalents, accounts receivable, short-term financing, accounts payable and accrued liabilities are not materially different from the carrying amounts due to the short-term nature.

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

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

| *As at December 31,* | 2023 | | 2022 | |
|---|---|---|---|---|
| *(millions of Canadian dollars)* | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| Long-term debt [(1)] consisting of: | | | | |
| City promissory notes, maturing in: | | | | |
| Less than 5 years | **49** | **49** | 36 | 35 |
| Years 6 – 10 | **124** | **124** | 99 | 97 |
| Years 11 – 15 | **395** | **376** | 365 | 349 |
| Years 16 – 20 | **410** | **366** | 379 | 335 |
| Years 21 – 25 | **744** | **677** | 727 | 619 |
| Private debentures | | | | |
| Series 3 (3.81%) | **199** | **197** | 199 | 194 |
| Series 4 (3.84%) | **296** | **287** | 296 | 280 |
| Series 6 (3.33%) | **300** | **291** | 299 | 286 |
| Series 7 (3.88%) | **249** | **237** | 249 | 229 |
| Senior notes | | | | |
| Unsecured note (4.34%) | **137** | **123** | 140 | 122 |
| Unsecured note (4.36%) | **61** | **55** | 62 | 55 |
| Unsecured note (4.71%) | **63** | **57** | 65 | 57 |
| Unsecured note (3.79%) | **67** | **59** | 67 | 58 |
| Unsecured note (2.80%) | **40** | **34** | 41 | 34 |
| Unsecured note (2.80%) | **79** | **69** | 81 | 67 |
| Unsecured note (3.15%) | **132** | **84** | 134 | 83 |
| Unsecured note (5.80%) | **131** | **134** | - | - |
| Promissory note | **1** | **1** | 2 | 2 |
| | **3,477** | **3,220** | 3,241 | 2,902 |

(1) Includes current portion of $292 million (December 31, 2022 - $85 million). Maturity dates range from January 2024 to August 2053.

As at December 31, 2023, ENMAX Corporation had $214 million in CAD commercial paper outstanding with a fair value of $214 million and an average interest rate of 6.11 per cent (December 31, 2022 - $99 million at 5.21 per cent) and had drawn $230 million on existing credit facilities with a weighted average cost of borrowing of 6.64 per cent (December 31, 2022 - $205 million at 5.92 per cent).

## FINANCIAL ASSETS AND LIABILITIES SUBJECT TO OFFSETTING

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

| *As at December 31, (millions of Canadian dollars)* | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Accounts Receivable** | **Accounts Payable and Accrued Liabilities** | **Accounts Receivable** | **Accounts Payable and Accrued Liabilities** |
| Gross amounts recognized | **-** | **(133)** | - | (235) |
| Gross amounts off-set | **-** | **92** | - | 121 |
| Net amounts as recognized in the Consolidated Statement of Financial Position | **-** | **(41)** | - | (114) |

## 8. INCOME TAXES

| *Year ended December 31,* | 2023 | 2022 |
|---|---|---|
| Current income tax expense (recovery) | | |
| Expense for current year | **2** | 3 |
| Adjustment in respect of prior years | **(1)** | - |
| Total current income tax expense | **1** | 3 |
| Deferred income tax (recovery) expense | | |
| Origination and reversal of temporary differences | **(41)** | (1) |
| Adjustment in respect of prior years | **-** | 1 |
| Total deferred income tax (recovery) | **(41)** | - |
| Total income tax (recovery) expense | **(40)** | 3 |

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

| *Year ended December 31,* | 2023 | 2022 |
|---|---|---|
| Net (loss) earnings before tax | **(27)** | 246 |
| Income not subject to tax | **(124)** | (215) |
| | **(151)** | 31 |
| Federal and provincial tax rates | **23%** | 23% |
| Expected income tax (recovery) expense | **(35)** | 7 |
| Net (recovery) of non-deductible expense | **(4)** | (7) |
| Adjustment for deferred tax reversal and other estimate revisions | **(1)** | 3 |
| Total income tax (recovery) expense | **(40)** | 3 |

Changes in deferred income tax assets and liabilities during the years ended December 31, 2023 and 2022 are as follows:

| *(millions of Canadian dollars)* | **December 31, 2022** | **Recognized in Net Income** | **Recognized in Other Comprehensive Income** | **December 31, 2023** |
|---|---|---|---|---|
| Deferred income tax assets | | | | |
| Property, plant and equipment | 18 | 17 | - | **35** |
| Loss carried forward | 21 | (14) | - | **7** |
| Unrealized derivatives | - | 22 | - | **22** |
| Other comprehensive income | - | - | (1) | **(1)** |
| Other | 25 | (7) | - | **18** |
| | 64 | 18 | (1) | **81** |
| Deferred income tax liabilities | | | | |
| Property, plant and equipment | 318 | 23 | - | **341** |
| Loss carried forward | (33) | (27) | - | **(60)** |
| Unrealized derivatives | 24 | (24) | - | **-** |
| Business combination | 24 | (1) | - | **23** |
| Other comprehensive income | 1 | - | (1) | **-** |
| Other | (29) | 15 | - | **(14)** |
| | 305 | (14) | (1) | **290** |
| Net deferred tax (liabilities) assets | (241) | 32 | - | **(209)** |

| *(millions of Canadian dollars)* | **December 31, 2021** | **Recognized in Net Income** | **Recognized in Other Comprehensive Income** | **December 31, 2022** |
|---|---|---|---|---|
| Deferred income tax assets | | | | |
| Property, plant and equipment | 1 | 17 | - | 18 |
| Loss carried forward | 28 | (7) | - | 21 |
| Other | 31 | (6) | - | 25 |
| | 60 | 4 | - | 64 |
| Deferred income tax liabilities | | | | |
| Property, plant and equipment | 301 | 17 | - | 318 |
| Loss carried forward | (25) | (8) | - | (33) |
| Unrealized derivatives | 15 | 9 | - | 24 |
| Business combination | 34 | (10) | - | 24 |
| Other comprehensive income | 1 | - | - | 1 |
| Other | (47) | 18 | - | (29) |
| | 279 | 26 | - | 305 |
| Net deferred tax liabilities | (219) | (22) | - | (241) |

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

| ***Year ended December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Non-capital losses | **20** | 19 |
| Property, plant and equipment | **61** | 61 |
| Contingent liabilities | **17** | 17 |
| Other | **6** | 5 |
| | **104** | 102 |

As at December 31, 2023, the Corporation has non-capital losses carried forward that can be used to offset taxes in future years. These non-capital losses carried forward expire as follows:

## NON-CAPITAL LOSS CARRY FORWARD

| *(millions of Canadian dollars)* | **2023** |
|---|---|
| 2031 | 1 |
| 2032 | 1 |
| 2033 | 1 |
| 2034 | 2 |
| 2035 | - |
| 2036 | 2 |
| 2037 | 5 |
| 2038 | 4 |
| 2039 | 2 |
| 2040 | 2 |
| 2041 | 13 |
| 2042 | 14 |
| 2043 | 5 |

# 9. REGULATORY DEFERRAL ACCOUNT BALANCES

## NATURE AND ECONOMIC EFFECT OF RATE REGULATION

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

Distribution rates are subject to a PBR model. Under this model, distribution rates paid by customers have historically been set annually using a formula that indexes rates to the prior year in the term, using an inflation factor and a productivity factor.

Transmission rates are set based on an AUC approved revenue requirement and are regulated under a cost-of-service framework, under which ENMAX applies for rates designed to recover the forecast cost of providing transmission service, including an allowed return on capital in service.

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

### ENMAX U.S. Operations

ENMAX's subsidiary Versant Power, has distribution and transmission operations in Maine, U.S. Versant Power's distribution and stranded cost recoveries are regulated by the MPUC while its transmission operations are regulated by the FERC. Rates for these operations are established in distinct regulatory proceedings.

Versant Power's distribution service operates under a cost-of-service regulatory framework and distribution rates are set by the MPUC. Versant Power's transmission operations are split between two districts: MPD and BHD. MPD's transmission rates are regulated by the FERC and are set annually on June 1 for wholesale and July 1 for retail customers, based on a formula that utilizes prior year actual transmission investments and expenses. BHD's transmission rates are regulated by the FERC and set annually on January 1, based on a formula that utilizes prior year actual transmission investments and expenses plus forecasted incremental capital investments that will go into service during the rate effective period. BHD's bulk transmission assets are managed by ISO-New England as part of a region-wide pool of assets.

## REGULATORY BALANCES

ENMAX applies IFRS 14 *Regulatory Deferral Accounts* in recognizing the impact of rate regulation on its transmission and distribution businesses. Under IFRS 14, 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. Balances arising in the period consist of new additions to regulatory deferral debits and credit balances, while reversals represent amounts collected or refunded through rate riders or transactions reversing existing regulatory balances. The Corporation has recorded the following regulatory deferral account debit and credit balances:

| *(millions of Canadian dollars)* | **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** | | | | | |
| December 31, 2022 | 55 | 16 | 11 | 214 | 296 |
| Balances arising in the period | (16) | 1 | 54 | 72 | 111 |
| Reversal | (50) | (1) | (20) | - | (71) |
| Foreign exchange translation | - | - | - | (5) | (5) |
| **December 31, 2023** | **(11)** | **16** | **45** | **281** | **331** |
| Expected reversal period | up to 24 months | 25 years | up to 24 months | | |
| | | | | | |
| December 31, 2021 | 10 | 14 | 8 | 116 | 148 |
| Balances arising in the period | 47 | 2 | 4 | 86 | 139 |
| Reversal | (2) | - | (1) | - | (3) |
| Foreign exchange translation | - | - | - | 12 | 12 |
| December 31, 2022 | 55 | 16 | 11 | 214 | 296 |
| Expected reversal period | up to 24 months | 25 years | up to 24 months | | |

| *(millions of Canadian dollars)* | **Other Regulatory Credits (d)** | **U.S. Operations (e)** | **Total Regulatory Deferral Account Credit Balances** |
|---|---|---|---|
| **Regulatory deferral account credit balances** | | | |
| December 31, 2022 | 4 | 146 | 150 |
| Balances arising in the period | - | (4) | (4) |
| Reversal | (3) | - | (3) |
| Foreign exchange translation | - | (3) | (3) |
| **December 31, 2023** | **1** | **139** | **140** |
| Expected reversal period | up to 24 months | | |
| | | | |
| December 31, 2021 | 7 | 130 | 137 |
| Balances arising in the period | 3 | 8 | 11 |
| Reversal | (6) | - | (6) |
| Foreign exchange translation | - | 8 | 8 |
| December 31, 2022 | 4 | 146 | 150 |
| Expected reversal period | up to 24 months | | |

The following describes each circumstance in which rate regulation affects the accounting for a transaction or event. Regulatory deferral account debit balances represent costs incurred in the current period or in prior periods which are expected to be recovered from customers in future periods through the rate-setting process. Regulatory deferral account credit balances represent future reductions or limitations of increases in rates associated with amounts that are expected to be returned to customers through the rate-setting process. Any impairments related to regulatory deferral account balances are recorded in the period in which the related regulatory decisions are received. For certain regulatory items identified below, 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.

### (a) Accounts receivable

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

### (b) Inter-company profit

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

### (c) Other regulatory debits

Other regulatory debits relate to the AUC administration flow-through reserves and other costs and revenues that will be collected from customers via future rates, such as access service charges and deferrals under the RRO price ceiling. 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.

### (e) U.S. Operations

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

## 10. RESTRICTED CASH

| *As at December 31,* | **2023** | **2022** |
|---|---|---|
| Funds held with a financial institution to cover margins | **27** | 45 |
| Restricted deposits with a financial institution to meet financial obligations | **3** | 2 |
| | **30** | 47 |

## 11. OTHER ASSETS AND LIABILITIES

| *As at December 31,* | **2023** | **2022** |
|---|---|---|
| **Other current assets** | | |
| Prepaid expenses | **20** | 18 |
| Deferred asset | **1** | 1 |
| Emission offsets [1] | **9** | 4 |
| Other | **1** | 1 |
| | **31** | 24 |
| **Other long-term assets** | | |
| Prepaid expenses | **5** | 7 |
| Long-term accounts receivable | **16** | 17 |
| Deferred asset | **6** | 6 |
| Equity investments | **113** | 110 |
| Emission offsets [1] | **39** | 33 |
| Other | **22** | 17 |
| | **201** | 190 |
| **Other current liabilities** | | |
| Deposits | **14** | 14 |
| Other [2] | **55** | 28 |
| | **69** | 42 |
| **Other long-term liabilities** | | |
| Other | **18** | 16 |
| | **18** | 16 |

(1) During 2023, the Corporation classified emission offsets as both other current assets and other long-term assets. The prior period has been adjusted for comparative purposes.

(2) Includes $24 million related to interest free government advances for RRO providers under Alberta Bill 2, the *Inflation Relief Statutes Amendment Act*, 2022 (December 2022 - $nil).

## 12. PROPERTY, PLANT AND EQUIPMENT

| *(millions of Canadian dollars)* | Transmission, Distribution and Substation Equipment | Generation Facilities and Equipment | Buildings and Site Development | Work in Progress | Other [1] | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at December 31, 2021 | 4,260 | 2,296 | 603 | 165 | 369 | 7,693 |
| Additions | 9 | 1 | 1 | 409 | 50 | 470 |
| Transfers | 228 | 85 | 26 | (354) | 16 | 1 |
| Disposals | (24) | (38) | (1) | (5) | (24) | (92) |
| Adjustments | (3) | - | - | (3) | (1) | (7) |
| Changes to asset retirement costs | (1) | (32) | - | - | - | (33) |
| Impairment | - | (2) | - | - | - | (2) |
| Foreign exchange translation | 90 | - | 3 | 4 | 11 | 108 |
| As at December 31, 2022 | 4,559 | 2,310 | 632 | 216 | 421 | 8,138 |
| Additions | 120 | - | 5 | 472 | 41 | 638 |
| Transfers | 269 | 39 | 8 | (338) | 15 | (7) |
| Disposals | (39) | (17) | (3) | (6) | (14) | (79) |
| Adjustments | (1) | - | - | - | - | (1) |
| Changes to asset retirement costs | - | 13 | - | - | - | 13 |
| Foreign exchange translation | (41) | - | (2) | (2) | (4) | (49) |
| **As at December 31, 2023** | **4,867** | **2,345** | **640** | **342** | **459** | **8,653** |
| | | | | | | |
| **Accumulated Depreciation** | | | | | | |
| As at December 31, 2021 | (634) | (960) | (118) | - | (66) | (1,778) |
| Depreciation | (147) | (94) | (19) | - | (18) | (278) |
| Disposals | 30 | 38 | - | - | 23 | 91 |
| Adjustments | - | - | - | - | 1 | 1 |
| Foreign exchange translation | (28) | (1) | (1) | - | (3) | (33) |
| As at December 31, 2022 | (779) | (1,017) | (138) | - | (63) | (1,997) |
| Depreciation | (160) | (102) | (22) | - | (21) | (305) |
| Disposals | 56 | 16 | 2 | - | 13 | 87 |
| Foreign exchange translation | 12 | - | - | - | 1 | 13 |
| **As at December 31, 2023** | **(871)** | **(1,103)** | **(158)** | **-** | **(70)** | **(2,202)** |
| | | | | | | |
| **Net book value** | | | | | | |
| **As at December 31, 2023** | **3,996** | **1,242** | **482** | **342** | **389** | **6,451** |
| As at December 31, 2022 | 3,780 | 1,293 | 494 | 216 | 358 | 6,141 |

[1] Other PP&E as at December 31, 2023 consists of land, tools, systems, equipment, capital spares and vehicles.

For the year ended December 31, 2023, capitalized borrowing costs amounted to $14 million (2022 - $9 million), with capitalization rates ranging from 3.30 per cent to 5.14 per cent (2022 - 3.42 per cent to 4.47 per cent). Interest is capitalized based on the actual cost of debt used to finance the capital construction projects. Interest rates ranged from 2.80 per cent to 6.60 per cent (2022 - 1.19 per cent to 5.51 per cent).

During the year ended December 31, 2023, ENMAX recognized impairment losses of $nil (2022 - $2 million) associated with certain property, plant and equipment.

The above table includes the Corporation's ROU assets, as further discussed in Note 15.

## 13. INTANGIBLE ASSETS

| | Computer Systems | Work in Progress | Other [1] | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| As at December 31, 2021 | 354 | 41 | 83 | 478 |
| Additions | 35 | (3) | 3 | 35 |
| Transfers | 27 | (27) | - | - |
| Foreign exchange translation | 5 | 3 | 4 | 12 |
| As at December 31, 2022 | 421 | 14 | 90 | 525 |
| Additions | 5 | 48 | 1 | 54 |
| Transfers | 41 | (41) | - | - |
| Disposals | (67) | - | - | (67) |
| Foreign exchange translation | (3) | - | (1) | (4) |
| **As at December 31, 2023** | **397** | **21** | **90** | **508** |
| | | | | |
| **Accumulated amortization** | | | | |
| As at December 31, 2021 | (145) | - | (12) | (157) |
| Amortization | (31) | - | (2) | (33) |
| Disposals | - | - | - | - |
| Foreign exchange translation | (2) | - | (1) | (3) |
| As at December 31, 2022 | (178) | - | (15) | (193) |
| Amortization | (45) | - | (1) | (46) |
| Disposals | 65 | - | - | 65 |
| Foreign exchange translation | 1 | - | | 1 |
| **As at December 31, 2023** | **(157)** | **-** | **(16)** | **(173)** |
| | | | | |
| **Net book value** | | | | |
| **As at December 31, 2023** | **240** | **21** | **74** | **335** |
| As at December 31, 2022 | 243 | 14 | 75 | 332 |

[1] Other intangible assets as at December 31, 2023 consists of renewable energy certificates, water licenses, land easements, rights and lease options.

## 14. GOODWILL

| *As at December 31,*<br>*(millions of Canadian dollars)* | 2023 | 2022 |
|---|---|---|
| Balance, beginning of the period | **647** | 611 |
| Net exchange rate difference | **(15)** | 36 |
| Balance, end of the period | **632** | 647 |

Goodwill arose on the acquisition of Versant Power in March 2020. Goodwill is subject to an annual assessment for impairment at the reporting unit level. As at December 31, 2023, no impairment on goodwill was recorded (December 31, 2022 - $nil).

## 15. LEASES

ENMAX leases several assets categorized as generation facilities and equipment, buildings and site development and other. The average term remaining on leases is 10.9 years (December 31, 2022 - 4.8 years).

### Right-of-use assets

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

| *(millions of Canadian dollars)* | Generation Facilities and Equipment | Buildings and Site Development | Other [1] | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| As at December 31, 2021 | 28 | 14 | 19 | 61 |
| Net changes | - | 2 | 1 | 3 |
| As at December 31, 2022 | 28 | 16 | 20 | 64 |
| Net changes | - | 1 | - | 1 |
| **As at December 31, 2023** | **28** | **17** | **20** | **65** |
| | | | | |
| **Accumulated Depreciation** | | | | |
| As at December 31, 2021 | (3) | (5) | (8) | (16) |
| Net changes | (1) | (2) | (2) | (5) |
| As at December 31, 2022 | (4) | (7) | (10) | (21) |
| Net changes | (1) | (1) | - | (2) |
| **As at December 31, 2023** | **(5)** | **(8)** | **(10)** | **(23)** |
| | | | | |
| **Net Book Value** | | | | |
| **As at December 31, 2023** | **23** | **9** | **10** | **42** |
| As at December 31, 2022 | 24 | 9 | 10 | 43 |

[1] Other leases as at December 31, 2023, consists of land, vehicles and tools, systems, and equipment.

### Amounts recognized in profit and loss

| ***Year ended December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Depreciation expense | **3** | 5 |
| Lease expense on short-term leases | **1** | 1 |
| Interest expense on lease liabilities | **1** | 2 |
| Amounts expensed in profit and loss | **5** | 8 |

### Lease payments

Future lease payments as at December 31, 2023 are as follows:

| *(millions of Canadian dollars)* | |
|---|---|
| Less than 1 year | **6** |
| Years 2 – 5 | **20** |
| More than 5 years | **39** |

Total cash outflow for lease payments for the year ended December 31, 2023, was $6 million (2022 - $8 million). ENMAX does not have significant liquidity risk with regards to its lease liabilities.

### Generation facilities and equipment

ENMAX leases a pipeline to supply the necessary water to one of its generation facilities. The term of this lease is 30 years with fixed payments over the life of the lease with 22 years remaining.

### Buildings and site development

ENMAX leases buildings to house various operations. As at December 31, 2023, the capitalized leases have 1 to 25 years remaining.

### Other

ENMAX leases land surrounding several generating facilities to allow for the installation of substation equipment and water reservoirs. The contracted lengths and terms of payments of the leases vary. As at December 31, 2023, ENMAX expects all land leases to be renewed until the end of the useful life of each respective generating facility.

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

## 16. LONG-TERM DEBT

| *As at December 31,* *(millions of Canadian dollars)* | 2023 | Weighted Average Interest Rates | 2022 | Weighted Average Interest Rates |
|---|---|---|---|---|
| City promissory notes [1] maturing in: | | | | |
| Less than 5 years | **49** | **3.97%** | 36 | 2.97% |
| Years 6 – 10 | **124** | **4.44%** | 99 | 4.32% |
| Years 11 – 15 | **395** | **3.86%** | 365 | 4.07% |
| Years 16 – 20 | **410** | **3.30%** | 379 | 3.30% |
| Years 21 – 25 | **744** | **3.81%** | 727 | 3.36% |
| Private debentures [1] | **1,044** | **3.70%** | 1,043 | 3.69% |
| Senior notes [1] | **710** | **4.11%** | 590 | 3.73% |
| Promissory note | **1** | **5.00%** | 2 | 5.00% |
| | **3,477** | | 3,241 | |
| Less: current portion | **(292)** | | (85) | |
| | **3,185** | | 3,156 | |

[1] See Note 7 for further details.

### CITY PROMISSORY NOTES

During 2021, a credit agreement between ENMAX and The City was entered into that governs the borrowing relationship between ENMAX and The City. During 2023, the Corporation borrowed an additional $204 million from The City.

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

### PRIVATE DEBENTURES

As at December 31, 2023, the outstanding unsecured private debentures of the Corporation had a face value of $1,050 million, bearing a weighted average interest rate of 3.70 per cent each payable semi-annually, with maturity dates ranging from 2024 to 2029.

### SENIOR NOTES

Senior notes are USD denominated and issued by Versant Power. On August 16, 2023, Versant Power issued an unsecured $100 million USD senior note, which bears interest at a rate of 5.80 per cent, payable semi-annually and maturing on August 15, 2053.

### PRINCIPAL AND INTEREST PAYMENTS

Required principal and interest payments on the long-term debt at December 31, 2023, are as follows:

| *As at December 31,* *(millions of Canadian dollars)* | 2023 | 2022 |
|---|---|---|
| Less than 1 year | **426** | 203 |
| Years 2 – 3 | **715** | 886 |
| Years 4 – 5 | **694** | 353 |
| More than 5 years | **3,203** | 3,124 |
| | **5,038** | 4,566 |

## 17. POST-EMPLOYMENT BENEFITS

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

The Canadian DB provisions provide a pension benefit based on years of service and highest average earnings over five consecutive years of employment. DB pension benefits under the registered plan will increase annually by at least 60 per cent of the consumer price index for Alberta.

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

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

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

Versant Power has adopted a DC plan (under Section 401(k) of the Internal Revenue Code) covering all its eligible employees. Participants may elect to defer from 1 per cent to 30 per cent of eligible compensation and the Corporation allocates a percentage matching contributions to participants of the plan.

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

Total cash payments for employee future benefits for the year ended December 31, 2023, consisting of cash contributed by the Corporation under the DB and DC provisions of the registered pension plans and cash payments directly to beneficiaries of the Corporation's unfunded other benefit plans were $25 million (2022 - $25 million).

For the year ended December 31, 2023, the total expense for the DC provisions of the plans was $14 million (2022 - $13 million).

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

| *As at December 31,* | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| *(millions of Canadian dollars)* | **Pension Benefit Plans** | **Other Benefit Plans** | **Total** | **Pension Benefit Plans** | **Other Benefit Plans** | **Total** |
| **Change in benefit obligation:** | | | | | | |
| Balance, beginning of year | **482** | **58** | **540** | 632 | 72 | 704 |
| Current service cost | **9** | **1** | **10** | 15 | 2 | 17 |
| Interest cost | **25** | **3** | **28** | 18 | 2 | 20 |
| Employee contributions | **4** | **-** | **4** | 3 | - | 3 |
| Actuarial losses (gains) | **36** | **3** | **39** | (171) | (16) | (187) |
| Benefits paid | **(27)** | **(5)** | **(32)** | (26) | (3) | (29) |
| Foreign exchange translation | **(2)** | **(1)** | **(3)** | 11 | 1 | 12 |
| Benefit obligation, end of year | **527** | **59** | **586** | 482 | 58 | 540 |
| **Change in plan assets:** | | | | | | |
| Fair value, beginning of year | **525** | **6** | **531** | 594 | 8 | 602 |
| Interest income | **27** | **-** | **27** | 17 | - | 17 |
| Return on plan assets, excluding amounts included in interest expense | **5** | **1** | **6** | (84) | (1) | (85) |
| Employer contributions | **8** | **3** | **11** | 9 | 2 | 11 |
| Employee contributions | **4** | **-** | **4** | 4 | - | 4 |
| Benefits paid | **(26)** | **(4)** | **(30)** | (25) | (3) | (28) |
| Non-investment expenses | **(1)** | **-** | **(1)** | (1) | - | (1) |
| Foreign exchange translation | **(4)** | **-** | **(4)** | 11 | - | 11 |
| Plan assets at fair value, end of year | **538** | **6** | **544** | 525 | 6 | 531 |
| **Funded status-plan deficit** | | | | | | |
| Excess (deficit) of fair value of assets over benefit obligation | **11** | **(53)** | **(42)** | 43 | (52) | (9) |
| Effect of asset limitation and minimum funding requirement | **-** | **-** | **-** | (46) | - | (46) |
| Net (liability) asset at end of year | **11** | **(53)** | **(42)** | (3) | (52) | (55) |
| Recorded in Consolidated Statement of Financial Position as: | | | | | | |
| Post-employment benefits asset | | | **34** | | | 18 |
| Post-employment benefits liability | | | **(76)** | | | (73) |
| Net liability at end of year | | | **(42)** | | | (55) |

## DEFINED BENEFIT COST – STATEMENT OF EARNINGS

| ***Year ended December 31,*** | **2023** | | | **2022** | | |
|---|---|---|---|---|---|---|
| *(millions of Canadian dollars)* | **Pension Benefit Plan** | **Other Benefit Plan** | **Total** | **Pension Benefit Plan** | **Other Benefit Plan** | **Total** |
| Current service costs | **9** | **1** | **10** | 15 | 1 | 16 |
| Net interest on net benefit liability | **-** | **3** | **3** | 1 | 1 | 2 |
| Admin costs | **1** | **-** | **1** | - | - | - |
| Net benefit plan expense | **10** | **4** | **14** | 16 | 2 | 18 |

## DEFINED BENEFIT COST – STATEMENT OF COMPREHENSIVE INCOME

| ***Year ended December 31,*** | **2023** | | | **2022** | | |
|---|---|---|---|---|---|---|
| *(millions of Canadian dollars)* | **Pension Benefit Plan** | **Other Benefit Plan** | **Total** | **Pension Benefit Plan** | **Other Benefit Plan** | **Total** |
| Return on plan assets less than discount rate | **(2)** | **-** | **(2)** | (31) | - | (31) |
| Actuarial gains (losses) | | | | | | |
| Experience adjustments | **4** | **(1)** | **3** | (6) | 1 | (5) |
| Changes in assumptions [1] | **(36)** | **(1)** | **(37)** | 120 | 3 | 123 |
| Change in irrecoverable surplus | **49** | **-** | **49** | (46) | - | (46) |
| Remeasurement gains recognized in OCI | **15** | **(2)** | **13** | 37 | 4 | 41 |

[1] See assumptions – Note 17(a).

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

| ***As at December 31,*** *(millions of Canadian dollars)* | **2023** | | | | **2022** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Quoted** | **Un-quoted** | **Total** | **%** | **Quoted** | **Un-quoted** | **Total** | **%** |
| Equity securities | | | **250** | **46%** | | | 236 | 44% |
| Canadian equity funds | **56** | **-** | | | 54 | - | | |
| Foreign equity funds | **194** | **-** | | | 182 | - | | |
| Fixed-income securities | | | **260** | **48%** | | | 258 | 49% |
| Canadian fixed-income funds | **102** | **-** | | | 98 | - | | |
| Foreign fixed-income funds | **158** | **-** | | | 160 | - | | |
| Canadian real estate investments | **-** | **32** | **32** | **6%** | - | 35 | 35 | 7% |
| Cash and cash equivalents | **2** | **-** | **2** | **-** | 2 | - | 2 | - |
| Total plan assets | **512** | **32** | **544** | **100%** | 496 | 35 | 531 | 100% |

### (a) Assumptions

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Pension Benefit Plan** | **Other Benefit Plan** | **Pension Benefit Plan** | **Other Benefit Plan** |
| Defined benefit obligation: | | | | |
| Discount rate | **4.50% - 4.97%** | **4.50% - 4.93%** | 5.20% - 5.25% | 5.00% - 5.21% |
| Inflation rate | **2.00%** | **n/a** | 2.10% | n/a |
| Rate of compensation increase | **3.00%** | **n/a** | 3.00% - 3.10% | 3.10% |
| Health care cost trend rate for next year (1) | **n/a** | **6.50% - 6.90%** | n/a | 6.62% - 7.00% |
| Net benefit plan expense: | | | | |
| Discount rate | **5.00% - 5.25%** | **5.00% - 5.21%** | 2.66% - 3.00% | 2.50% - 2.75% |
| Inflation rate | **2.10%** | **n/a** | 1.80% | n/a |
| Rate of compensation increase | **3.00% - 3.10%** | **n/a** | 2.80% - 3.00% | 2.80% |
| Health care cost trend rate for next year (1) | **n/a** | **6.62% - 7.00%** | n/a | 7.00% - 7.75% |

(1) Decreasing gradually to 4.0 per cent by 2049 (2022 - 4.5 per cent by 2035) and remaining at that level thereafter for the U.S. and decreasing gradually to 5.0 per cent in 2028 for Canada (2022 - 5.0 per cent in 2026).

For the Canadian plan, the per capita cost of covered dental benefits was assumed to increase by 4.50 per cent per year (2022 - 4.50 per cent).

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

#### SENSITIVITIES OF ASSUMPTIONS

| | 2023 | | |
|---|---|---|---|
| *(millions of Canadian dollars)* | **Change in assumption** | **Increase** | **Decrease** |
| **Impact on Pension Benefit Plan DBO** | | | |
| Discount rate | **1%** | **(59)** | **80** |
| Rate of compensation increase | **1%** | **13** | **(11)** |
| Inflation rate | **1%** | **18** | **(16)** |
| Life expectancy | **1 year** | **13** | **(11)** |
| **Impact on Other Benefit Plan DBO** | | | |
| Discount rate | **1%** | **(4)** | **6** |
| Rate of compensation increase | **1%** | **1** | **(1)** |
| Health care cost trend rate | **1%** | **5** | **(3)** |
| Life expectancy | **1 year** | **1** | **-** |

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

### (b) Maturity analysis

An actuarial valuation was performed as of December 31, 2022. The aggregate solvency surplus in the Corporation's funded pension plans amounted to $43 million (2019 - $4 million aggregate solvency deficit). Due to the solvency surplus, the Corporation is no longer required to make solvency amortization payments. Current agreed service contributions from plan participants are 9.09 per cent of pensionable salaries and continue to be made in the normal course. The Corporation's total expected contribution to the post-employment benefit plans for the year ending December 31, 2024, is $10 million.

Weighted average durations of the defined benefit obligation for the Canadian pension plan and the other benefit plan is 16 years and 9 years, respectively (2022 - 14 years and 9 years). For the U.S. plans, the weighted average duration of the defined benefit obligation for the pension plan and the other benefit plan is 11 years and 9 years, respectively (2022 - 13 years and 11 years).

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

| *(millions of Canadian dollars)* | **Less than 1 year** | **Years 2 – 3** | **Years 4 – 5** | **Years 6 – 10** | **Total** |
|---|---|---|---|---|---|
| Defined benefit pension plan | 13 | 26 | 27 | 72 | **138** |
| Other benefit plans | 5 | 10 | 11 | 23 | **49** |
| **At December 31, 2023** | **18** | **36** | **38** | **95** | **187** |

### (c) Risk assessment

#### Funding risk

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

Alberta registered plans are required to file funding valuations on a triennial basis with few exceptions. If the going concern funded status is less than 85.0 per cent, a plan may be required to file an annual valuation. The U.S. pension plans are required to file funding valuations on an annual basis. Based on the 2022 pension valuation, the Canadian DB Provisions are 142.0 per cent funded on a going-concern basis and not less than 100 per cent on a solvency basis. Based on the 2023 pension valuation, the U.S. pension plans have funding ratios between 101.7 per cent and 104.0 per cent. The funding ratio is monitored on an ongoing basis.

#### Investment risk

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

## 18. DEFERRED REVENUE

| *(millions of Canadian dollars)* | CIAC | Other | Total |
|---|---|---|---|
| As at December 31, 2022 | 596 | 10 | 606 |
| Net additions | 32 | 3 | 35 |
| Recognized as revenue | (17) | (4) | (21) |
| Movements to PP&E | (1) | - | (1) |
| **As at December 31, 2023** | 610 | 9 | 619 |
| Less: current portion | - | 5 | 5 |
| | **610** | **4** | **614** |

## 19. ASSET RETIREMENT OBLIGATIONS AND OTHER PROVISIONS

| *(millions of Canadian dollars)* | Asset Retirement Obligations | Onerous Contracts and Other | Total |
|---|---|---|---|
| As at December 31, 2021 | 111 | 17 | 128 |
| Net additions | (33) | 5 | (28) |
| Settled in the year | - | (1) | (1) |
| Accretion expense | 2 | - | 2 |
| As at December 31, 2022 | 80 | 21 | 101 |
| Net additions | 6 | 7 | 13 |
| Settled in the year | - | (3) | (3) |
| Accretion expense | 3 | - | 3 |
| Foreign exchange translation | - | (1) | (1) |
| **As at December 31, 2023** | 89 | 24 | 113 |
| Less: current portion | - | (3) | (3) |
| | **89** | **21** | **110** |

### Asset retirement obligations

The Corporation has estimated the net present value of the decommissioning liabilities associated with the assets of ENMAX Energy based on a total undiscounted future liability of $156 million (December 31, 2022 - $130 million) calculated using an inflation rate of 2 per cent (December 31, 2022 - 2 per cent). These payments are expected to be made between 2034 and 2047. The Corporation calculated the present value of the obligations using discount rates ranging from 3.24 per cent to 3.36 per cent (December 31, 2022 - 3.29 per cent to 3.30 per cent) to reflect the market assessment of the time value of money.

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

### Onerous contracts and other

The Corporation increased its onerous contracts and other provision by $3 million (December 31, 2022 - $4 million increase) to reflect changes in the expected timing and amounts of certain longer-term onerous contracts.

## 20. SHARE CAPITAL

| (millions of Canadian dollars, except share amounts) | Number of Shares | Amount |
|---|---|---|
| Authorized: Unlimited number of common shares | | |
| Issued and outstanding: | | |
| Balance, December 31, 2022 and 2023: | | |
| Issued on incorporation | 1 | - |
| Issued on transfer of net assets from CES | 1 | 278 |
| Issued on transfer of billing and customer care assets from The City in 2001 | 1 | 2 |
| **Balance, December 31, 2022 and 2023** | **3** | **280** |

## 21. ACCUMULATED OTHER COMPREHENSIVE LOSS

| ***As at December 31,*** *(millions of Canadian dollars)* | 2023 | 2022 |
|---|---|---|
| Net unrealized gain on derivatives designated as cash flow hedges, including deferred income tax expense of $1 million (December 31, 2022 - $1 million expense) | **1** | 2 |
| Net actuarial gain on defined benefit plans, including deferred income tax of $1 million (December 31, 2022 - $nil) | **72** | 59 |
| Cumulative translation adjustment | **(101)** | (66) |
| Accumulated other comprehensive loss, including deferred income tax expense of $1 million (December 31, 2022 - $1 million expenses) | **(28)** | (5) |

## 22. JOINT ARRANGEMENTS

Significant joint operations included in the consolidated financial statements at December 31, 2023, are below:

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

## 23. INTEREST IN ASSOCIATES

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

| Name of Entity | Operating Jurisdiction | % Ownership 2023 | % Ownership 2022 | Carrying values 2023 | Carrying values 2022 |
|---|---|---|---|---|---|
| Maine Yankee Atomic Power Company [1] | U.S. | **12.0%** | 12.0% | **1** | 1 |
| Maine Electric Power Company, Inc. [2][3] | U.S. | **21.7%** | 21.7% | **104** | 104 |

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

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

### SUMMARIZED FINANCIAL INFORMATION

| | Maine Yankee | | MEPCO | |
|---|---|---|---|---|
| *(millions of Canadian dollars)* | **2023** | **2022** | **2023** | **2022** |
| Current assets | **9** | 6 | **60** | 34 |
| Non-current assets | **272** | 282 | **176** | 215 |
| Current liabilities | **(2)** | (3) | **(2)** | (10) |
| Non-current liabilities | **(276)** | (281) | **(24)** | (23) |
| Net assets (100%) | **3** | 4 | **210** | 216 |
| Corporation's share of net assets | **-** | - | **46** | 47 |
| | | | | |
| Revenues | **-** | - | **8** | 8 |
| Net earnings | **-** | - | **5** | 4 |

## 24. DIVIDENDS

On March 8, 2023, the Corporation declared a dividend of $82 million to The City (2022 - $62 million) which was paid in equal quarterly instalments during 2023.

## 25. FINANCE CHARGES

| ***Year ended December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Accretion expense | **(5)** | 2 |
| Interest expense – pension | **4** | 4 |
| Interest on long-term debt | **125** | 125 |
| Interest on finance leases | **2** | 2 |
| Short-term interest and other financing charges | **36** | 4 |
| Less: capitalized borrowing costs | **(14)** | (9) |
| | **148** | 128 |

## 26. CHANGES IN NON-CASH WORKING CAPITAL

| ***Year ended December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Accounts receivable | **283** | (300) |
| Other assets | **(21)** | (3) |
| Regulatory deferral account debit balances | **(15)** | (57) |
| Accounts payable and accrued liabilities | **(361)** | 401 |
| Other liabilities | **29** | 5 |
| Trading account margins | **(258)** | 29 |
| Deferred revenue (non-CIAC) | **(2)** | (2) |
| Provisions | **3** | 4 |
| Regulatory deferral account credit balances | **(7)** | 5 |
| **Change in non-cash working capital** | **(349)** | 82 |

## 27. RELATED PARTY TRANSACTIONS

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

### STATEMENT OF EARNINGS

| ***Year ended December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Revenue [(1)] | **164** | 151 |
| Local access fees [(2)] | **303** | 238 |
| Other expenses | **2** | 9 |
| Finance charges [(3)] | **66** | 57 |

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

[(2)] The Corporation recovers this cost from transmission and distribution customers.

[(3)] For the year ended December 31, 2023, the Corporation paid a loan guarantee and administration fee of $4 million (2022 - $4 million) to The City (Note 16).

### STATEMENT OF FINANCIAL POSITION

| ***As at December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Accounts receivable | **35** | 26 |
| Accounts payable and accrued liabilities | **25** | 30 |
| Long-term debt [(1)] | **1,722** | 1,606 |

[(1)] Principal and interest payments for the year ended December 31, 2023, amounted to $88 million and $62 million (2022 - $79 million and $53 million).

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

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

### COMPENSATION OF KEY MANAGEMENT

The Corporation's key management personnel are members of the Board of Directors and the executive management team. Key management personnel have the authority and the responsibility for planning, directing and controlling the activities of the Corporation.

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

| ***Year ended December 31,*** *(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| Salaries and other short-term employee benefits | **6** | 6 |
| Other long-term benefits | **3** | 1 |
| Termination benefits | **1** | - |
| | **10** | 7 |

## 28. SUBSIDIARIES

The following is a list of subsidiaries in which the Corporation has a material ownership interest, either directly or indirectly, as at December 31, 2023:

| Material Subsidiaries | Principal Activity |
|---|---|
| **Canadian Entities** | |
| Calgary Energy Centre No. 2 Inc. | Operator and contracting entity for the Calgary Energy Centre generation facility. |
| EM Mechanical Services Inc. | Contracting entity for all Solar PV installation, both inside and outside of The City of Calgary. |
| ENMAX Balzac GP Inc. | General Partner for the Balzac natural gas power plant. |
| ENMAX Bonnybrook Inc. | Operator and contracting entity for the Bonnybrook natural gas power plant. |
| ENMAX Cavalier GP Inc. | General Partner (on behalf of the LP) for the Cavalier natural gas power plant. |
| ENMAX Encompass Inc. | Unregulated billing and customer care services for residential and small business customers. |
| ENMAX Energy Corporation | Generation and energy retail services company offering electricity and natural gas products and services to customers and customized energy plans for businesses and industrial clients. |
| ENMAX Energy Marketing Inc. | The AESO Market Participant for system access, wholesale and trading. |
| ENMAX Gas Transport Inc. | Contracting entity for the purchase and sale of natural gas. |
| ENMAX Generation Portfolio Inc. | Owner of multiple generation plants. |
| ENMAX Genesee GP Inc. | General Partner (on behalf of the LP with Capital Power) for the Genesee 4/5 power plant. |
| ENMAX Independent Energy Solutions Inc. | Entity that holds ENMAX's combined heat and power (CHP) units, including the Stoney Transit CHP. |
| ENMAX Kettles Hill Inc. | Operator of Kettles Hill wind energy farm. |
| ENMAX Power Corporation (EPC) | The regulated wires company. Owns, operates and maintains electricity transmission and distribution generally in The City of Calgary. Handles services related to the Regulated Rate Option and retailer billing. |
| ENMAX Power Services Corporation (EPSC) | Provides competitive engineering, procurement, construction and maintenance services for EPC and other utilities. Builds and maintains Calgary's Light Rail Transit system, manages joint use telecoms and provides utility trenching to Alberta developers. |
| ENMAX Renewables Inc. | Exploring opportunities in renewable electricity generation. |
| ENMAX Shepard Services Inc. | Contracting entity, operator and agent for Shepard Energy Centre. |
| ENMAX Telecommunications Services Inc. | Coordinates pole access and attachment services for telecommunication companies. |
| ENMAX Utility Services Limited | Performs utility services for EPSC outside of The City of Calgary. |

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

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

## 29. OTHER REVENUE AND EXPENSES

| ***Year ended December 31,***<br>*(millions of Canadian dollars)* | **2023** | **2022** |
|---|---|---|
| **Other revenue** | | |
| Interest and penalty revenue | **11** | 7 |
| Miscellaneous | **19** | 16 |
| | **30** | 23 |
| **Other expenses** | | |
| Contractual services costs | **73** | 46 |
| Staff costs | **190** | 185 |
| Consulting costs | **27** | 27 |
| Advertising and promotion | **30** | 7 |
| Administrative and office expenses | **124** | 103 |
| Operating costs | **100** | 104 |
| Building and property costs | **48** | 47 |
| Other (recoveries) costs | **1** | 12 |
| Foreign exchange loss | **1** | 11 |
| | **594** | 542 |

## 30. COMMITMENTS AND CONTINGENCIES

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

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

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

| *(millions of Canadian dollars)* | |
|---|---|
| 2024 | **305** |
| 2025 | **45** |
| 2026 | **22** |
| 2027 | **20** |
| 2028 | **13** |
| Thereafter | **1** |

## HISTORICAL TRANSMISSION LINE LOSS PROVISION

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

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

ENMAX has settled or received decisions on all items related to the line loss proceedings, and all amounts related to those settlements and/or decisions have been paid (or received), with the exception of one matter involving certain credits related to one of ENMAX's generation plants. ENMAX is engaged in a court action with the AESO to determine whether credits are payable to ENMAX.

## LEGAL AND REGULATORY PROCEEDINGS

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

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

### CREDIT FACILITIES

The Corporation uses unsecured credit facilities to fund general operating requirements and to provide liquidity support for commercial paper and commodity marketing programs. In the normal course of operations, letters of credit are issued to facilitate the extension of sufficient credit for counterparties having credit exposure to the Corporation or its subsidiaries. As at December 31, 2023, the Corporation had issued letters of credit amounting to $369 million (December 31, 2022 - $790 million).

| ***As at December 31,*** | **2023** | | **2022** | |
|---|---|---|---|---|
| | **Borrowing capacity** | **Available [4]** | **Borrowing capacity** | **Available [4]** |
| *(millions of Canadian dollars)* | | | | |
| Committed Credit Facilities [1] | **1,000** | **554** | 1,000 | 696 |
| Demand Credit Facilities [2] | **1,250** | **881** | 1,250 | 460 |
| Total CAD | **2,250** | **1,435** | 2,250 | 1,156 |
| *(millions of U.S. dollars)* | | | | |
| Committed Credit Facilities [3] | **80** | **78** | 80 | 77 |
| Total USD | **80** | **78** | 80 | 77 |

[1] The Corporation's committed syndicated credit facilities mature in 2026 and are provided by national and regional lenders.
[2] Demand credit facilities currently have $1,170 million CAD allocated to letters of credit, and the remaining $80 million CAD allocated for general corporate purposes.
[3] This USD Committed Credit Facility is strictly to fund Versant Power operations for either letters of credit or general corporate purposes.
[4] Capacity remaining after consideration for borrowings, letters of credit and commercial paper backstop.

## 31. SUBSEQUENT EVENTS

### DIVIDENDS

On February 29, 2024, the Corporation declared a total dividend of $95 million payable to The City in quarterly instalments during 2024.

## 32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation. These reclassifications did not impact previously reported net earnings.

## GLOSSARY OF TERMS

| | |
|---|---|
| **Act** | *Income Tax Act* and *Alberta Corporate Tax Act* |
| **AESO** | The Alberta Electric System Operator |
| **AOCI** | Accumulated other comprehensive income |
| **ARO** | Asset retirement obligation |
| **AUC** | Alberta Utilities Commission |
| **BHD** | Bangor Hydro District |
| **CAIDI** | Customer average interruption duration index |
| **Canadian GAAS** | Canadian generally accepted auditing standards |
| **CES** | Calgary Electric System |
| **CGUs** | Cash-Generating Units |
| **CHP** | Combined Heat and Power |
| **CIAC** | Contributions in aid of construction |
| **CNE** | Comparable net earnings |
| **Corporate** | ENMAX Corporate |
| **CGC** | Corporate Governance Committee |
| **CUPE** | Canadian Union of Public Employees |
| **DB** | Defined benefit |
| **DBO** | Defined benefit obligation |
| **DC** | Defined contribution |
| **Adjusted EBITDA** | Earnings before interest, income tax and depreciation and amortization (adjusted) |
| **ECL** | Expected Credit Loss |
| **EIP** | Energy Impact Partners |
| **ENMAX** | ENMAX Corporation and its Subsidiaries, collectively |
| **EPC** | ENMAX Power Corporation |
| **EPSC** | ENMAX Power Services Corporation |
| **ERM** | Enterprise Risk Management |
| **ESG** | Environmental, social and governance |
| **FERC** | United States Federal Energy Regulatory Commission |
| **FVTPL** | Fair Value Through Profit or Loss |
| **FVOCI** | Fair Value Through Other Comprehensive Income |
| **FX** | Foreign exchange |
| **GCOC** | Generic Cost of Capital |
| **GHG** | Greenhouse gas |
| **GJ** | Gigajoule |
| **GWh** | Gigawatt hour |
| **IAS** | International Accounting Standards |
| **IASB** | International Accounting Standards Board |
| **IBEW** | The International Brotherhood of Electrical Workers |
| **IFRS** | International Financial Reporting Standards |
| **LLR** | Line Loss Rule |
| **MD&A** | Management's Discussion and Analysis |
| **MEPCO** | Maine Electric Power Company |
| **MPD** | Maine Public District |
| **MPUC** | Maine Public Utilities Commission |
| **MW** | Megawatt |
| **MWh** | Megawatt hour |
| **OCI** | Other comprehensive income |
| **OM&A** | Operations, maintenance and administration |
| **PBR** | Performance-Based Regulation |
| **PILOT** | Payment in lieu of tax |
| **PPA** | Power purchase arrangement |
| **PP&E** | Property, plant and equipment |
| **ROE** | Return on Equity |
| **ROU** | Right-of-use |
| **RRO** | Regulated Rate Option |
| **SAIDI** | System average interruption duration index |
| **SAIFI** | System average interruption frequency index |
| **SESC** | Safety, Environmental and Sustainability Committee |

| | |
|---|---|
| **SIPP** | Statement of Investment Policies and Procedures |
| **The Board** | ENMAX's Board of Directors |
| **The City** | City of Calgary |
| **The Corporation** | ENMAX Corporation and its Subsidiaries, collectively |
| **TIER** | Alberta Technology Innovation and Emissions Reduction Regulation |
| **U.S. GAAP** | United States Generally Accepted Accounting Principles |
| **VIU** | Value in use |
| **WACC** | Weighted average cost of capital |
| **ZEV** | Zero emission vehicles |

# ADDITIONAL INFORMATION

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

Please direct financial inquiries to:

**Mark Poweska**
President and Chief Executive Officer
403-514-3000

**Sheri Primrose**
Chief Financial Officer
403-514-3000

Please direct media inquiries to:

**Karin Poldaas**
Manager, Communications
mediaroom@enmax.com