AGENDA

AUDIT COMMITTEE

June 24, 2021, 9:30 AM

Members

Councillor E. Woolley, Chair
Councillor J. Farkas, Vice-Chair
Councillor D. Colley-Urquhart
Councillor J. Davison
Citizen Representative L. Caltagirone
Citizen Representative K. Kim
Citizen Representative M. Lambert
Mayor N. Nenshi, Ex-Officio

SPECIAL NOTES:
Public are encouraged to follow Council and Committee meetings using the live stream
www.calgary.ca/watchlive
Members may be participating remotely.

1. CALL TO ORDER

2. OPENING REMARKS

3. CONFIRMATION OF AGENDA

4. CONFIRMATION OF MINUTES

   4.1. Minutes of the Regular Meeting of the Audit Committee, 2021 May 20

5. CONSENT AGENDA

   5.1. DEFERRALS AND PROCEDURAL REQUESTS
   None

   5.2. BRIEFINGS
   None

6. POSTPONED REPORTS
(including related/supplemental reports)

None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

7.1. ENMAX Corporation 2020 Annual Report, AC2021-0941
Attachments 1, 2, 8, 10, 11, 17, 18, 19, 22, 23 held confidential pursuant to Sections 24 (Advice from officials) and 25, (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act.*

Reviewed by: 2036 June 24.

7.2. Calgary Convention Centre 2020 Annual Report, AC2021-0942
Attachment 2 held confidential pursuant to Sections 24 (Advice from officials) and 25, (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act.*

Reviewed by: 2026 June 24.

7.3. Green Line Program Governance Follow-up Audit, AC2021-0918

7.4. 311 Response Audit, AC2021-0923

7.5. City Auditor's Office 2022 External Assessment, AC2021-0924

7.6. External Auditor 2020 Management Letter, AC2021-0914

7.7. Off-site Levy Schedules and Notes (2020-2016), AC2021-0968

7.8. External Auditor Audit on Annual Off-Site Levy Balances, AC2021-0901

7.9. Overview of the Corporate Project Management Framework and its Quality Assurance Process, AC2021-1005

7.10. External Auditor Specified Audit Procedures on the Corporate Project Management Framework (CPMF), AC2021-0913

8. ITEMS DIRECTLY TO COMMITTEE

8.1. REFERRED REPORTS
None

8.2. NOTICE(S) OF MOTION
None

9. URGENT BUSINESS

10. CONFIDENTIAL ITEMS

10.1. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

10.1.1. External Auditor – Provision of Additional Advisory Services, AC2021-0900
Held confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act.*

Review By: 2022 June 24.

10.1.2. Audit Forum (Verbal), AC2021-0891
Held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act.*

10.1.3. External Auditor (Verbal), AC2021-0892
Held confidential pursuant to Sections 23 (Local public body confidences) and 24 (Advice from officials), and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act.*

10.1.4. City Auditor (Verbal), AC2021-0893
Held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act.*

10.2. URGENT BUSINESS

11. ADJOURNMENT

MINUTES

AUDIT COMMITTEE

May 20, 2021, 9:30 AM
IN THE COUNCIL CHAMBER

UNCONFIRMED

PRESENT:	Councillor E. Woolley, Chair Councillor J. Farkas, Vice-Chair (Remote Participation) Councillor D. Colley-Urquhart (Remote Participation) Councillor J. Davison (Remote Participation) Citizen Representative L. Caltagirone (Remote Participation) Citizen Representative K. Kim (Remote Participation)
ABSENT:	Citizen Representative M. Lambert
ALSO PRESENT:	A/City Auditor L. Ormsby (Remote Participation) A/Chief Financial Officer L. Tochor (Remote Participation) External Auditor H. Gill (Remote Participation) Executive Advisor C. Smillie Legislative Advisor G. Chaudhary Legislative Advisor D. Williams

1. CALL TO ORDER

Councillor Woolley called the Meeting to order at 9:31 a.m.

2. OPENING REMARKS

Councillor Woolley provided opening remarks.

ROLL CALL

Councillor Farkas, Councillor Davison, Councillor Colley-Urquhart, Citizen Representative Caltagirone, Citizen Representative Kim and Councillor Woolley.

Absent from Roll Call: Citizen Representative Lambert.

3. CONFIRMATION OF AGENDA

Moved by Councillor Farkas

That the Agenda for the 2021 May 20, Audit Committee be confirmed.

MOTION CARRIED

4. CONFIRMATION OF MINUTES

4.1 Minutes of the Regular Meeting of the Audit Committee, 2021 April 20

Moved by Councillor Farkas

That the Minutes of the 2021 April 20 Regular Meeting of the Audit Committee be confirmed.

MOTION CARRIED

5. CONSENT AGENDA

Moved by Councillor Farkas

That the Consent Agenda be approved as follows:

5.1 DEFERRALS AND PROCEDURAL REQUESTS

5.1.1 Procedural Request that a Regular Meeting of the Audit Committee be held 2021 September 9 at 1:00 p.m. (Verbal) - AC2021-0640

5.2 BRIEFINGS

None

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, and Citizen Representative Kim

MOTION CARRIED

6. POSTPONED REPORTS

None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

7.1 Calgary Municipal Land Corporation 2020 Annual Report - AC2021-0663

The following people from the Calgary Municipal Land Corporation addressed Committee with respect to Report AC2021-0663:

1. Kate Thompson
2. Kondwani Bwanali
3. Randy Magnussen

UNCONFIRMED

4. Shannon Doram

A presentation entitled "Calgary's Urban Placemakers" was distributed with respect to Report AC2021-0663.

Moved by Citizen Representative Caltagirone

That with respect to Report AC2021-0663, the following be approved:

That Audit Committee receive this report and presentation for the Corporate Record.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, and Citizen Representative Kim

MOTION CARRIED

7.2 Independent Assessment of The City's Whistle-blower Program - AC2021-0737

Councillor Woolley left the Chair at 10:13 a.m. and Vice-Chair Farkas assumed the Chair remotely. Councillor Woolley resumed the Chair at 10:15 a.m. and Councillor Farkas returned to his regular seat at Committee remotely.

Liliane Gingras, Rubin Thomlinson, addressed Committee with respect to Report AC2021-0737.

Moved by Citizen Representative Caltagirone

That with respect to Report AC2021-0737, the following be approved:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, and Citizen Representative Kim

MOTION CARRIED

7.3 Integrated Risk Management Audit - AC2021-0730

Moved by Citizen Representative Kim

That with respect to Report AC2021-0730, the following be approved:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

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For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, and Citizen Representative Kim

MOTION CARRIED

7.4 Civic Partner Audit Report - AC2021-0557

A presentation entitled "Civic Partner Audit Report", dated 2021 May 20, was distributed with respect to Report AC2021-0557.

Moved by Councillor Colley-Urquhart

That with respect to Report AC2021-0557, the following be approved:

That the Audit Committee recommend that Council:

1. Receive this report for the Corporate Record; and

2. Direct that Attachments 3, 5 and 6 and the closed meeting discussions remain confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party), 23 (Local public body confidences), and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act* (Alberta), to be reviewed 2026 October 22.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, and Citizen Representative Kim

MOTION CARRIED

7.5 External Auditor's Update on Off-Site Levy Assurance Procedures - AC2021-0661

A confidential document was distributed with respect to Report AC2021-0661.

People in attendance during the Closed Meeting discussions with respect to Confidential Report AC2021-0661:

Clerks: D. Williams and L. Kearnes. Advice: L. Tochor, L. Ormsby and C. Smillie. External Advice: H. Gill, I. Cvitanusic and E. Vervoort.

By General Consent, pursuant to Section 6(1) of the Procedure Bylaw 35M2017, Section 78(2)(a) be suspended in order for Committee to complete the Agenda prior to the lunch recess.

Moved by Councillor Colley-Urquhart

That with respect to Report AC2021-0661, the following be approved:

That Audit Committee:

1. Receive this report, attachment and the distributed confidential document for the Corporate Record;

UNCONFIRMED

2. Recommend Council approve the External Auditor's additional fees, contained in the distributed confidential document, to be funded from Corporate costs; and

3. Keep the Closed Meeting discussions and distributed document confidential pursuant to Sections 24 (Advice from officials) and 26 (Testing procedures, tests and audits) of the *Freedom of Information and Protection of Privacy Act*; to be reviewed 2022 May 20.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, and Citizen Representative Kim

MOTION CARRIED

8. ITEMS DIRECTLY TO COMMITTEE

8.1 REFERRED REPORTS

None

8.2 NOTICE(S) OF MOTION

None

9. URGENT BUSINESS

None

10. CONFIDENTIAL ITEMS

Moved by Councillor Farkas

That pursuant to Sections 16 (Disclosure harmful to business interests of a third party), 19 (Confidential evaluations), 23 (Local public body confidences), 24 (Advice from officials), 25 (Disclosure harmful to economic and other interests of a public body) and 26 (Testing procedures, tests and audits) of the *Freedom of Information and Protection of Privacy Act,* Committee now move into Closed Meeting at 11:17 a.m., in the Council Boardroom, to discuss confidential matters with respect to the following Items:

- 7.5 External Auditor's Update on Off-Site Levy Assurance Procedures - AC2021-0661
- 10.1.1 Audit Forum (Verbal) - AC2021-0664
- 10.1.2 External Auditor (Verbal) - AC2021-0665
- 10.1.3 City Auditor (Verbal) - AC2021-0666

And further, that Harman Gill, Erica Vervoort and Ivana Cvitanusic, External Auditors (Deloitte LLP), be invited to attend the Closed Meeting.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, and Citizen Representative Kim

MOTION CARRIED

UNCONFIRMED

Committee reconvened in public meeting at 12:00 p.m. with Councillor Woolley in the Chair.

ROLL CALL

Councillor Farkas, Councillor Davison, Councillor Colley-Urquhart, Citizen Representative Caltagirone, Citizen Representative Kim and Councillor Woolley.

Moved by Councillor Farkas

That Committee rise and report.

MOTION CARRIED

10.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

10.1.1 Audit Forum (Verbal) - AC2021-0664

People in attendance during the Closed Meeting discussions with respect to Verbal Report AC2021-0663:

Clerks: D. Williams and L. Kearnes. Advice: L. Tochor, L. Ormsby and C. Smillie.

Moved by Councillor Davison

That with respect to Verbal Report AC2021-0664, the following be approved:

That the Audit Committee direct that the Closed Meeting discussions remain confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act.*

MOTION CARRIED

10.1.2 External Auditor (Verbal) - AC2021-0665

No report was given.

10.1.3 City Auditor (Verbal) - AC2021-0666

No report was given.

10.2 URGENT BUSINESS

None

11. ADJOURNMENT

Moved by Councillor Farkas

That this meeting adjourn at 12:05 p.m.

MOTION CARRIED

The following items have been forwarded on to the 2021 May 31 Combined Meeting of Council:

UNCONFIRMED

CONSENT

- Independent Assessment of The City's Whistle-blower Program - AC2021-0737
- Integrated Risk Management Audit - AC2021-0730
- Civic Partner Audit Report - AC2021-0557
- External Auditor's Update on Off-Site Levy Assurance Procedures - AC2021-0661

The next Regular Meeting of the Audit Committee is scheduled to be held on 2021 June 24 at 9:30 a.m.

CONFIRMED BY COMMITTEE ON

CHAIR

ACTING CITY CLERK

UNCONFIRMED

ENMAX Corporation 2020 Annual Report

RECOMMENDATION(S):

That Audit Committee:

1. Receive this report and presentation for the Corporate Record; and
2. Keep Attachments 1, 2, 8, 10, 11, 17, 18, 19, 22, 23 and the Closed Meeting discussions confidential pursuant to Sections 24 (Advice from officials) and 25, (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*; to be reviewed 2036 June 24.

HIGHLIGHTS

- This report is in response to the Audit Committee's request for a presentation on governance, financial and performance reporting, risk management and talent and culture insights.
- What does this mean to Calgarians? Citizens are provided assurance that the Audit Committee has oversight of the City of Calgary's civic partners.
- Why does it matter? Investment in civic partners is significant and ensuring these entities have good governance, financial and performance reporting, risk management and talent and culture practices aligns with Council's citizen priorities.
- The Audit Committee 2021 Work Plan includes a presentation from five civic partners on their 2020 annual report and ENMAX Corporation was one of the partners selected to present this year.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- The Audit Committee Bylaw 33M2020 provides that Audit Committee oversees its governance responsibility with audit committees of The City's major autonomous civic entities, as determined by the Audit Committee.

DISCUSSION

The Audit Committee requested information on governance, financial and performance reporting, risk management and talent and culture insights be provided to the Committee by ENMAX Corporation, as follows:

Governance

1. A brief outline of your organization's governance structure including board committees, term lengths and limits, skills matrix, evaluation, succession and recruitment planning for all positions.

2. Specific to your organization's board committees:
   (a) What is the frequency of review of the compositions and Terms of Reference, and are there any recent changes to the Committee Charter or Terms of Reference?
   (b) What frequency does the board's governance committee regularly assess board composition to ensure the board has the requisite skills, competencies, diversity and independence to provide oversight required by the organization (e.g. financial, legal and risk oversight)?

ENMAX Corporation 2020 Annual Report

(c) What is the current composition of the Audit Committee including relevant financial experience?
(d) What is your Audit Committee's 2021 Work Plan?

Financial and Performance Reporting

3. Brief summary of your organization's recent financial highlights and key 2021 initiatives/strategy.
4. How has the board considered environmental, social factors and metrics into its 2021 planning, and beyond?
5. What initiatives are currently in progress to improve the efficiency of your processes (e.g. sustainable operations, key performance indicators and relevance of the organization in the future)?
6. Are there any regulatory or market changes that impacted the business approach in 2020 and would they be relevant to share publicly with the Audit Committee?
7. Please provide the most recent management letter including management responses as appropriate.

Enterprise Risk Management

8. What are your organization's principal risks including financial and operational as well risk management policies and procedures?
9. How is the principal risks oversight assigned, tracked and monitored by the board?
10. What internal controls are in place to manage risk including information technology and systems?
11. What frequency does the board continually evaluate oversight controls, processes and disclosure?
12. Are there any results of regulatory or internal/external business assessments that provide assurance on the effective management of the principal risks as addressed in your presentation?

Talent and Culture

13. Have there been any significant changes to your organization's executive leadership?
14. How are the board's diversity goals included in your organization's corporate governance framework to ensure diversity is promoted for the board, executive and organization?
15. What mechanisms are in place to support concerns of management and employees?
16. Describe the board's compensation strategy including retention and morale; pay ratios; transparency; views of the shareholder and stakeholders; and long-term strategy and objectives.

Attachments to this report have been provided by ENMAX Corporation to address Audit Committee's request.

ATTACHMENT(S)

1. Letter from Chair ENMAX Audit Committee – CONFIDENTIAL
2. ENMAX Corporation Annual Report, Governance and Financial Insight – CONFIDENTIAL
3. ENMAX Overview
4. ENMAX and the City of Calgary

ENMAX Corporation 2020 Annual Report

5. Investing in Calgary's Future
6. Versant Power Overview
7. Audit Committee Mandate
8. Audit Committee Workplan - CONFIDENTIAL
9. ENMAX Annual Governance and Compensation Report 2020
10. 2020 Year End External Auditor Report – CONFIDENTIAL
11. Management Letter of Business Insights with Responses - CONFIDENTIAL
12. Principles of Business Ethics Policy
13. Board Diversity Policy
14. Q1 2021 Financial Report
15. 2020 Audited Consolidated Financial Statements
16. ENMAX 2020 Environmental Social Governance Report
17. Commodity Risk Management Policy – CONFIDENTIAL
18. Enterprise Risk Management Policy – CONFIDENTIAL
19. 2021 Q1 Risk Report – CONFIDENTIAL
20. Executive Team Member Profiles
21. ENMAX Board of Directors Member Profiles
22. Safety and Ethics Helpline Standard - CONFIDENTIAL
23. Safe and Respectful Workplace Standard - CONFIDENTIAL

2021



ENMAX Overview

ENMAX is a stand-alone company and our sole shareholder is The City of Calgary

Headquartered in Calgary, with operations across Alberta and Maine, ENMAX Corporation is a leading provider of electricity services, products and solutions.

Through our subsidiaries, **ENMAX Power** and **Versant Power** (formerly Emera Maine), ENMAX owns and operates transmission and distribution utilities in Calgary, Alberta and northern and eastern Maine, safely and reliably delivering electricity to Calgary and Maine homes and businesses.

Through **ENMAX Energy**, ENMAX owns and operates 1,509 MW of generation in Alberta and offers a range of innovative electricity, natural gas, energy and engineering services to more than 690,000 residential, commercial and industrial Albertan customers.

ENMAX is a private corporation. The City of Calgary is its sole shareholder and the recipient of ENMAX's dividend which is declared by the ENMAX Board of Directors annually.

» Over 23 years, ENMAX has grown the City of Calgary's initial $280M investment to over $2.4B, a 10 per cent Compound Annual Growth Rate.

Over the past 23 years, ENMAX has delivered approximately $1.14 billion in dividends to The City of Calgary. The dividend is used at the discretion of The City of Calgary to support its municipal services and infrastructure.

ENMAX strategy

As we move forward, ENMAX will grow through continuing to leverage and build on our excellence in operations, service and growth.

ENMAX's recognized depth of electricity experience, industry knowledge and commitment to serving communities guides our strategy. Investment in regulated transmission and distribution utilities, and adaptation to future customer needs is central to delivering on our commitment to generating strong returns to our Shareholder.

ENMAX's subsidiaries operate as distinct businesses:

Regulated

ENMAX POWER



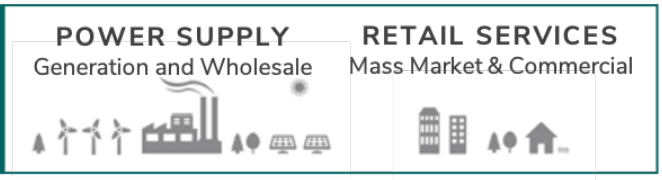
Top quartile reliability, for Canadian utilities, More than $300M annual network investments, 9,809km of wires

ENMAX Power owns, operates and maintains the transmission and distribution system in and around Calgary that serves approximately 510,000 customers. ENMAX invests over $300 million annually in system upgrades and maintenance.

ENMAX Power is fully regulated by the Alberta Utilities Commission, and its services are limited to the City of Calgary boundaries. ENMAX Power has a long-term franchise agreement in place that governs this service, and ENMAX Power also collects the City of Calgary's local access fee on its behalf. ENMAX Power is also contracted to maintain Calgary's Light Rail Transit system and services Calgary's streetlight infrastructure.

Competitive

ENMAX ENERGY



Generation mix: 86% natural gas, 14% renewable, 86% customer satisfaction, 500M litres of water saved at Shepard Energy Centre

ENMAX Energy delivers generation, competitive electricity/natural gas plans and customer care services to over 690,000 customers throughout the province. ENMAX Energy's generation facilities create 1,509 MW annually using natural gas and wind.

ENMAX Energy offers its services across Alberta and was the first company in Alberta to offer long-term contracted electricity retail services to customers. In Calgary, ENMAX Energy offers the Regulated Rate Option for electricity for customers that do not choose a competitive retail plan. ENMAX Energy also provides billing services for The City's residential water, sanitary and storm sewer, solid waste disposal and recycling services.

Regulated

VERSANT POWER



$40M invested annually in Maine's network with more than 1,000 miles of power lines, and 2,000 customer calls handled daily

In March 2020, ENMAX successfully closed our first North American acquisition with Versant Power. Versant Power is an independently operated regulated electric transmission and distribution utility which owns, operates and maintains an electrical system in northern and eastern Maine. They provide electricity and customer care services to more than 159,000 residential, commercial and industrial Maine customers.

Increasing our emphasis on investing in regulated electricity transmission and distribution utilities is key to delivering a stable and growing dividend to the City of Calgary for years to come.

Versant Power is a stand-alone utility that generates its own funds and is fully regulated by the Maine Public Utilities Commission. As its owner, Versant Power pays a dividend to ENMAX similar to how ENMAX pays a dividend to the City of the Calgary.

2021



ENMAX & The City of Calgary

For 23 years, ENMAX and The City of Calgary have shared a strong and successful relationship.

With the passing of Alberta's Utilities Amendment Act in 1998, transmission and distribution utilities became regulated by a provincial regulator, and competitive markets for electricity generation and electricity retail market were enabled for Albertans.

Responding to this change, The City of Calgary spun off its electricity utility by creating ENMAX Corporation. This enabled the City to own a private corporation engaged in the growth and advancement of Alberta's electricity markets that would serve Calgarians in new and different ways and deliver value back in the form of an annual dividend to the City.

This structure also ensures ENMAX is able to operate independently within market and regulatory rules while remaining appropriately accountable to Calgary as its Shareholder, providing confidence that the needs of Calgarians continue to be served as they continue to be to this day.

» $1.14 billion
(approx.) in dividends paid over 23 years to The City of Calgary.

» $13M
taxes paid annually to The City of Calgary.

» $132M
local access fees collected annually for The City of Calgary.

Generating value for Calgarians – the ENMAX dividend

As a private company that is separately structured, ENMAX does not receive any forms of funding from The City of Calgary, or its citizens. ENMAX is 100 per cent self-funded through our operations, and we do not receive taxpayer dollars for our operations, salaries or investments.

In fact, since 1998 ENMAX has consistently delivered a stable dividend to The City of Calgary and we fully disclose our annual dividend history and details on our relationship with the City of Calgary on our website.

The dividend is used at the discretion of The City of Calgary to support its municipal services and infrastructure. Having achieved solid financial performance in 2020 through an enhanced focus on ENMAX's core Alberta electricity businesses and successful integration of its Versant Power acquisition, the Board of Directors declared a dividend of $58 million to its Shareholder, The City of Calgary, marking a 7 per cent increase relative to 2019 and to be paid in 2021.

Adding the annual ENMAX dividend to its revenues helps the City avoid having to collect, on average, an additional $50m per year in additional taxes to fund Calgary's services.

Value to The City of Calgary

As a proud partner with the City of Calgary, ENMAX also provides contracted commercial services back to the City, creating additional operational efficiencies for Calgarians.

- ENMAX provides billing and customer care services on behalf of the City of Calgary for Its water, sewer and recycling services. The City owns all of the water, sewer and recycling services and infrastructure, and sets the rates for those services to Calgarians.
- ENMAX provides Light Rail Transit system electrical system maintenance to the City of Calgary, and the City owns the Light Rail Transit system. Specifically, ENMAX Power is contracted to provide these maintenance services.
- ENMAX provides streetlight maintenance at the direction of the City of Calgary. The City directs the management and maintenance of the City's streetlight infrastructure, and ENMAX Power is the company contracted to provide these services.

The value of stronger connections

As an essential electricity service provider, our focus is on ensuring all customers have access to a safe reliable source of electricity to power their homes and businesses. Our commitment to support our customers and communities also extends beyond our network of wires.

ENMAX is proud of the extensive history we hold as a strong corporate and community citizen across Calgary and Alberta. The investment that we and our people make in the community is a significant commitment to Calgarians.

From supporting essential community needs throughout the COVID-19 pandemic to supporting local events and Initiatives, we're proud of this powerful connection with our city.

Our employee volunteerism efforts have been recognized nationally, having received Canada's Volunteer Award for Business Leaders in the Prairies Region.

» 1%
of our pre-tax profits stays in our communities.

» $17 million
dollars over the past five years to community organizations.

» 14,423
volunteer hours by our team over the past five years.

COVID-19 Global Pandemic Response

To assist our communities during the COVID-19 pandemic, we made a $100,000 contribution to the COVID-19 Community Response Fund and a $50,000 donation to our community service agency partners.

ENMAX was proud to support The City of Calgary, CEMA and the United Way of Calgary and Area with a $100,000 donation to the COVID-19 Community Response Fund in support of community agencies that work with vulnerable populations at increased risk due to the pandemic. Through this fund, $10.3 million was granted to 197 local agencies.

Community Groups we partner with:

- Alberta Children's Hospital
- Alex Community Kitchen
- Trellis
- Boys & Girls Club of Calgary
- Big Brothers and Sisters Edmonton
- Brenda's House (Children's Cottage)
- Calgary Dream Centre
- Calgary Food Bank
- Calgary Humane Society
- Canadian Blood Services
- Distress Centre Calgary
- Drop In Centre
- Inn From the Cold
- Lions Festival of Lights
- Made by Momma
- Silvera for Seniors

2021



Investing in Calgary's Future

ENMAX Power invests in Calgary's transmission and distribution (T&D) system by regularly maintaining, modernizing and upgrading it, and we're proud our system is consistently ranked as one of Canada's **top quartile systems for reliability** by the Canadian Electricity Association. The important investments we make in the system are paid for through customer fees which are reviewed and approved by the Alberta Utilities Commission and collected as part of our monthly electricity bills.

Much of our work on Calgary's system focuses on maintenance. However, due to Calgary's changing growth and energy needs over time, our work also involves upgrading or replacing parts of the system which are nearing capacity or end of operational life. ENMAX Power is currently ensuring the system continues to run safely and reliably by replacing infrastructure first built in the 1970s and 1980s, or earlier.

Another type of investment we make in the system is in supporting Calgary communities as they evolve, and this can include connecting new or expanded residential developments or changing the location of parts of our system to accommodate major infrastructure projects like the South Calgary Ring Road.

» **For 2021, ENMAX Power will invest more than $300 million in Calgary's electricity T&D system to ensure this critical network continues to deliver safe, reliable and affordable electricity to our homes and businesses.**

Out of sight: Ensuring Calgarians have reliable connections to electricity.

Did you know 73 per cent of Calgary's powerlines run underground? To maintain these lines, referred to as cables, ENMAX Power operates a proactive cable replacement program to help us plan ahead and mitigate power disruptions that can happen as equipment ages. In 2021, crews will be working in 13 communities located across Calgary to upgrade some of these cables.

As we plan for and carry out our work on Calgary's system, we also keep our eye on future needs and ensure we are investing in ways that prepare Calgary's system for new technologies and new forms of electricity usage by customers. This includes exploring what we need to do to ensure the system is ready to accommodate future needs such as the electrification of transportation and the adoption of more renewable energy sources.

» **Totaling 9,809 kms, the wires in ENMAX Power's T&D system could wrap around Alberta three times.**



EXISTING NO. SUBSTATION
9 Ave and 7 St SW



ARTIST'S RENDERING OF NEW SUBSTATION

100+ Years of Service

Built in 1912 to power Calgary's streetlights and the streetcar rail system, ENMAX Power's No. 1 Substation currently supplies:

- 45 per cent of Calgary's downtown area. (approximately 3.2 square kilometres).
- More than half of ENMAX Power's downtown customers, including high-rise residential buildings, commercial customers and data centres.

Due to the substation's age and the critical role it plays in powering Calgary's core, ENMAX Power has received approval from the Alberta Utilities Commission to begin preparations for its replacement. Preparations are already underway, and it's expected that work on No. 1 substation will begin later this year. The new substation is scheduled to be online by Q4 2024.

The Power of Information

When something unexpected happens, or if we need to safely work on or replace parts of our system, ENMAX Power works hard to ensure Calgarians are informed of any impacts to their electricity service.

Through our dedicated outage page on enmax.com, our outage app and ENMAX Power's Twitter account, anyone experiencing an outage can stay up to date on the cause and restoration time.

In the case of a planned outage so that system maintenance can be completed safely, homeowners and businesses are provided with ample notice so that any concerns can be addressed.

For any project occurring in a community, we provide advance details through mail, in-person notifications and community signage, and we host information sessions which have been moved online during the COVID-19 pandemic.

When questions arise, we listen, and we look for solutions that balance customer input with the need to ensure we prudently and affordably deliver safe, reliable service into the future. Customers can also advance their questions and concerns to the Alberta Utilities Commission.

To learn more about our projects and practices, visit our projects page on enmax.com.

2021



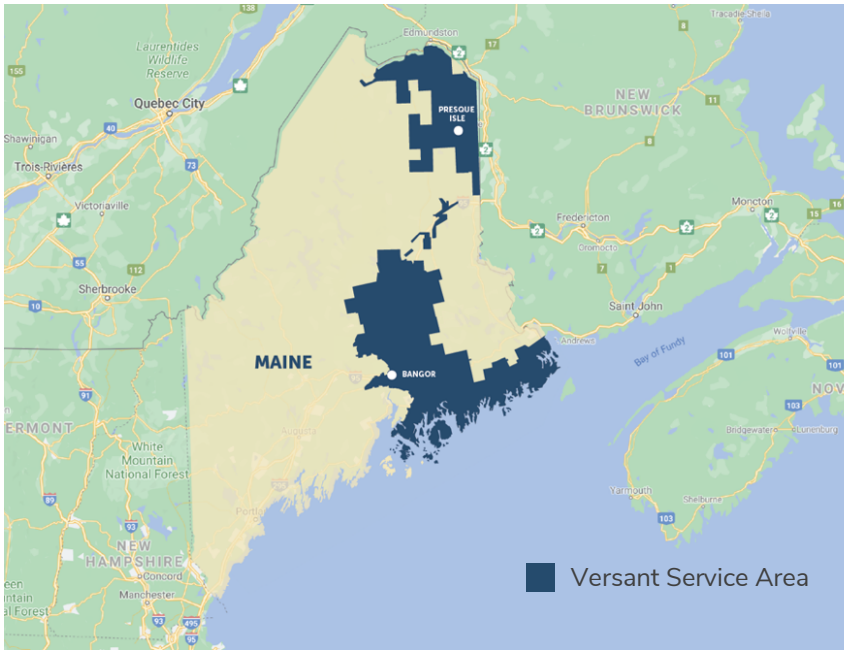
Versant Power Overview

Versant Power is a regulated transmission and distribution utility which owns, operates and maintains an electrical system in northern and eastern Maine.

Versant Power is owned by ENMAX Corporation and operated as a stand-alone subsidiary of ENMAX.

ENMAX completed the purchase of Versant Power in spring 2020.

This acquisition is reflective of ENMAX's long-term growth strategy of investing in regulated utilities which diversify our portfolio and align with our industry expertise, community-based values and performance expectations in order to generate stable and growing value for Calgarians into the future.



As the second-largest utility in the state, Versant Power provides electricity and customer care services to more than 159,000 residential, commercial and industrial customers in Maine.

Versant Power maintains the electrical system over 10,400 square miles through five counties, from the crown of Maine to the coast. This includes more than 1,000 miles of distribution system power lines. Each year, Versant Power invests more than $40 million (USD) to maintain and improve Maine's electricity distribution system.

Versant Power is fully regulated by the Maine Public Utilities Commission and the U.S. Federal Energy Regulatory Commission.

The relationship between Versant Power and ENMAX is similar to the relationship between ENMAX and The City of Calgary. ENMAX serves as Versant Power's shareholder, and Versant's Maine-based executive leadership retains responsibility for the guidance and daily operations of the utility. Versant is overseen by a Board of Directors which holds a minority of independent, local Maine directors.

Versant Power is a valued and important part of the ENMAX group of companies.

This acquisition is an example of our strategic shift toward investing in and growing ENMAX's portfolio of regulated utilities.

The diversification of ENMAX's investment portfolio provides opportunity and stability to ENMAX's business over the long term. This addition allows us to grow safely, reliably and securely, strengthen our diversification, reduce risk and provide a return that is stable and can be counted on long into the future.

With 80 per cent of Canada's electricity system owned by provincial governments, investment opportunities are not common within our country. This has led to other utilities adopting this cross-border growth strategy, including EPCOR which has assets in Alberta, B.C., Saskatchewan, Ontario, Arizona, New Mexico and Texas.

All our subsidiaries, including Versant Power, fund their own operations and do not subsidize one another. ENMAX's Alberta customers and Versant Power's customers in Maine do not pay for one another's services or investments.

As a subsidiary of ENMAX, Versant Power is fully regulated in a similar manner to ENMAX Power, ENMAX's Calgary-based transmission and distribution utility. Local regulators oversee matters including customer service and reliability, revenue, expenses, capital investment and the amount earned by the shareholder). The financial management of Versant Power is required to be separate from ENMAX's Alberta businesses, ENMAX Power and ENMAX Energy. Earnings from Versant Power flow up to ENMAX and are included in the earnings that drive the dividend to The City of Calgary.



Financing the Purchase

The purchase price for Versant Power was paid in a combination of cash, credit facilities and privately placed debt by ENMAX directly and not through The City of Calgary. In all cases, ENMAX has the sole accountability to repay these funds. The repayment obligations were not guaranteed by The City of Calgary and there is no recourse to The City of Calgary as ENMAX's shareholder for any of these amounts.

ENMAX customers and The City of Calgary can be assured that ENMAX's electricity rates were not affected by the purchase of Versant Power or the paying down of this debt, and no additional fees are being charged to our customers to offset the cost of acquiring Versant Power.

ENMAX did not seek any funds from The City of Calgary and no funds were granted by The City of Calgary for this investment. There is no exposure to Calgarians for ENMAX's purchase of, or for the ongoing operation of Versant Power. ENMAX expects that The City of Calgary will receive an increased dividend reflecting increased earnings from the acquisition.

ENMAX CORPORATION
AUDIT COMMITTEE MANDATE

Pursuant to Section 4.1 of the Amended and Restated Bylaw of ENMAX Corporation (the "Corporation" or "ENMAX"), a committee of the Board of Directors (the "Board") to be known as the "Audit Committee" (the "Committee") is established. The Committee has the oversight responsibility and specific duties described below.

1) COMMITTEE MANDATE

a) The Committee will review this mandate and associated workplan annually or otherwise, as it deems appropriate. All proposed changes are reviewed and approved by the Board.

b) To honor the spirit and intent of applicable law as it evolves, authority to make minor typographical and/or administrative amendments to this mandate is delegated to the Corporate Secretary, who will report any amendments to the Committee at its next meeting.

2) COMMITTEE COMPOSITION

a) The Committee will be comprised of a minimum of four directors, none of whom will have any interest in, or business or other relationship with the Corporation that may, or may reasonably be perceived to, interfere with the exercise of their independence from management and the Corporation.

b) The Chair of the Board is an ex-officio and non-voting member of the Committee.

c) The members of the Committee will be financially literate or become financially literate within a reasonable period of time after being appointed. Further, at least one member of the Committee will have accounting or related financial management expertise. For purposes hereof, "financially literate" will mean the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

d) The Committee will provide its members with continuing education opportunities in financial reporting and other areas relevant to the Committee.

e) The members of the Committee will be appointed by the Board from time to time, and continue to be a member until a new member is appointed by the Board, unless the member resigns, is removed by the Board or ceases to be a director. Where a vacancy occurs at any time in Committee membership, it may be filled by the Board and will be filled by no later than the next scheduled meeting of the Board if the membership is less than four directors as a result of the vacancy.

f) The Board will appoint a Committee Chair who will hold the responsibilities as outlined in the Board Leadership Mandate. If the Chair of the Committee cannot be present at any meeting of the Committee, the Chair will, in advance of the meeting, designate another member of the Committee, as Chair. Failing which, the Committee Chair will be chosen from among the members present.

g) At all Committee meetings, every question will be decided by a majority of the votes cast. In the case of an equality of votes, the motion will be lost and the Chair of the meeting will not be entitled to a second or casting vote.

3) COMMITTEE SECRETARY

The Corporation's Corporate Secretary, or designate, will attend and be the secretary of all Committee meetings.

4) COMMITTEE MEETINGS

The time and place of Committee meetings and the procedures at such meetings will be determined by the members provided that:

a) A quorum for meetings will be a majority of Committee members, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear

each other. In circumstances where a quorum cannot be constituted, the Board Chair may be considered in establishing quorum and will be entitled to vote for the duration of the meeting.

b) The Committee will meet at least quarterly.

c) Notice of meeting time and place will be given by electronic or other communication to each Committee member at least 24 hours in advance, provided, however, that a member may waive a notice of a meeting; and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. A meeting of the Committee may be called by the Committee Secretary on the direction of the Chair, Chief Executive Officer, External Auditor, Internal Auditor or by a Committee member. Notwithstanding these provisions, the Committee has the right to determine who will and will not be present at any part of the meeting.

d) The Committee Chair will establish the agenda for the meetings. The Committee members, Board, External Auditor, Internal Auditor and management may recommend agenda items. The agenda for each meeting will be subject to approval by the Committee at the start of each meeting.

e) Briefing materials will be provided to the Committee as far in advance of meetings as practicable.

f) The Committee will maintain minutes of meetings which will be filed in the Corporation's minute book. Upon approval, the minutes of Committee meetings will be made available to the Board.

5) DUTIES & RESPONSIBILITIES

The Committee's primary purpose is to assist the Board in fulfilling its oversight responsibilities with respect to matters related to financial accounting and reporting process, integrity of the Corporation's financial statements, internal controls over financial reporting, external financial audit process, compliance with financial and accounting regulatory requirements, independence and performance of the internal and external auditor, and includes the specific duties set out below.

a) COMMITTEE INVESTIGATIONS

The Committee has the authority to investigate any activity of the Corporation. All employees, officers and directors are to cooperate as requested by the Committee. All information received by the Committee in connection with any investigation will be made available for examination by a director of the Corporation upon request to the Secretary of the Committee.

b) DISCLOSURE DOCUMENTS

i) Review and recommend to the Board for approval all annual, interim and other material financial information of the Corporation or its subsidiaries, securities commissions or regulators, including all financial statements, management discussion and analysis and associated press releases.

ii) Review and recommend to the Board for approval all financial information included within any prospectus, offering memorandum, securities commission filings or other material documents in connection with the offering of securities of the Corporation.

iii) Review the findings of examinations performed by any regulatory or government agencies, any External Auditor and Internal Auditor observations made regarding those findings, and management's responses.

c) INTERNAL CONTROLS AND FINANCIAL REPORTING PROCESSES

i) Inquire of the CEO and CFO regarding the processes followed by them in preparing any certifications, including any areas of concern or challenge, any issues of material importance and other related matters.

ii) Review the Corporation's significant accounting principles and financial statement presentations, including any changes in the Corporation's selection or application of such.

iii) Review significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the effects of alternative accounting methods on the financial

statements and any off balance sheet structures.

iv) Review all material related-party transactions.

v) Review complaints related to accounting, internal controls and financial reporting controls.

d) **EXTERNAL AUDITOR**

i) Review and recommend annual and quarterly reports of the External Auditor, including:
   a. The results of their review/audit of the ENMAX Corporation financial statements;
   b. The results of their review/audit of the ENMAX Power Corporation financial statements;
   c. Any significant risk areas or issues reviewed by the External Auditor;
   d. Any corrected or uncorrected misstatements and disclosure deficiencies;
   e. Any problems or difficulties and management's response; and
   f. Confirm the External Auditor independence of the Corporation.

ii) Hold discussions with the External Auditor regarding the following:
   a. Critical accounting policies and practices;
   b. Alternative treatments of financial information within International Financial Reporting Standards (IFRS) related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the External Auditors; and
   c. Material written communications between the External Auditor and management, including, but not limited to, the management letter and schedule of unadjusted differences.

iii) Inquire as to the External Auditor's assessment of the Corporation's internal control over financial reporting and review management's response to any internal control recommendations of the External Auditors.

iv) Annually review and approve the External Auditors audit plan and remuneration, which includes their audit scope and approach, including significant estimates and judgments made by management and areas of significant audit risk.

v) Directly or by delegation to the Committee Chair and CFO, acting together, approve both audit related and non-audit related services provided by the external auditors and the fees related thereto.

vi) Recommend to the Board the nomination of the external auditors.

vii) If a change in external auditors is proposed, the Committee will review the reasons for the proposed change as well as obtain a response from the incumbent auditor.

viii) Annually lead the performance assessment of the External Auditor, with management's input.

ix) Communicate the Committee's expectations regarding the external auditor's (Firm and Lead Partner) performance and evaluate the external auditors' past performance.

x) Monitor the independence of the external auditor through written disclosures and meetings with the External Auditor and by reviewing the independent auditor's account of the total fees derived from non-audit work during the past year.

xi) At least annually, obtain and review a report by the external auditor describing:
   a. The external auditor's internal quality-control procedures; and
   b. Any material issues raised by the most recent internal quality-control review or peer review, or by any inquiry or investigation conducted by governmental or professional authorities during the preceding five years with respect to external audits carried out by the external auditor, and any steps taken to deal with such issues.

e) **INTERNAL AUDIT**

i) Review the appointment, evaluation and termination of the Internal Auditor.

ii) Review the activities and organizational structure of the internal audit function, as well as the qualifications of personnel to ensure the objectivity and independence of the internal audit function.

iii) Review the internal audit function responsibility, budget, and staffing and discuss adequacy with External Auditor.

iv) Review and approve the Internal Audit Charter, Long Range Internal Audit Plan and Annual Internal Audit Plan for the upcoming fiscal year ensuring that the Internal Auditor is reviewing all of the Corporation's business units to ensure that appropriate internal controls are in place.
v) Review reports and analysis from the Internal Auditor including their results of planned activities for the quarter and findings and recommendations made to management as well as management's response to and remediation steps taken as a result of audit findings.
vi) Review an annual report from the Internal Auditor detailing the regular examination of the CEO and Executive expenses and perquisites, including use of the Corporation's assets.
vii) Periodically review (and/or as appropriate), with the Internal Auditor, any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the function's work.

f) **COMPLIANCE**

i) Review quarterly with management, the external auditors and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation, or the manner in which these matters have been disclosed in the financial statements.
ii) Review certificate from an officer of the Corporation and its subsidiaries respecting withholdings and payment obligations contained in the Directors and Officers Liability Statutory Overview.

g) **OTHER**

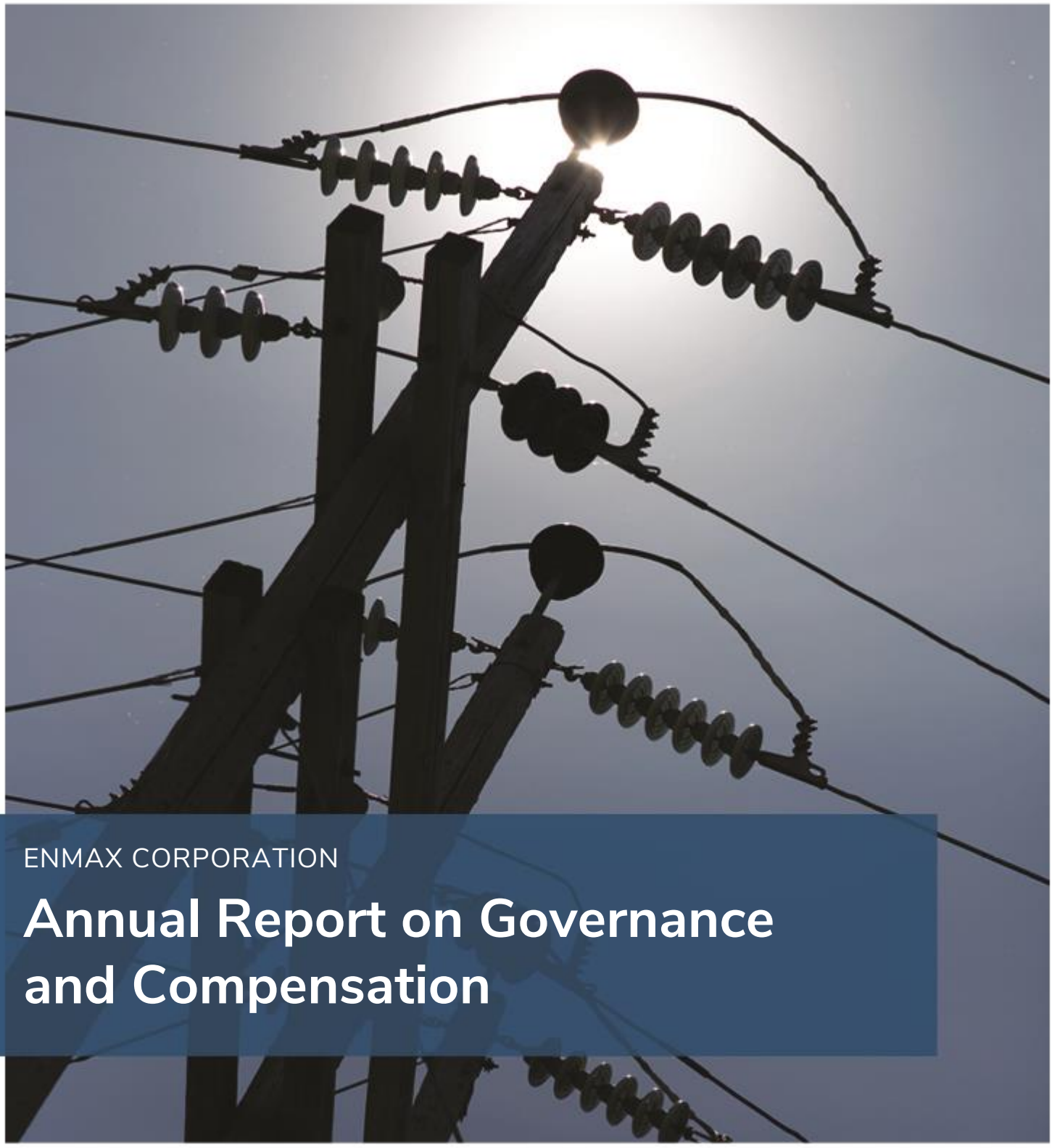
i) Annually review the financing plans and material internal/external financing activities of the Corporation.
ii) Review and recommend to the Board any financing transactions greater than $50 million contemplated by the Corporation.
iii) Review compliance with the capital expenditure budget and Board approved expenditures.
iv) Review the performance of any material projects with significant financial systems/internal controls impact.
v) On an as needed basis, review legal entity structure changes
vi) Recommend to the Board the annual Shareholder dividend.
vii) Annually review the long term plan for the Finance Group, including a review of the adequacy of financial systems.
viii) Annually review the Corporation's insurance programs for adequacy and obtain legal advice on content of insurance contracts every three years.
ix) Annually review the Corporation's hedging program, limits and risk tolerance and recommend any changes to the Board; review any Board-level exceptions related to the execution of the hedging program.
x) As required, review any matters of fraud or fraud-related complaints received through the Corporation's Safety and Ethics Helpline or other means, and work with management, ensure appropriate investigations and remedies are undertaken and implemented.
xi) Once every three years, or earlier as required, review any Board Level Policies that have been assigned to the Committee, with a view to ensuring that appropriate controls exist and recommending any changes to the Board for approval.

6) EXTERNAL CONSULTANTS

In instances where members of the Committee believe that in order to properly discharge their obligations to the Corporation it is necessary to obtain the advice of external advisors, the Committee Chair will, at the request of the Committee, engage the necessary advisors. The Board will be kept apprised of both the selection of the advisors and the advisors' findings through Committee reports to the Board.

7) IN-CAMERA MEETINGS

The Committee will meet separately from management as part of any Committee meeting. The Committee will also meet in camera with the Internal Auditor and the External Auditor for a part of each Committee meeting.



ENMAX CORPORATION

Annual Report on Governance and Compensation

MAY 22, 2020

I am pleased to present ENMAX's Annual Report on Governance and Compensation. This report marks ENMAX's tenth year of publishing reports on our governance and compensation practices and reflects our commitment to transparency and good corporate governance.

Good governance and leadership

Strong and effective governance practices are at the core of what ENMAX does. Our board of directors and executive team work closely to optimize our approach to governance and to ensure we are keeping abreast of industry trends and best practices. In addition, we are continually developing and recruiting ENMAX leaders to enable us to provide the best services possible to our customers.

Our pledge to ethical conduct

Our strong ethical conduct is the foundation of our business and is vital to our success. At ENMAX, we are committed to both preserving and enhancing the confidence and trust of our shareholder and customers.

Creation of shareholder value

ENMAX has a proud history with our shareholder, The City of Calgary. From 1998 to 2020, we have contributed more than $1.1 billion in dividends to The City of Calgary. Our dividends help bolster The City of Calgary's revenues, which enables growth and supports a number of services that benefit Calgarians. This year, ENMAX declared a total shareholder dividend of $54 million, which is comprised of a dividend of $48 million plus a $6 million special dividend. The special dividend was declared in response to the unprecedented times in Alberta and globally with the COVID-19 pandemic, and to extend ENMAX's support to The City of Calgary.

Material Developments

2020 is a year of transformation for ENMAX. In March 2020, ENMAX successfully completed the acquisition of Versant Power (formally Emera Maine), a regulated electricity transmission and distribution company operating in the State of Maine. This transaction represents a unique opportunity to create a stronger ENMAX, while delivering on commitments to our 159,000 new customers in northern and eastern Maine and creating significant value to our shareholder.

In addition, on May 20, 2020, ENMAX announced Wayne O'Connor as ENMAX's new President and CEO, effective June 22, 2020. Wayne will succeed Gianna Manes who is retiring as President and CEO, following her successful eight-year leadership of ENMAX. Gianna will remain on the board of ENMAX until July 31, 2020 to assist with the transition and integration of ENMAX's new President and CEO. Finally, in connection with several director retirements over the last few years, ENMAX welcomed two new directors to the board effective May 22, 2020: William (Bill) Taylor and Bruce Williamson.

Significant time and effort was required by the ENMAX board of directors and executive team on these strategic and transformational matters. The successful acquisition of Versant Power and executive and director succession planning is a reflection of the commitment by ENMAX's board of directors and executive team to good corporate governance and continued success.

Looking forward

This is a unique and challenging time at ENMAX, in Canada and globally. As in everything we do, the health and safety of our employees and communities is paramount during this difficult time prompted by the COVID-19 pandemic. As an essential service, we are committed to not only meeting the needs of our customers today but also their demands of tomorrow. ENMAX has been successful throughout our history at adapting to changes. Our board of directors and executive team are confident that ENMAX will continue to meet the challenges we face today, while continuing to create near and long-term shareholder value.

I thank you for your continued support.



Greg Melchin
Chair of the Board of Directors

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About ENMAX

ENMAX Corporation ("**ENMAX**") makes, moves and sells electricity to residential, small business and large commercial customers, and is headquartered in Calgary, Alberta. Our mission is to power the potential of people, businesses and communities by safely and responsibly providing electricity and energy services in ways that matter to them today and tomorrow.

ENMAX Power Corporation owns and operates transmission and distribution infrastructure in Calgary, and ENMAX Energy Corporation owns diverse generation facilities throughout Alberta. Through its subsidiaries, ENMAX offers a range of innovative energy solutions to over 670,000 customers across Alberta, including electricity, natural gas, renewable energy and other services. In addition to ENMAX's operations in Alberta, ENMAX acquired Versant Power in March 2020, a regulated electricity transmission and distribution company located in the State of Maine and provides energy services to approximately 159,000 customers in northern and eastern Maine.

About This Document

As our sole shareholder is The City of Calgary (the "**Shareholder**"), and as an essential part of the communities we serve, ENMAX is committed to providing transparency regarding its operations, finances, governance and executive compensation. This document is part of delivering on that transparency and is provided in addition to our annual and interim financial reports. Although ENMAX is not required to publicly file an annual information circular of a type that publicly listed companies do for their annual meetings, ENMAX strives to provide disclosure regarding governance and executive compensation that is comparable to public company disclosure, and the disclosure is informed by the requirements applicable to public companies.

INFORMATION CONTAINED WITHIN THIS REPORT IS DATED AS OF MAY 22, 2020, UNLESS OTHERWISE SPECIFIED.

Our Governance Approach

Our Corporate Governance Philosophy and Practices

At ENMAX, our board of directors (the "**Board**" or "**Directors**") and executive team (the "**Executive**") are committed to the highest standards of ethical conduct and corporate governance. We believe that sound corporate governance practices contribute to Shareholder value, trust, and confidence in ENMAX. Ultimately, our governance practices are built on the belief that how we earn profits is equally as important as the level of profits we earn.

ENMAX's governance practices are key in how we make decisions. Our governance framework guides how we assign accountability, delegate authority and determine resources to support and enhance our decision-making process. Our framework also helps us to ensure our corporate values are always reflected in the work we do.

Our approach to governance and the disclosure of our practices is informed by National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

Our governance framework is based on the following principles:

- Diverse expertise-based Board that promotes continued responsible growth and success;
- Clear definition of roles and responsibilities making for effective decision-making;
- Delegation to committees of the Board (the "**Committees**") to ensure the Board's mandate is appropriately carried out;
- Accountability through annual evaluation of the Board, Directors and our President & CEO;
- Established enterprise risk management system; and
- Commitment to clear communications with our Shareholder and other stakeholders.

Ethical Business Conduct

The Board expects all Directors, officers and employees of ENMAX to act with honesty, integrity and impartiality. This allows ENMAX to earn and maintain the trust of our Shareholder, employees, stakeholders, customers and the communities in which we operate. Our principles of business ethics policy ("**Business Ethics Policy**") contains principles and guidelines for ethical behaviour and describes the governance and corporate culture we want to develop and preserve. The Board reviews and approves the Business Ethics Policy at least once every three years and works closely with the Executive to promote a strong governance culture that influences ENMAX at every level. All employees sign an acknowledgment that they have read, understand and will comply with the Business Ethics Policy.

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

Members of the public can obtain a written copy of our Business Ethics Policy by contacting the Corporate Secretary at governance@ENMAX.com or can view a copy on our website.

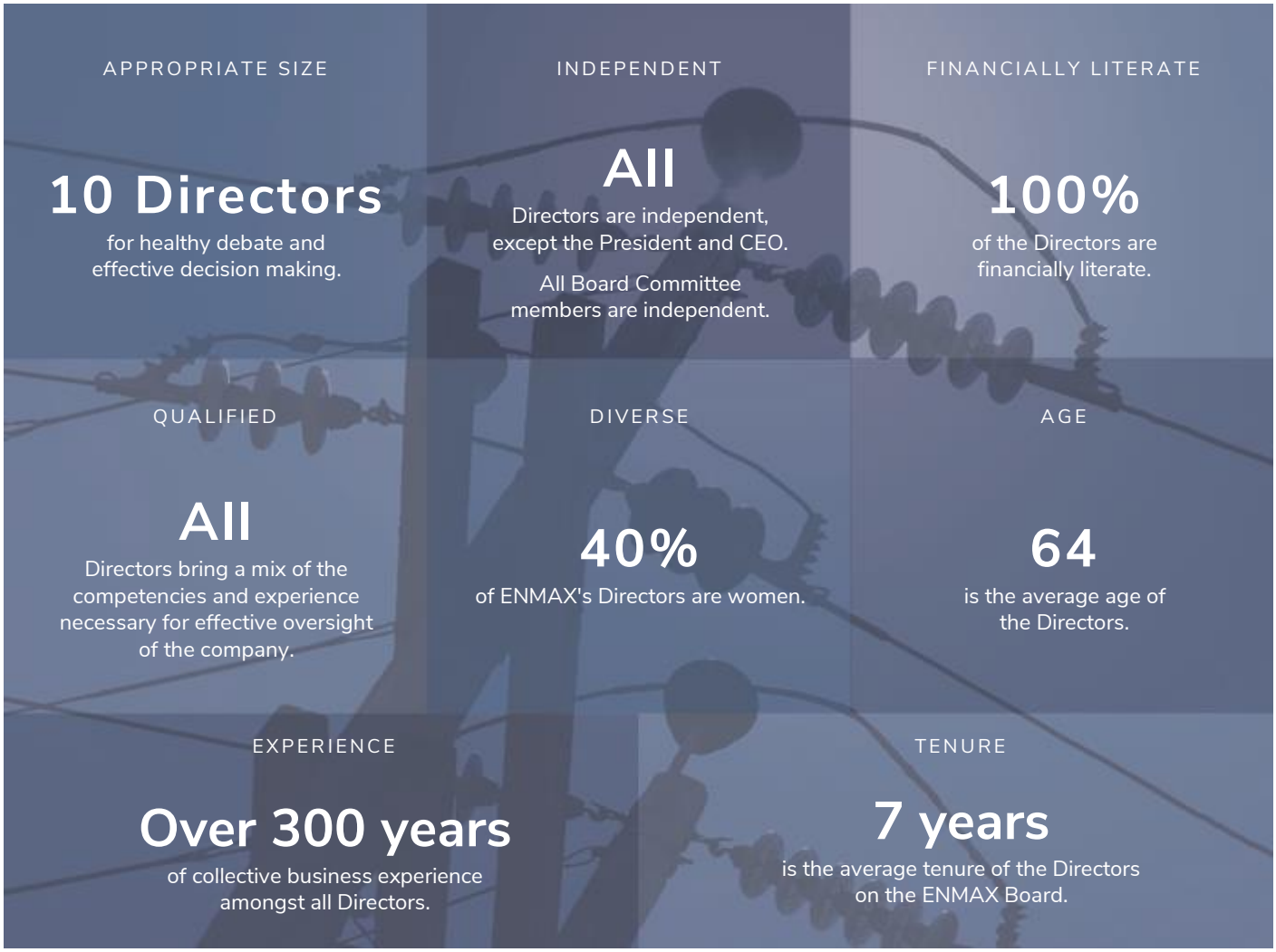
Sustainability and Environment, Social and Governance Matters

Throughout our history, ENMAX has held a commitment to building a sustainable future through our operating practices. For 13 years, ENMAX has publicly disclosed its environmental, social and governance performance in alignment with the Global Reporting Initiative's ("**GRI**") Standards.

ENMAX continuously strives to enhance the robustness of our disclosures and currently reports on over 100 environment, safety, social and governance indicators. In May 2020, ENMAX published a Report on Sustainability containing an overview of its sustainable business practices, a summary of its GRI reporting for 2019 and access to the full suite of performance indicators that are reported on annually.

Our Board of Directors

As of May 22, 2020, ENMAX's Board consists of ten Directors. These Directors have the necessary mix of skills, experience and qualifications for proper oversight and effective decision-making. A full biography of each Director can be found on **pages 7** to **11**. The full set of skills each Director brings to ENMAX's Board is set out in the Director Skills Matrix on **page 16**.



Board Chair, Greg Melchin, FCPA, FCA



Calgary, AB

Age 66

Independent

Financially Literate

Ex-Officio Member:
Audit Committee
Governance Committee
Safety & Human Resources Committee

Education and Designation:
- Bachelor of Science (Accounting)
- Chartered Accountant Designation
- ICD.D Designation

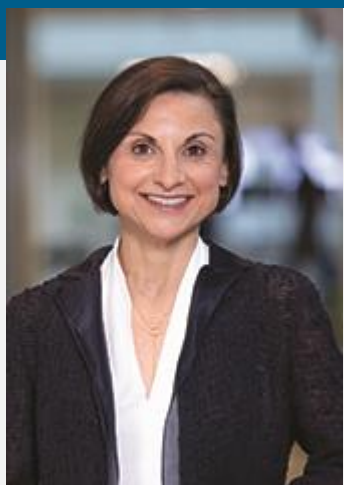
Areas of Expertise:
- Community Building and Leadership
- Corporate Governance / Legal
- Energy Sector
- Environmental
- Financial
- Human Resources
- Political and/or Government
- Risk Management

Public Board Memberships:
- Baytex Energy Corporation
- Total Energy Services Inc.

Greg Melchin joined the ENMAX Board in 2008 and assumed the role of Board Chair in 2011. Greg was a Member of the Legislative Assembly ("**MLA**") of Alberta (Calgary-North West Constituency) from 1997 to 2008. Prior to his position as MLA, he served in various management positions for 20 years in the Calgary business community, including Chief Financial Officer and Vice President of Finance. Greg previously served as Chair of PPP Canada, a federal Crown corporation and as a director on the board of STARS. Among his many positions within the Government of Alberta, Greg was Minister of Energy, Minister of Seniors and Community Supports, and Minister of Revenue.

2019 Meeting Attendance:
Meetings Attended: 45 / 45 | Attendance Record: 100%

Gianna Manes, President & CEO*



Calgary, AB

Age 55

Not Independent

Financially Literate

Committee Memberships:
Gianna is not a member of any ENMAX Committees

Education and Designation:
- Bachelor of Science (Industrial Engineering)
- Master of Business Administration
- Harvard School of Advanced Management Program
- ICD.D Designation

Areas of Expertise:
- Commodities / Wholesale Electricity Trading
- Community Building and Leadership
- Corporate Governance / Legal
- Electricity Utility Sector
- Energy Sector
- Environmental
- Financial
- Human Resources
- Political and/or Government
- Project Management, Engineering or Construction
- Retail Industry
- Risk Management
- Technology

Public Board Memberships:
- Keyera Corp.

Gianna Manes has held the position of President & CEO of ENMAX since 2012. She is a director of a publicly traded company, Keyera Corp., and a director of the Canadian Electricity Association. Gianna previously served as the Co-Chair of the Calgary United Way campaign and was a director of the Calgary United Way from 2015 to 2018.

Gianna has 30 years of experience in the energy sector in Canada, the United States and Europe. Before joining ENMAX, she served as the Senior Vice President and Chief Customer Officer of Duke Energy from 2008 to 2012, a large North American power company based in Charlotte, North Carolina.

Gianna has been recognized for her leadership and accomplishments throughout her career: as Electricity Human Resources Canada's CEO of the Year in 2013, one of Alberta Venture's Top 50 Most Influential People in 2015, and twice-recognized as one of Canada's Most Powerful Women by the Women's Executive Network.

2019 Meeting Attendance:
Meetings Attended: 28 / 28 | Attendance Record: 100%

* Ms. Manes will retire from the Board on July 31, 2020.

Laura Formusa



Toronto, ON

Age 65

Independent

Financially Literate

Committee Memberships:
Audit Committee
Safety & Human Resources Committee (Chair)

Education and Designation
- Bachelor of Laws
- ICD.D Designation

Areas of Expertise:
- Community Building and Leadership
- Corporate Governance / Legal
- Electricity Utility Sector
- Energy Sector
- Environmental
- Financial
- Human Resources
- Political and/or Government
- Project Management, Engineering or Construction
- Risk Management
- Technology

Public Board Memberships:
None

Laura Formusa joined the ENMAX Board in 2017 and is the Chair of the Safety & Human Resources Committee. She is currently a director of the following companies: 407 International Inc., Equitable Life Insurance Company of Canada, the Institute for Clinical Evaluative Sciences, and Tantalus Systems Corp. (Chair). Laura served on the Board of Governors of York University, in addition to other directorships.

Laura has over 30 years of experience in the utilities industry. She served as Vice President, General Counsel and Corporate Secretary of Hydro One Inc. (formerly Ontario Hydro), and later as President and Chief Executive Officer from 2007 until her retirement at the end of 2012.

Laura was inducted into the Top 100 Most Powerful Women in Canada's Hall of Fame by the Women's Executive Network. She is also a founding member of the Women of Energy group, which seeks to advance women's issues and to create critical networking opportunities for high potential women in the energy sector.

2019 Meeting Attendance:
Meetings Attended: 35 / 38 | Attendance Record: 92%

Eric Markell



Bellevue, WA

Age 68

Independent

Financially Literate

Committee Memberships:
Audit Committee
Governance Committee

Education and Designation:
- Bachelor of Economics
- Master of Public Administration

Areas of Expertise:
- Commodities / Wholesale Electricity Trading
- Community Building and Leadership
- Electricity Utility Sector
- Energy Sector
- Environmental
- Financial
- Human Resources
- Political and/or Governmental
- Project Management, Engineering or Construction
- Risk Management

Public Board Memberships:
None

Eric Markell joined the ENMAX Board in 2016. Eric is a member of the Board of Governors of the United States Eventing Association and a director of The Hudson Renewable Energy Institute in New York.

Eric has over 35 years of experience in the utility and power industry which includes experience in corporate finance, accounting, regulatory relations and rate-making, asset acquisition, generation operation and construction, project finance and project development.

Before joining ENMAX, Eric held various senior executive positions, including Chief Financial Officer, Chief Resource Officer and Chief Strategy Officer of Puget Energy Inc. and Puget Sound Energy. In addition, Eric served as Vice President and Chief Financial Officer of United American Energy Corp. Eric is also a past Treasurer and Controller of Central Hudson Gas & Electric Corporation and the past Vice President and Treasurer of the New York State Energy Research & Development Authority.

2019 Meeting Attendance:
Meetings Attended: 34 / 35 | Attendance Record: 97%

Elise Rees, FCPA, FCA



Vancouver, BC

Age 61

Independent

Financially Literate

Committee Memberships:
Audit Committee
Governance Committee

Education and Designation:
- Bachelor of Arts (Hons)
- BC Chapter of the Institute of Corporate Directors (Executive Member)
- ICD.D Designation

Areas of Expertise:
- Community Building and Leadership
- Corporate Governance / Legal
- Financial
- Human Resources
- Political and / or Government
- Project Management, Engineering or Construction
- Retail Industry
- Risk Management

Public Board Memberships:
- Great Panther Mining Limited

Elise Rees joined the ENMAX Board in 2016. She is a director of Great Panther Mining Limited and Westland Insurance Group Limited, in addition to several not-for-profit organizations.

Elise has over 35 years of experience in public accounting. She spent 18 years as a partner with Ernst & Young, LLP and 14 of those years focused on acquisitions, mergers and corporate restructuring. Elise has also been the global client-coordinating partner for services to the BC Credit Union Industry.

Elise has been recognized many times during her career. She was awarded the Influential Woman in Business Award in 2007 and the Ernst & Young Rosemarie Meschi Award for Advancing Gender Diversity in 2007. In addition, she has been recognized for her leadership with the designation of Fellow Chartered Professional Accountant and Fellow Chartered Accountant in 2010, and received the Community Builder Award from Association of Women in Finance in 2012. She was also recognized as a Top 100 Most Powerful Women in Canada by the Women's Executive Network in 2015.

2019 Meeting Attendance:
Meetings Attended: 24 / 24 | Attendance Record: 100%

Charles Ruigrok



Calgary, AB

Age 63

Independent

Financially Literate

Committee Memberships:
Audit Committee (Chair)
Safety & Human Resources Committee

Education and Designation:
- Bachelor of Science (Civil Engineering)
- ICD.D Designation
- Master of Engineering (Civil Engineering)
- Professional Engineers Ontario (Member)

Areas of Expertise:
- Community Building and Leadership
- Corporate Governance / Legal
- Electricity Utility Sector
- Energy Sector
- Environmental
- Financial
- Human Resources
- Political and/or Government
- Project Management, Engineering or Construction
- Retail Industry
- Risk Management
- Technology

Public Board Memberships:
None

Charles Ruigrok joined the ENMAX Board in 2010 and is currently the Chair of the Audit Committee. He served as Interim President and CEO from February 2011 to April 2012. He is currently a director of Soane Energy LLC.

Charles has over 35 years of experience in the energy industry. Charles previously held the position of CEO of Syncrude Canada Ltd. He also spent 26 years at Imperial Oil, where he held various senior executive positions, including Vice President of Oil Sands Development and Research.

Charles is a past director of Syncrude Canada Ltd., Rainbow Pipeline Company, Progas Limited, the Alberta Chamber of Resources, and Petroleum Technology Alliance Canada. He also served as a member of the Board of Governors of the Canadian Association of Petroleum Producers.

2019 Meeting Attendance:
Meetings Attended: 40 / 40 | Attendance Record: 100%

Kathleen Sendall



Calgary, AB

Age 67

Independent

Financially Literate

Committee Memberships:
Governance Committee
Safety & Human Resources Committee

Education and Designation:
- Bachelor of Science (Mechanical Engineering)
- Ivey Executive Program

Areas of Expertise:
- Community Building and Leadership
- Corporate Governance / Legal
- Energy Sector
- Environmental
- Financial
- Human Resources
- Political and/or Government
- Project Management, Engineering or Construction
- Retail Industry
- Risk Management

Public Board Memberships:
None

Kathleen Sendall joined the ENMAX Board in 2011. She is also a member of the Sustainable Development Technology Canada Member Council.

Kathleen has over 30 years of experience in the engineering and energy sectors. Previously, Kathleen led Petro-Canada's Natural Gas Business Unit and she was a director of CGG, a public company based in Paris. She was the President and a former director of the Canadian Academy of Engineering, as well as a former Governor and Board Chair of the Canadian Association of Petroleum Producers.

Kathleen has received many acknowledgments during her career: the YWCA Women of Distinction Award, an honorary Bachelor of Applied Industrial Ecology degree, twice named one of Alberta's 50 Most Influential People by Alberta Venture, four times named as one of Canada's Top 100 Most Powerful Women in the Corporate Executive category, and inducted into Canada's Most Powerful Women Hall of Fame. She was awarded the 50 Key Women in Energy Global Award, the Women Who Make a Difference Award from the International Women's Forum and the Queen's Jubilee Medal. Kathleen is appointed to the Order of Canada and is an Honorary Lieutenant Colonel of the Department of National Defense. She is the recipient of an Honorary Doctor of Laws from the University of Calgary and named a Jarislowsky Fellow at the Haskayne School of Business.

2019 Meeting Attendance:
Meetings Attended: 30 / 30 | Attendance Record: 100%

Richard Shaw



Calgary, AB

Age 74

Independent

Financially Literate

Committee Memberships:
Audit Committee
Governance Committee (Chair)

Education and Designation:
- Bachelor of Science
- Bachelor of Laws
- ICD.D Designation
- Queen's Counsel (1992)

Areas of Expertise:
- Community Building and Leadership
- Corporate Governance / Legal
- Electricity Utility Sector
- Energy Sector
- Financial
- Human Resources

Public Board Memberships:
- Inter Pipeline Ltd. (Chair)

Richard Shaw joined the ENMAX Board in 2011 and is currently the Chair of the Governance Committee. He is also Board Chair of Inter Pipeline Ltd.

Richard was a senior partner of the Business Law Group of McCarthy Tétrault LLP in Calgary for more than 35 years. He continues a legal advisory practice through his professional corporation, pertaining to corporate governance, boards of directors, independent and special committees, director and officer liabilities, indemnification and insurance and executive compensation. Richard has extensive experience with respect to corporate governance practices in Canada, having served as a director on the national board of the Institute of Corporate Directors and the chair of its Calgary Chapter. He is a former lecturer in the Director Education and Executive MBA Programs at the Haskayne School of Business at the University of Calgary, past Chair of the Board of Governors of Mount Royal University, and was the lead independent member and Chair of the Governance Committee of the Alberta Securities Commission.

2019 Meeting Attendance:
Meetings Attended: 38 / 39 | Attendance Record: 97%

William Taylor



Boston, MA

Age 55

Independent

Financially Literate

Education and Designation:
- Bachelor of Applied Science (Civil Engineering)

Areas of Expertise:
- Commodities / Wholesale Electricity Trading
- Community Building and Leadership
- Corporate Governance / Legal
- Energy Sector
- Human Resources
- Political and/or Government
- Project Management, Engineering or Construction
- Retail Industry
- Risk Management

Public Board Memberships:
None

William (Bill) Taylor joined the ENMAX Board in 2020. He has over 30 years of experience in the energy sector.

Before joining ENMAX, Bill spent 21 years at TransCanada Corporation (now TC Energy) where he held various senior executive positions. Bill held the position of Executive Vice-President and Division President, Energy at TransCanada Corporation and prior to that, held various senior executive positions, including Senior Vice-President, Power. He was responsible for profitability and growth of the company's power business, non-regulated gas storage and its non-regulated joint ventures in Canada and the United States.

Bill has extensive experience in renewable power, having developed large scale solar projects in Ontario as well as wind facilities in Quebec and Maine. Bill also oversaw operations of one of New England's largest hydropower systems for TransCanada.

Bill is a past director of Canadian Electricity Association, Independent Power Producers of New York, Independent Market Operator in Ontario, TransCanada Turbines, Bruce Power, and the Portlands Energy Centre.

2019 Meeting Attendance:
Not applicable. Bill joined the ENMAX Board in 2020.

Bruce Williamson



The Woodlands, TX

Age 61

Independent

Financially Literate

Education and Designation:
- Bachelor of Arts (Business Administration)
- Master of Business Administration

Areas of Expertise:
- Commodities / Wholesale Electricity Trading
- Corporate Governance / Legal
- Electricity Utility Sector
- Energy Sector
- Financial
- Human Resources

Public Board Memberships:
None

Bruce Williamson joined the ENMAX Board in 2020. He has over 30 years of extensive experience in the energy sector. Prior to joining ENMAX, Bruce held many senior executive positions, including President and CEO of Southcross Energy Partners, Cleco Corporation and Dynegy Corporation. Prior to these roles, Bruce was the President and CEO of Duke Energy Global Markets. Bruce also spent 4 years with PanEnergy Corp as SVP, Finance and Corporate Development and prior to that, he spent 14 years with Shell Oil and various Shell affiliates in a variety of positions, primarily in exploration and production and finance where he rose to be Assistant Treasurer of Shell Oil Company.

Bruce was previously Board Chairman and CEO of Southcross Energy Partners, Southcross Holdings and Cleco Corporation. He was an independent board member of Questar Corporation, and was Chairman of the Board and CEO of Dynegy Inc. He serves on the University of Houston Bauer School of Business Dean's Advisory Board and the UH Chancellor's National Advisory Council and Energy Advisory Board. He serves on Houston Methodist The Woodlands Hospital's Patient and Family Advisory Council and also assists in the stroke rehabilitation and recovery program with the Houston Methodist Neurology and Neurosurgery departments.

2019 Meeting Attendance:
Not applicable. Bruce joined the ENMAX Board in 2020.

Governance Structure

The Board consists of ten directors and includes ENMAX's President & CEO. Directors are elected by the Shareholder at an annual Shareholder meeting. The Board is chaired by Greg Melchin, an independent Director, and the Board assigns responsibility to ENMAX's three Committees: the Audit Committee, the Governance Committee and the Safety & Human Resources Committee ("**SHRC**"), to maintain an effective balance of duties and use of resources.

The mandates of the Board, each Committee, individual Directors and those in Board leadership roles can be found on our website under Corporate Governance - ENMAX Corporation Board, Committee, and Policy Information. The composition of the Audit Committee, the Governance Committee and SHRC is detailed below. Committee membership will be adjusted during 2020 to reflect the addition of two new directors (William Taylor and Bruce Williamson) and the retirement of one director (Neil Camarta) effective May 22, 2020.

Director Independence

Independent Directors bring a fundamental benefit to a corporation – objectivity. Having a majority of independent Directors helps provide assurance that decisions are made in the best interests of ENMAX. The Governance Committee and the Board review the independence status of the Directors annually to ensure that the Board is composed of a majority of Directors who can provide independent, varied and experienced perspectives. The independence of potential Board nominees is also reviewed when considering nominations.

Directors' independence is determined in accordance with National Instrument 52-110 – *Audit Committees*. A Director is considered independent only when she or he has no direct or indirect material relationship with ENMAX. Board members must provide information about their business and other relationships with ENMAX or our employees. They must also advise the Board if there are any material changes to their circumstances or relationships that could affect the assessment of independence.

The only non-independent Director on the Board is ENMAX's President & CEO.

Audit Committee

Charles Ruigrok (Chair)
Laura Formusa
Eric Markell
Elise Rees
Richard Shaw
Greg Melchin (Ex-Officio)

Governance Committee

Richard Shaw (Chair)
Eric Markell
Elise Rees
Kathleen Sendall
Greg Melchin (Ex-Officio)

Safety & Human Resources Committee

Laura Formusa (Chair)
Charles Ruigrok
Kathleen Sendall
Greg Melchin (Ex-Officio)

Audit Committee

ENMAX's Audit Committee consists of six Directors and is chaired by Charles Ruigrok, who is an independent Director.

The Board ensures that financial expertise resides in the Audit Committee. Members must be financially literate or become financially literate within a reasonable period after appointment. Financial literacy is determined in accordance with National Instrument 52-110 – *Audit Committees*. Members of the Audit Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by ENMAX's financial statements. In addition, the Audit Committee Mandate requires that at least one member of the Audit Committee have accounting or related financial management expertise.

Currently, all Audit Committee members are financially literate. Audit Committee members demonstrate financial literacy through previous senior executive and leadership experience, work in the financial sector and/or through extensive directorship experience.

Governance Committee

ENMAX's Governance Committee consists of five Directors and is chaired by Richard Shaw, who is an independent Director. The Board ensures that governance expertise resides in the Governance Committee. Such expertise is gained through previous senior executive and leadership experience and/or extensive legal or directorship experience.

Safety & Human Resources Committee

ENMAX's SHRC consists of four Directors and is chaired by Laura Formusa, who is an independent Director. The Board ensures that human resources and compensation expertise resides in the SHRC. Such expertise is gained through previous senior executive and leadership experience and/or through extensive directorship experience.

Directors' Attendance

The Directors strive to attend all Board meetings and meetings of Committees of which they are members. In 2019, an overall attendance rate of 97% was achieved for scheduled meetings by our Directors. The Board values the practice of Board members attending Committee meetings of which they are not members and issues a standing invitation to all members to attend all Committee meetings. As a result, Board members can both contribute to and gain comfort with the level of knowledge, engagement and participation of those on other Committees.

As a matter of good governance, each Board and Committee meeting agenda includes dedicated time for in-camera sessions with and without the President & CEO present. In the instance of the Audit Committee, in-camera sessions are also held separately at each meeting with the external and internal auditors.

Outside of formally scheduled meetings, the Board and Committee chairs attend planning meetings with the Executive and periodic informal briefings with the Shareholder.

DIRECTORS' ATTENDANCE DURING 2019 (BOARD & COMMITTEE MEETINGS)

Director	Meetings Attendance	Meetings Held	Attendance Record
Neil Camarta[1]	21	24	88%
Laura Formusa	35	38	92%
Gianna Manes	28	28	100%
Eric Markell	34	35	97%
Greg Melchin	45	45	100%
Elise Rees	24	24	100%
Charles Ruigrok	40	40	100%
Kathleen Sendall	30	30	100%
Richard Shaw	38	39	97%
TOTAL	**295**	**303**	**97%**

[1] Neil Camarta retired from the ENMAX Board on May 22, 2020.

Director Education, Evaluation and Succession Planning

Director Orientation

The Board fosters a culture that encourages incoming Directors to fully participate in Board activities as soon as possible. All new Directors undergo a comprehensive orientation which addresses ENMAX's governance structure, the Board's mandate and the nature and scope of our operations.

The orientation program is designed to ensure that incoming Directors can assume responsibilities quickly, maximizing their contribution and the capacity of the Board. Our orientation program includes one-on-one meetings with members of the Board, Executives, and others such as our internal and external auditors. Each new Board member is paired with a long-standing Board member to provide onboarding support. New Board members are invited to attend all Committee meetings, and site visits are also arranged to enable direct knowledge of our operations.

All Board materials, which includes key governance, financial and policy information, are available for Directors at all times via our confidential board portal.

Director Education

Our ongoing education program provides Directors with the opportunity to continuously enhance their knowledge of governance practices, ENMAX's operations, and the electricity industry.

The program has various components which include attendance at conferences and seminars, internal and external speakers during meetings, visiting ENMAX facilities, and accessing different parts of our operations. Each Director is entitled to be reimbursed by ENMAX, up to a set value annually, for attending continuing education courses and conferences that are of benefit to them as a Director.

Director Evaluation and Board Performance Assessment

On an annual basis, the Board undertakes an evaluation process to assess its performance and overall effectiveness, as well as that of the Board Chair, its Committees, and individual Directors.

The Governance Committee uses the results to identify actions for improvement and to determine education opportunities, in order to ensure Director expertise is utilized to the fullest extent. This process also helps the Board to build and maintain the collective set of skills, abilities and experiences needed to effectively oversee ENMAX's long-term performance and strategy execution.

Skills & Expertise

The Board believes a strategic, diverse mix of skills and expertise is critical to ensuring effective oversight of ENMAX's complex operations. The Board has developed a matrix of essential skills collectively required for effective Board operations ("**Director Skills Matrix**"). The Director Skills Matrix is kept current to reflect ENMAX's strategy and to support Board efforts to ensure an optimal balance of skills in the event of Director retirement or succession requirements and changing business requirements.

Each year, the Governance Committee and the Board review the Director Skills Matrix and individual Directors' input is gathered to populate it. The Director Skills Matrix is found on **page 16** of this Report and lists the 13 categories of skills and experience essential to the performance of ENMAX's Board overall.

Director Succession Planning

When reviewing the Director Skills Matrix, the Governance Committee assesses the needs of the Board to ensure the range of skills is reflective of the industry and markets in which ENMAX operates. If the Governance Committee determines the Board would benefit from changes or adjustments to its composition, or in the event of Director retirements, the recruitment process may be initiated as follows:

1. The Governance Committee retains an external, independent recruitment advisor to identify individuals with required skills and experience;
2. The Governance Committee reviews the advisor's list of potential appointees taking into account, among other things, skills and experience of each individual and their ability to fit with the existing Board;
3. The Governance Committee determines a shortlist for an interview process;
4. After the interview process, the Governance Committee determines the potential appointees that are best suited to become members of the Board;
5. The Governance Committee requests approval of the above-noted potential appointees by the Board; and
6. ENMAX puts the Board approved potential appointees forward for election by the Shareholder.

In preparation for the anticipated Director retirements, the Board initiated a formal Director search process in 2019 and external independent recruitment advisors were engaged to identify a pool of qualified candidates. As a result of the Director search process that was conducted over the course of 2019 and early 2020, two additional Directors joined the ENMAX Board in May 2020.

Diversity

ENMAX recognizes that having a mix of highly qualified Directors from diverse backgrounds brings different perspectives and experience to the boardroom to generate healthy discussion, debate, and effective decision-making.

As a reflection of ENMAX's commitment to diversity, in 2017 ENMAX became a signatory to the Leadership Accord on Gender Diversity, headed by Electricity Human Resources Canada. In addition, ENMAX has recently become a member of the 30% Club Canada, an organization that supports businesses having an aspirational goal of maintaining or exceeding a board and executive composition in which at least 30 percent are women.

The Board has recently adopted a Board-level diversity policy (the "**Diversity Policy**"). The Diversity Policy provides that, when selecting Director candidates, the Governance Committee will give consideration to the following diversity criteria: gender, age, visible minorities, geographic residence, and other factors that may enhance ENMAX's ability to deliver value to our Shareholder. The Diversity Policy also includes an aspirational gender diversity goal whereby at least 30 percent of ENMAX's Directors are women.

The Governance Committee is responsible for monitoring the implementation and effectiveness of the Diversity Policy on an annual basis and will report its findings to the Board and recommend any changes to the Diversity Policy, as appropriate.

Currently, four of the ten Directors (40%) are women and three of the five Named Executive Officers (60%) are women.

ENMAX Director Skills Matrix

KEY SKILLS	Laura Formusa	Gianna Manes[1]	Eric Markell	Gregory Melchin	Elise Rees	Charles Ruigrok	Kathy Sendall	Richard Shaw	Bill Taylor	Bruce Williamson
Commodities / Wholesale Electricity Trading		✓	✓						✓	✓
Community Building and Leadership	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Corporate Governance / Legal	✓	✓		✓	✓	✓	✓	✓	✓	✓
Electricity Utility Sector	✓	✓	✓			✓		✓		✓
Energy Sector	✓	✓	✓	✓		✓	✓	✓	✓	✓
Environmental	✓	✓	✓	✓		✓	✓			
Financial	✓	✓	✓	✓	✓	✓	✓	✓		✓
Human Resources	✓	✓		✓	✓	✓	✓	✓	✓	✓
Political and/or Government	✓	✓	✓	✓	✓	✓	✓		✓	
Project Management, Engineering or Construction	✓	✓	✓		✓	✓	✓		✓	
Retail Industry		✓			✓	✓	✓		✓	
Risk Management	✓	✓	✓	✓	✓	✓	✓		✓	
Technology	✓	✓				✓				

[1] Gianna Manes will retire from the ENMAX Board on July 31, 2020.

SKILL AREA	SKILL DESCRIPTOR	SKILL AREA	SKILL DESCRIPTOR
Commodities / Wholesale Electricity Trading	Senior executive or consulting experience in commodity or whole electricity trade operations.	Financial	Senior executive experience or consulting in financial accounting and reporting and corporate finance, especially with respect to debt and equity markets. Comprehensive knowledge of internal financial controls and reporting standards. Expertise in auditing, evaluating or analyzing financial statements. May have formal education in this regard.
Community Building and Leadership	Significant experience and demonstrated leadership in the areas of community building and relations. Experience and capacity to engage and build relationships with a diverse set of stakeholders. May include experience with non-profits and the public sector.		
Corporate Governance / Legal	Senior executive, board member or consulting experience in corporate governance and legal matters applicable to business. (Note: Legal skill area represents a variety of legal areas and is not limited to a lawyer).	Human Resources	Senior executive experience or relevant board committee participation with an understanding of compensation, benefit and pension programs, human capital planning, legislation and agreements. Executive compensation expertise including base pay, incentives, equity and perquisites, and an understanding of retention, succession, training and recruitment.
Electricity Utility Sector	Senior executive experience in electric utility (e.g. regulated rate) involving retail transmission, distribution and/or generation. (Note: Energy Sector Skill area captures competitive electricity.)		
Energy Sector	Senior executive or consulting experience in the competitive energy, electricity or natural gas markets, combined with a strong knowledge of ENMAX's strategy, markets, competitors, financials, operational issues, regulatory concerns and technology. May have technical training and formal education in this regard (e.g. engineering degree).	Political and/or Government	Experience in or with senior levels of municipal, provincial or federal government, and/or senior management experience in political and public consultation.
		Project Management, Engineering or Construction	Senior executive experience in large-scale infrastructure projects or capital investment programs. May include formal education in this regard.
Environmental	Thorough understanding of environmental and sustainability frameworks (legal, regulatory and policy) applicable to business and broader energy industry.	Retail Industry	Senior executive or consulting experience in retail operations.
		Risk Management	Senior executive experience in analyzing exposure to risk and successfully determining appropriate mitigants to best handle such exposure.
		Technology	Senior executive or consulting experience with technology applicable to electricity system. May also include Information Technology.

Board Operations

When making decisions, the Board acts with the best interests of ENMAX in mind. To ensure balanced business decisions are reached, the Board also carefully weighs the interests of the Shareholder, customers, employees, suppliers, and communities in which we operate, including the environment, governments, regulators and the general public.

Board Oversight Of CEO

The Board is responsible for selecting and retaining ENMAX's President & CEO, and when hiring a CEO, designates a Committee to actively manage the selection process. Once appointed by the Board, the President & CEO is responsible for managing ENMAX's affairs. Key responsibilities involve articulating the vision for ENMAX, developing and implementing a strategic plan consistent with ENMAX's vision, mission and values, all the while creating value for the Shareholder. The SHRC reviews the President & CEO's annual objectives before recommending them to the Board for approval.

The President & CEO is accountable to the Board and the SHRC, and the Board conducts a formal review of performance once a year. The Board has also established a job description for the President & CEO, and places limits on contracting and spending authority under ENMAX's delegation of authority and employee spending policy.

Board Oversight of the Executive and Employees

The SHRC and Board formally review the performance of the overall organization, President & CEO, and the Executive on an annual basis. In addition, the SHRC and Board receive assurance that the Executive and appropriate levels of management engage in talent management and development and succession planning for employees. They also review and approve ENMAX's compensation and benefit programs. The SHRC and Board consider compensation and benefits in alignment with similar companies and market practices, to ensure the attraction and retention of the talent required to achieve the organization's business objectives.

Variable compensation is a useful tool and the SHRC and Board periodically evaluate ENMAX's variable compensation programs to ensure they are appropriately balanced and provide recognition for individual and team effort and corporate performance. The SHRC and Board actively oversee the development and operation of variable compensation policies, systems, and related control processes, and has access to external expertise in compensation practices appropriate for the nature, scope, and complexity of ENMAX's activities.

Talent management and succession planning are critical for business success. The SHRC conducts quarterly reviews on human resource development matters, and the Board sets aside dedicated time each year to review and consider succession and workforce development strategies.

Strategic Planning

The President & CEO and the Executive are responsible for developing ENMAX's strategic plan and presenting it to the Board for approval. The Board holds a special meeting each year to review and test the plan and consider the strategic opportunities and risks facing ENMAX's business.

The Executive also develops and presents a multi-year operating plan and annual budget to the Board for approval.

Managing and Assessing Risk

The Board has overall responsibility for the oversight of risk at ENMAX. Risk takes different forms for ENMAX given the complexity and breadth of our operations and can include safety, physical security, IT security, people, customers, external environment, financial, operational, policy/government and regulatory, among other risks.

ENMAX uses a formalized enterprise risk management system to effectively manage and assess risk, which includes an Enterprise Risk Management Policy that was adopted by the Board in 2016. The Board receives regular updates on emerging areas of risk or changes to ENMAX's risk profile. The enterprise risk management system involves a systematic approach to identifying, assessing, reporting and managing significant risks. Defined principles are approved by the Board to help identify and mitigate uncertainties that can negatively affect ENMAX's ability to achieve corporate and business objectives. In addition, the Governance Committee has specific risk management responsibilities including a quarterly review of the enterprise risk management programs and processes.

Internal Controls

The Board and its Committees are responsible for monitoring the integrity of ENMAX's internal controls and management information systems. The Audit Committee is responsible for overseeing the internal controls, including controls over accounting and financial reporting systems.

ENMAX's Executive is responsible for establishing and maintaining an adequate system of internal control over financial reporting to provide reasonable assurance that public reporting of financial information is reliable and accurate, that ENMAX's transactions are appropriately accounted for and that ENMAX's assets are adequately safeguarded. The Internal Auditor reports directly to the Chair of the Audit Committee and provides quarterly reports to the Audit Committee.

External Auditors

Deloitte LLP are ENMAX's external auditors and are appointed by the Shareholder annually. The Audit Committee is responsible for reviewing the auditor's performance, fees, qualifications, independence and the audit of ENMAX's financial statements. To ensure independence, the Audit Committee pre-approves all services the external auditors provide. On an annual basis, the Committee recommends the appointment of the external auditor to the Board, who then recommends approval to the Shareholder for the ensuing year.

The following summarizes fees paid to the external auditors for the years ending December 31, 2019 and 2018.

EXTERNAL AUDITOR FEES	2019	2018
Audit Fees	$726,100	$678,100
Non-Audit Fees	$179,225	$116,768
Total Fees	**$905,325**	**$803,868**

Board Compensation Practices

ENMAX provides its independent Board members with a compensation package of cash retainers and meeting fees. The package provides competitive remuneration for the increasing responsibilities, time commitments and accountability of Board members. The non-independent Director does not receive compensation for their role on the Board.

The Board maintains a list of industry peers (the "**Board Peer Group**") by which to benchmark appropriate Director compensation levels, and compensation is targeted at the 50th percentile of the Board Peer Group.

ENMAX's Board Peer Group includes the following:

COMPANY	PROVINCE	INDUSTRY CLASSIFICATION	OWNERSHIP STRUCTURE
AltaLink LP	Alberta	Electric Utilities	Limited Liability Partnership
ARC Resources Ltd.	Alberta	Oil and Gas Exploration and Production	Autonomous / Publicly Traded
ATCO Ltd.	Alberta	Multi-Utilities	Autonomous / Publicly Traded
BC Hydro	British Columbia	Electric Utilities	Government
Bruce Power LP	Ontario	Independent Power Producer and Energy Traders	Limited Liability Partnership
Capital Power Corporation	Alberta	Independent Power Producers and Energy Traders	Autonomous / Publicly Traded
Chevron Canada Resources	Alberta	Multi-Sector Holdings	Subsidiary
Emera Inc.	Nova Scotia	Electric Utilities	Autonomous / Publicly Traded
Enbridge Gas Distribution	Ontario	Gas Utilities	Subsidiary
EPCOR Utilities Inc.	Alberta	Electric Utilities	Government
FortisAlberta Inc.	Alberta	Electric Utilities	Subsidiary
FortisBC Energy Inc.	British Columbia	Electric Utilities	Subsidiary
Fortis Inc.	Newfoundland	Electric Utilities	Autonomous / Publicly Traded
Hydro One Inc.	Ontario	Electric Utilities	Government / Publicly Traded
Inter Pipeline Ltd.	Alberta	Oil and Gas Storage and Transportation	Autonomous / Publicly Traded
Manitoba Hydro-Electric Board	Manitoba	Electric Utilities	Government
Ontario Power Generation Inc.	Ontario	Electric Utilities	Government
Saskatchewan Power Corp.	Saskatchewan	Electric Utilities	Government
Saskenergy Incorporated	Saskatchewan	Gas Utilities	Government
TransAlta Corp	Alberta	Independent Power Producer and Energy Trader	Autonomous / Publicly Traded

Director Compensation Framework

Ensuring that qualified, focused and talented Directors comprise the Board is essential in order to achieve ENMAX's strategic objectives, and to provide effective guidance to and oversight of management. The Governance Committee is responsible for reviewing Director compensation and recommending any compensation adjustments to the Board. In reviewing Director compensation, the Governance Committee considers the following matters:

- The complexity of ENMAX's business and corporate strategy;
- The expected time commitment of the current Directors;
- The overall expertise and experience required for Directors on ENMAX's Board; and
- The need for compensation that is fair and is in alignment with ENMAX's Peer Group, to allow ENMAX to attract highly qualified individuals.

In 2018, the Governance Committee retained an independent consultant, Hugessen Consulting ("**Hugessen**"), to assess the competitiveness of the compensation of the independent Directors and to provide advice regarding market positioning. Hugessen advised that Director compensation at ENMAX had fallen below the median of the Board Peer Group. Following a comprehensive review of the advice provided by Hugessen, the Governance Committee and, as per the authority granted by the Shareholder, the Board approved adjustments to the annual retainers of the independent directors. As a result of the adjustments, the compensation for the independent Directors is approximately at the median of ENMAX's Board Peer Group.

The Board compensation framework is as follows:

TYPE	REMUNERATION
Board Chair Annual Retainer	$187,200 | Paid as $46,800 per quarter
Committee Chair Annual Retainer	$114,600 | Paid as $28,650 per quarter
Individual Director Annual Retainer	$98,300 | Paid as $24,575 per quarter
Board, Committee, or Shareholder Meeting Fee	$1,500 | Paid per meeting attended

Director Expenses

ENMAX reimburses Directors for costs associated with attending meetings or functions including travel, hotel accommodation and meals. Directors keep records of expenses, including receipts. The Board Chair approves all Director expenses and the Audit Committee chair approves Board Chair expenses. ENMAX's Internal Audit team audits all Director and Board Chair expenses on an annual basis and the audit results are reported to the Audit Committee each May. No matters of concern were identified for the year ending December 31, 2019.

2019 Total Compensation

The table on **page 21** details the total amount ENMAX paid to each independent Director in 2018 and 2019. Of note:

- Since her appointment in 2012, ENMAX's President & CEO Gianna Manes has served on the Board (and will do so until July 31, 2020), but she does not serve on any Committees or receive Director compensation. For details on her compensation as President & CEO of ENMAX, please see **page 38**.
- As a result of an update to ENMAX's governance framework in 2019, and as agreed to between ENMAX and our Shareholder, City of Calgary Councillors no longer sit on the Board of ENMAX. The City of Calgary Councillors that previously served on the Board did not receive Director compensation.
- "**Board and Committee Meeting Fees**" includes all compensation that each Director received in 2019 for attending regularly scheduled Board and Committee meetings.
- "**Shareholder and Special Meeting Fees**" for 2019 includes all compensation that Directors received as part of Shareholder meetings and special meetings held regarding the Versant Power transaction, CEO succession matters and Director recruitment. Directors did not receive compensation for any education sessions in 2019. For 2018, "**Shareholder and Special Meeting Fees**" includes all compensation Directors received for Shareholder meetings, Director recruitment and education sessions.

Director compensation in 2019 reflects a significant increase in the Board's workload as a result of the Versant Power transaction and CEO and Director succession matters. In light of the upcoming retirement of ENMAX's President & CEO and of one Director, the Board delegated the significant responsibility regarding the succession of ENMAX's President & CEO and Director recruitment to certain members of the Board. Each Director involved received $1,500 per meeting attended on these matters, in recognition of their efforts on these substantial issues before the Board during this time. These fees are reflected under the "**Shareholder and Special Meeting Fees**" column of the below table entitled "**Director Total Compensation**".

Director Total Compensation[1]

ENMAX DIRECTORS	ANNUAL RETAINER		BOARD & COMMITTEE MEETING FEES		SHAREHOLDER & SPECIAL MEETING FEES		TRAVEL		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Neil Camarta[2]	98,300	78,300	22,500	21,000	9,000	4,500	0	0	129,800	103,800
Laura Formusa	114,600	88,525	19,500	27,000	33,000	6,000	10,500	9,000	177,600	130,525
Eric Markell	98,300	78,300	22,500	25,500	28,500	4,500	12,000	9,000	161,300	117,300
Greg Melchin	187,200	177,200	28,500	31,500	39,000	16,500	0	0	254,700	225,200
Elise Rees	98,300	78,300	22,500	27,000	13,500	4,500	10,500	9,000	144,800	118,800
Charles Ruigrok	114,600	90,600	22,500	28,500	37,500	7,500	0	0	174,600	126,600
Kathleen Sendall	98,300	78,300	22,500	25,500	22,500	6,000	0	0	143,300	109,800
Richard Shaw	114,600	90,600	22,500	25,500	42,000	19,500	0	0	171,600	135,600
Total									1,357,700	1,164,575[3]

[1] All fees noted above are paid in Canadian dollars.

[2] Neil Camarta retired from the ENMAX Board on May 22, 2020.

[3] This number includes compensation paid in 2018 to Sarah Morgan-Silvester and Robert Page in the amount of $55,800 and $41,150, respectively. Ms. Morgan-Silvester and Mr. Page retired from the Board in May 2018.

Our Approach to Executive Compensation

Compensation Principles

At ENMAX, we compensate, reward, and recognize employees at every level of the organization based on their contributions toward our business outcomes. We strive to attract, motivate, and retain a high-performance workforce. To accomplish this, our compensation programs are designed to meet the following objectives:

- Attract and retain key talent by providing compensation that is competitive with ENMAX's peer group for ENMAX's Executives ("**Executives**"), as found on **page 24** of this report (the "**Executive Peer Group**");
- Encourage behaviours that generate outcomes aligned with our business strategy and risk profile;
- Align employee interests with our business objectives by supporting a pay-for-performance culture that rewards strong performance and reduces variable compensation paid in the event of certain business goals not being met;
- Promote responsible and transparent compensation policies and processes; and
- Provide flexibility to respond to continuously evolving market and governance practices.

Our approach to the disclosure of executive compensation is informed by National Instrument 51-102 – *Continuous Disclosure Obligations*, specifically Form F6 – Statement of Executive Compensation.

Pay Positioning

In order to support our compensation objectives, ENMAX's compensation structure is designed to provide target total direct compensation at the median (50th percentile) of our established Executive Peer Group for performance that meets expectations. Compensation for an individual may vary from the median based on a variety of factors, including:

- Scope of the role within ENMAX;
- Key skills and contributions of the individual;
- Tenure and experience in the role; and
- Other considerations related to attraction and retention.

Executive Peer Group

We benchmark our compensation structure and its competitiveness annually relative to our Executive Peer Group. This comparison reflects the market within which ENMAX competes for executive talent with companies that have similar business operations. ENMAX's Executive Peer Group has a significant presence in Alberta, reflecting local pay practices and competitive pressures. As a result, our compensation program must be competitive to ensure we can attract and retain the executive talent required to achieve our business objectives.

We periodically review our Executive Peer Group selection criteria and the companies included within our Executive Peer Group for continued relevance and appropriateness. On an annual basis, the SHRC reviews the positioning of each Executive within the context of ENMAX's compensation structure, competitive pay levels, and internal relativity; if appropriate, adjustments are made. The last comprehensive Executive Peer Group review was conducted in 2019. Annual reviews continue to be conducted to ensure the continued suitability of the Executive Peer Group and to consider changes such as mergers or major changes in business direction.

The following criteria have been used to develop our current Executive Peer Group:

CRITERIA	FOCUS	RATIONALE
Industry	• Power Generation • Electric, Gas & Multi Utilities • Energy Services • Oil & Gas Exploration & Production • Independent Power Producers & Energy Traders • Oil & Gas Storage & Transportation • Oil & Gas Equipment & Services	Industries in which relevant skills and experience at the executive level are typically found, as well as similarity in business focus. Also reflects that organizations in some of these industries operate under a similar regulatory framework as ENMAX and have similar lines of business.
Ownership Structure	• Government organizations • Autonomous, publicly-traded companies • Subsidiary organizations • Non-Autonomous organizations	Reflects the ownership structure of ENMAX, with responsibilities to taxpayers, and considers that executive talent can be sourced from a variety of organizations.
Size	• Similar in size to ENMAX (i.e., approximately 0.5x to 2x ENMAX's revenue)	Reflects the scope and complexity of operations, and level of infrastructure required to operate in this industry.
Geography	• Based in Canada • Representation of Alberta-based organizations	Reflects the pay practices and competitive environment within which ENMAX competes for executive talent in Alberta and, more broadly, Canada.

Our Executive roles are assessed relative to the most directly comparable positions in the Executive Peer Group, considering such factors as position responsibilities, span of control, management level, reporting relationships, and strategic focus.

As previously noted, ENMAX's Executive Peer Group was recently reviewed in 2019. Our Executive Peer Group for Executive compensation purposes is comprised of different entities than those used for Director compensation. See our current Executive Peer Group on **page 24**.

ENMAX's Executive Peer Group includes the following:

COMPANY	PROVINCE	INDUSTRY CLASSIFICATION	OWNERSHIP STRUCTURE
Alectra Inc.	Ontario	Electric Utilities	Government
Algonquin Power & Utilities Corp.	Ontario	Multi-Utilities	Autonomous / Publicly Traded
AltaGas Ltd.	Alberta	Gas Utilities	Autonomous / Publicly Traded
AltaLink LP	Alberta	Electric Utilities	Limited Liability Partnership
ATCO Ltd.	Alberta	Multi-Utilities	Autonomous / Publicly Traded
BC Hydro & Power Authority	British Columbia	Electric Utilities	Government
Bruce Power LP	Ontario	Independent Power Producer and Energy Traders	Limited Liability Partnership
Capital Power Corporation	Alberta	Independent Power Producers and Energy Traders	Autonomous / Publicly Traded
Chevron Canada Resources Ltd.	Alberta	Oil and Gas Exploration and Production	Subsidiary
Emera Inc.	Nova Scotia	Electric Utilities	Autonomous / Publicly Traded
Enbridge Gas Inc.	Ontario	Gas Utilities	Autonomous/Publicly Traded
Enerflex Ltd.	Alberta	Oil and Gas Equipment and Services	Autonomous / Publicly Traded
EPCOR Utilities Inc.	Alberta	Electric Utilities	Government
FortisAlberta Inc.	Alberta	Electric Utilities	Subsidiary
FortisBC Energy Inc.	British Columbia	Electric Utilities	Subsidiary
Hydro One Inc.	Ontario	Electric Utilities	Government / Publicly Traded
Inter Pipeline Ltd.	Alberta	Oil and Gas Storage and Transportation	Autonomous / Publicly Traded
Keyera Corp.	Alberta	Oil and Gas Storage and Transportation	Autonomous / Publicly Traded
Manitoba Hydro-Electric Board	Manitoba	Electric Utilities	Government
Ontario Power Generation Inc.	Ontario	Electric Utilities	Government
Saskatchewan Power Corp.	Saskatchewan	Electric Utilities	Government
Toronto Hydro Corporation	Ontario	Electric Utilities	Government
TransAlta Corp.	Alberta	Independent Power Producer and Energy Trader	Autonomous / Publicly Traded
Vermilion Energy Inc.	Alberta	Oil and Gas Exploration and Production	Autonomous / Publicly Traded

Compensation Components

Our Executive compensation program is comprised of the following elements:

COMPENSATION ELEMENT	LINK TO COMPENSATION OBJECTIVES	LINK TO BUSINESS OBJECTIVES
FIXED COMPENSATION		
Salary	• Competitiveness • Income Security • Recognize skills and leadership, and reflect degree of accountability	Competitive pay ensures high quality talent in order to achieve the business objectives.
Pension	• Competitiveness • Income Security • Retention	Competitive pension ensures high quality talent in order to achieve the business objectives.
Benefits	• Competitiveness • Health and Wellbeing	Competitive benefits and our commitment to employee wellness ensures quality talent in order to achieve business objectives.
Perquisites	• Competitiveness	Competitive perquisites ensure high quality talent in order to achieve business objectives.
VARIABLE (OR "AT RISK" COMPENSATION)		
Annual Variable Pay Program ("**AVPP**")	• Competitiveness • Pay-for-performance • Retention	Rewards the achievement of short-term objectives measured at the Corporate, Business Unit, and Individual level during the year. Competitive pay ensures high quality talent in order to achieve business objectives.
Long-term Incentive Plan ("**LTIP**")	• Competitiveness • Pay-for-performance • Retention	Rewards the achievement of longer-term business and strategic objectives measured over a 3-year period. Competitive pay ensures high quality talent in order to achieve business objectives.

Our AVPP and LTIP are designed to:

1. Provide a greater pay-for-performance focus aligned with the achievement of our strategic goals;
2. Strengthen the alignment of participants' interests with our Shareholder; and
3. Better align the full range of compensation opportunities with market levels.

Pay Mix

Our total direct compensation is comprised of salary and variable pay, and excludes pension, benefits and perquisites. A targeted pay mix is determined for each executive in consideration of competitive practices, internal relativity, and the role's scope of responsibility. The targeted mix between the compensation elements varies depending on the Executive's ability to impact short-term and long-term business results, and to reflect competitive practices.

The actual pay mix may vary from target based on an assessment of multiple factors (discussed in Pay Positioning on **page 22**) and is reviewed annually by the Executive and the SHRC to ensure that ENMAX's compensation objectives are being achieved. The actual pay mix varies from year to year based on performance and other factors.

Our compensation structure has been developed in order to provide the majority of compensation in the form of variable, or "at-risk" pay to ensure alignment with performance and our Shareholder's interests.

Compensation Governance at ENMAX

Mandate of the Safety & Human Resources Committee

The SHRC is responsible for the oversight of ENMAX's compensation programs for executives. Specific compensation accountabilities of the SHRC include:

- Oversee key compensation and human resources policies and programs;
- Review the compensation philosophy and programs to ensure alignment with business objectives;
- Review the CEO's performance and the CEO's assessment of the performance of her direct reports;
- Review and recommend to the Board for approval the compensation of the CEO and other Executives;
- Oversee the pension plans; and
- Assess certain human resources-related risks, including pension risk, and workforce development and retention risks.

Compensation Approval Process

The SHRC meets quarterly with special meetings convened as required over the course of the year. The CEO provides recommendations to the SHRC on compensation-related issues based on information and analysis prepared by the Executive with input from external compensation consultants and experts.

The SHRC considers a variety of information in reviewing the CEO's recommendations and makes a recommendation to the Board for their approval. The Board reviews the recommendation and has ultimate authority to approve it.

Compensation Approval Process for President & CEO

ANALYSIS	RECOMMENDATIONS	APPROVAL
Board Chair and SHRC Chair are informed by performance results and compensation consultants.	SHRC following review of recommendations of Board Chair and SHRC Chair.	Board of Directors

Compensation Approval Process for President & CEO's Direct Reports

INPUTS	ANALYSIS	RECOMMENDATIONS	APPROVAL
• Corporate Business Unit and Individual Business results • Market data analysis and competitive practices provided by Willis Towers Watson • Information from compensation consultants	Analysis of data collected from inputs conducted by the President & CEO	SHRC following review of President & CEO's recommendations	Board of Directors

Compensation Risk Mitigation

As noted, the SHRC regularly reviews the compensation programs for continued appropriateness and, from time to time, makes modifications to align with evolving market and good governance practices.

Highlights of practices that mitigate compensation-related risks are as follows:

RISK MITIGATING PROCESS	DESCRIPTION
Oversight Responsibility	All Executive compensation-related decisions are reviewed and approved by the SHRC and the Board. The Board has ultimate oversight and accountability for Executive compensation at ENMAX. In preparing its recommendations, the SHRC has access to its own independent advisor to provide input from an external perspective.
Competitive Positioning	Our compensation philosophy targets compensation to be delivered near the 50th percentile, with the ability to pay at, above, or below the targeted level based on performance and other relevant factors. The overall pay levels and pay mix are established by referencing market levels and do not value any one compensation element.
Pay Mix	A significant portion of Executive compensation is delivered in variable pay, through the AVPP and LTIP. Performance is assessed over multiple time horizons (1 year through the AVPP, and 3 year through the LTIP), with a greater emphasis on long-term performance for Executives. Multiple, overlapping performance periods ensure that there is an ongoing focus on long-term sustainability of performance.
Measuring Performance	Performance is assessed in our AVPP and LTIP using a variety of measures at the Corporate, Business Unit, and Individual levels. The measures have been selected to provide a balanced focus on various financial and operating results that ultimately support our business strategy. Multiple measures reduce the emphasis on one metric and provide a more holistic view of performance. Specific performance goals, such as the threshold, target, and maximum for each measure, are reviewed annually by the SHRC for continued appropriateness and relevance; the performance range is adjusted for upcoming performance periods as appropriate.
Incentive Program Caps	Incentive program payouts are capped in order to ensure that excessive payments do not occur in years of extraordinary performance. AVPP payouts are capped at 150% of target, and LTIP payouts are capped at 200% of the opportunity size.
Incentive Claw-backs	A claw-back policy is in place which seeks recoupment of variable compensation (or adjustment of future payments) in the event of material restatement of financials and intentional fraud or misconduct that caused or partially caused the need for restatement.

Compensation "Claw-Backs"

A compensation "claw-back" provision applies for our variable pay programs and applies to the President & CEO, Executive Vice Presidents, and Vice Presidents.

The determination of payments under ENMAX's variable pay programs is based on assumptions and representations provided by the Executive. The Board reserves the right to seek repayment of past payments made and/or amend any future payments in situations where:

- The amount of variable pay received by the Executive or former Executive was calculated based upon, or contingent on, the achievement of certain financial results that were subsequently the subject of, or affected by, a material restatement of all or a portion of ENMAX's financial statements;
- The Executive or former Executive engaged in intentional misconduct or fraud that caused or partially caused the need for the restatement; and
- The amount of variable pay received would have been lower had the financial results been properly reported.

Compensation Advisors

ENMAX engages compensation advisors as follows:

- ENMAX participates in various compensation surveys administered by Willis Towers Watson and Mercer;
- Willis Towers Watson is ENMAX's actuary and, as such, provides actuarial services for defined benefit pension administration and associated a`ccounting/financial services related to ENMAX's pension plan;
- Mercer provides investment consulting services for the defined contribution ("**DC**") component of ENMAX's pension plan;
- Willis Towers Watson has acted as a management consultant since 2007. In 2017, Willis Towers Watson provided consulting services to ENMAX in the redesign of its benefits plan to ensure market competitiveness; and
- Consulting services from Meridian Compensation Partners, LLC is provided to the SHRC.

Fees paid by ENMAX to external compensation advisors are outlined below. This reflects when fees were paid and may not align with when work commenced or ended.

COMPANY	SERVICES	2019 FEES	2018 FEES
Willis Towers Watson (Retained by management)	Executive Pension Disclosure	$16,800	$10,000
Willis Towers Watson (Retained by management)	Executive Compensation Consulting	$79,023[2]	$262,968[1]
Mercer (Retained by management)[2]	DC Pension Investment Consulting	$35,931	$32,500
Meridian Compensation Partners, LLC (Retained by SHRC)	Executive Compensation Consulting	$11,942	$108,736

[1] 2018 Fees include: Consulting Services for pension and actuarial services, group health benefits, regulatory filing support, financial reporting, and Executive employment agreements.

[2] 2019 Fees reflect only Executive Compensation consulting inclusive of Executive peer group review.

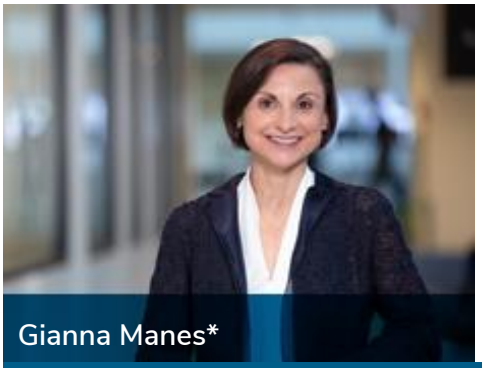
[3] Mercer commenced as DC consultant in July 2015.

Our Named Executive Officers

ENMAX's named executive officers ("**NEOs**") for 2019, were as follows:

- President & CEO – Gianna Manes;
- Executive Vice President, Finance, IT and Chief Financial Officer – Helen Wesley;
- Executive Vice President, Power Supply and Delivery & Chief Operating Officer – Dale McMaster;
- Executive Vice President, Energy Services – James McKee; and
- Executive Vice President, Regulatory & Chief Legal Officer – Erica Young

The biographies for each NEO are as follows:



Gianna Manes*

President & CEO

Gianna Manes has held the position of President & CEO of ENMAX since 2012. She is a director of a publicly traded company, Keyera Corp., and a director of the Canadian Electricity Association. Gianna previously served as the Co-Chair of the Calgary United Way campaign and was a director of the Calgary United Way from 2015 to 2018.

Gianna has 30 years of experience in the energy sector in Canada, the United States and Europe. Before joining ENMAX, she served as the Senior Vice President and Chief Customer Officer of Duke Energy from 2008 to 2012, a large North American power company based in Charlotte, North Carolina.

Gianna has been recognized for her leadership and accomplishments throughout her career: as Electricity Human Resources Canada's CEO of the Year in 2013, one of Alberta Venture's Top 50 Most Influential People in 2015, and twice-recognized as one of Canada's Most Powerful Women by the Women's Executive Network.

* Ms. Manes will retire as President and CEO of ENMAX upon the commencement of her successor, Mr. Wayne O'Connor.



Helen Wesley

Executive Vice President,
Finance, Information Technology & Chief Financial Officer

Helen Wesley is accountable for ENMAX's strategic planning, corporate development, financial management, enterprise risk management, treasury, internal controls, auditing and taxation matters. Additionally, Helen is responsible for ENMAX's information technology function.

Helen has more than 20 years of financial and senior leadership experience within the international oil & gas, chemical and electricity industries. Prior to joining ENMAX, Helen served as EVP, Corporate Services for Talisman Energy and VP and Treasurer for Suncor Energy following its merger with Petro-Canada.

Helen obtained a Bachelor of Commerce from the University of Calgary, a Master of Business Administration from Bentley College in Boston MA, and holds a designation as a chartered financial analyst. Helen also holds an ICD.D designation from the Institute of Corporate Directors. Helen currently serves on the board of Enerflex Ltd., a publicly traded energy services company, and Hospice Calgary.



Dale McMaster*

Executive Vice President,
Power Supply and Delivery & Chief Operating Officer

Dale McMaster is accountable for strategic direction and oversight of ENMAX's regulated transmission and distribution (wires) businesses, power generation and wholesale markets, regulated market services, safety and environment and security.

Dale has acquired more than 40 years of system operations, transmission maintenance, generation planning and market experience, working both internationally and in Canada. Prior to joining ENMAX, he served as Chief Executive Officer at the Alberta Electric System Operator, President of the Transmission Administrator of Alberta and Chief Operations Officer for the Power Pool of Alberta. Additionally, Dale gained valuable utility experience during his time at SaskPower and while consulting with SNC and Acres International.

Dale graduated from the University of Saskatchewan with a Bachelor of Engineering (Electrical Engineering).

* Dale McMaster retired from ENMAX effective January 2, 2020 but is included in this report as he was a NEO for the 2019 year.



James McKee

Executive Vice President,
Energy Services

James McKee is our Executive Vice President, Energy Services responsible for strategy and execution of ENMAX's energy services business with an emphasis on safety and exceptional customer experience.

Since joining ENMAX in 2002, James has gained extensive leadership experience in both development and operations across ENMAX's regulated utility and competitive businesses. Key areas of achievement include customer experience, sales, marketing, business development, safety, environment and security, engineering, supply chain, project management and construction for both regulated and non-regulated businesses.

Prior to joining ENMAX, James served with Honeywell International for over a decade in various sales, projects and business development roles across Western Canada. James holds a Bachelor of Science in Mechanical Engineering and is a Registered Professional Engineer with APEGA.



Erica Young

Executive Vice President,
Regulatory & Chief Legal Officer

Erica Young is accountable for ENMAX's legal, regulatory, compliance, government relations, public policy and corporate secretarial matters. Erica has almost 20 years of legal and regulatory experience in private practice and in-house roles, primarily focused in the energy industry. Prior to joining ENMAX in 2016, Erica served as SVP, General Counsel at NaturEner Energy Canada, where she was responsible for the company's participation in business transactions, regulatory, litigation and stakeholder advocacy processes connected to the Alberta electricity industry and to cross-border transmission rights.

Erica also served as General Counsel of Total Energy Services, a TSX-listed oil and gas services company. She began her career in the Toronto office of Blake, Cassels & Graydon LLP, where she had a diverse corporate, securities and governance practice.

Erica holds a Bachelor of Arts and Education from Lakehead University, a Bachelor of Laws from Osgoode Hall Law School and an Advanced Certificate in U.S. Energy Law from the UC Berkeley School of Law. In addition to her role at ENMAX, she serves on the board of the Kids Cancer Care Foundation of Alberta.

2019 Executive Compensation

Setting Each Compensation Component

Our compensation programs are designed to support ENMAX's business objectives, allowing us to successfully execute our human resources strategy and support a high-performing culture by aligning pay with performance. In determining our Executives' compensation in a given year, the SHRC considers a comprehensive set of factors, which includes:

- External market data for comparable positions within our Executive Peer Group;
- Assessment of ENMAX's performance;
- Assessment of performance of the CEO and the CEO's direct reports;
- Each Executive's potential to contribute to our strategic direction and long-term value creation for our Shareholder; and
- A reflection of compensation decisions made in 2019, prior to the COVID-19 pandemic.

Salaries

Salaries are established at a level that is competitive in the market for similar roles and reflects the nature and level of the position, the level of skill, knowledge, and experience each individual brings to their role, and each individual's level of performance.

The following table provides 2019 base salaries for each of the NEOs:

NAME / POSITION	2019 SALARY	2018 SALARY	% CHANGE
Gianna Manes, President & CEO	$750,000	$738,000	1.6%
Helen Wesley, EVP Finance, IT & CFO	$511,500	$500,000	2.3%
Dale McMaster, EVP Power Supply & Delivery & COO[1]	$496,200	$485,000	2.3%
James McKee, EVP Energy Services	$414,000	$400,000	3.5%
Erica Young, EVP Regulatory & CLO	$339,900	$330,000	3.0%

[1] Dale McMaster retired from ENMAX effective January 2, 2020.

Annual Variable Pay Program

Program Design

ENMAX's AVPP provides for competitive compensation that reflects ENMAX's overall financial performance, achievement of key performance indicators ("**KPIs**") related to each business unit or functional area over which an Executive has oversight, and individual performance. The AVPP is designed to:

- Provide clear and quantifiable performance expectations by establishing threshold, target, and maximum performance levels, with payouts that are reflective of the level of performance achieved;
- Improve line-of-sight by ensuring an appropriate weighting on corporate, business unit, and individual performance;
- Focus business unit KPIs on key success objectives of cost control, project delivery, and performance;
- Ensure that each KPI is thoughtfully developed by considering participants' ability to impact performance;
- Allow for increased differentiation of payouts based on individual contributions and performance; and
- Ensure a competitive payout opportunity at various levels of performance.

The range of payouts (expressed as a percentage of salary) based on 2019 performance of the NEOs is as follows:

POSITION	BELOW THRESHOLD PERFORMANCE (% OF SALARY)	THRESHOLD PERFORMANCE (% OF SALARY)	TARGET PERFORMANCE (% OF SALARY)	MAXIMUM PERFORMANCE (% OF SALARY)
President & CEO	0%	45.0%	90.0%	135.0%
COO	0%	27.5%	55.0%	82.5%
Other NEOs	0%	25.0%	50.0%	75.0%

The weighting of each component of performance varies by organization level, as shown below for the NEOs. Performance scores for each component can range from 0% of target for performance below threshold, 50% of target for threshold performance, to 150% of target for maximum performance. AVPP payouts are capped at 150% of target.

CORPORATE PERFORMANCE	BUSINESS UNIT PERFORMANCE	INDIVIDUAL PERFORMANCE
• Safety (total recordable injury frequency) • Profitability as measured by EBITDA • Cost Management as measured by OM&A (Operations, Maintenance & Administration cost control)	• Select KPIs that drive success at a Business Unit level in the areas of cost control, project delivery and performance	• Measures success on personal performance goals
President & CEO: 80% weight	N/A	20% weight
COO & Other NEOs: 50% weight	30% weight	20% weight

The Board retains overall discretion for all AVPP payouts.

2019 Payouts

The SHRC considers a range of key factors in determining recommended compensation levels for all NEOs and such recommendations are then submitted to the Board for approval. In any given year, actual AVPP payouts for the NEOs may be more or less than target levels. The specific payouts associated with the AVPP are outlined below and in the Summary Compensation Table on **page 38**.

The following provides the targeted performance at the corporate level, and ENMAX's actual results relative to its targeted performance. The resulting payout factors for safety, profitability (EBITDA) and cost management (OM&A) are shown and are calculated based on actual performance relative to pre-established threshold, target, and maximum performance levels for 2019.

ENMAX was just slightly below target corporate KPI performance for 2019. The overall corporate performance factor for 2019 was 94%.

PERFORMANCE MEASURE	2019 TARGET PERFORMANCE	2019 ACTUAL PERFORMANCE	PAYOUT FACTOR
Safety (25% weight) – TRIF[1]	1.07	0.94	28%
Profitability - EBITDA (55% weight)[2]	$467 Million	$447 Million	43%
Cost Management – OM&A (20% weight)[3]	$373 Million	$367 Million	23%
Corporate Performance Payout Factor: 94%[4]			

[1] TRIF – Total Recordable Injury Frequency – the lower the result on this measure is desirable.

[2] EBITDA – Earnings before Interest, Tax, Depreciation and Amortization – the higher the result on this measure is desirable.

[3] OM&A – The lower the result on this measure is desirable.

[4] As approved by the SHRC and the Board on March 19, 2020.

In 2019, ENMAX's individual business units drove success by setting KPIs associated with business unit specific project delivery and performance. Projects were assessed relative to scope, schedule, budget, quality and safety. Performance metrics varied between business units and included KPIs such as reliability measures, generation asset availability, customer satisfaction and contracted gross margin. The table below highlights the performance payout factor of each business unit.

BUSINESS UNIT PERFORMANCE PAYOUT FACTOR	PERFORMANCE PAYOUT FACTOR
Power Delivery	139%
Power Supply	119%
Energy Services	110%
Customer Care	127%
Community, Communications & Brand	123%
Finance	127%
Information Technology	125%
Legal Services	126%
People and Culture	127%
Public Policy	127%
Regulatory	129%
Safety, Security & Environment	123%
Supply Chain	125%

Individual goals aligned to ENMAX's strategy are established at the beginning of the year, specific to each NEO and his or her area of responsibility. Individual performances are then assessed by the Board. For 2019, each of the NEOs, including the CEO, met or exceeded their individual performance objectives.

Based on the corporate, business unit, and individual performance achieved, the overall payout factor, target and actual AVPP payouts for each NEO, based on 2019 performance, is presented below.

				AVPP PAYOUT RANGE (% OF SALARY)			PAYOUT FOR 2019 PERFORMANCE	
Name/Position	Corporate Factor[1]	Business Unit Factor	Overall Payout Factor	Threshold	Target	Maximum	$ Value	% of Salary
Gianna Manes President & CEO	94%	N/A	105%	45.0%	90.0%	135.0%	$706,954	94%
Helen Wesley EVP Finance, IT & CFO[2]	94%	126%	112%	25.0%	50.0%	75.0%	$284,453	56%
Dale McMaster EVP Power Supply & Delivery & COO[3]	N/A	N/A	N/A	27.5%	55.0%	82.5%	$344,430	69%
James McKee EVP Energy Services[4]	94%	117%	100%	25.0%	50.0%	75.0%	$205,021	50%
Erica Young EVP Regulatory & CLO[5]	94%	127%	114%	25.0%	50.0%	75.0%	$192,450	57%

[1] Corporate Factor approved in March 2020 by the SHRC & Board.

[2] Business Unit performance payout factor is a blend between Finance (70% weight) and Information Technology (30% weight).

[3] Mr. McMaster retired on January 2, 2020. AVPP paid in accordance with Executive Employment Agreement.

[4] Business Unit performance payout factor is a blend between Customer Service (30% weight), Energy Services (60% weight) and Supply Chain (10% weight).

[5] Business Unit performance payout factor is a blend between Legal (50% weight), Regulatory (35% weight) and Public Policy (15% weight).

Long Term Incentive Plan

Program Design

ENMAX's CEO, Executive Vice Presidents, Vice Presidents, Directors and Senior Managers are eligible to participate in the LTIP. ENMAX's LTIP focuses Executives on sustaining high performance, facilitating attraction and retention of critical talent, and aligns Executives' interests with our focus on creating value for our Shareholder over a long-term time horizon.

The LTIP is designed to provide a greater focus on forward-looking performance over a multi-year period. The LTIP:

- Closely aligns with performance objectives that are viewed to be key success factors of the longer-term strategic plan;
- Encourages cross business unit collaboration to achieve shared goals;
- Strengthens the pay-for-performance focus by measuring results over a forward-looking, three-year performance period;
- Strengthens retention by using a vesting schedule that fully vests at the end of a three-year performance period; and
- Provides alignment with common variable pay and good governance practices in the market.

Performance under the 2017-2019 LTIP is measured based on an equal weighting between financial and strategic (non-financial) measures.

FINANCIAL PERFORMANCE (50% weight)	STRATEGIC OBJECTIVES (50% weight)
Three-year average of Return on Capital Employed	• Drive Profitability • Advance Safety Culture • Advance Leadership Culture • Innovation and Technology

Financial and strategic goals, as well as threshold, target and maximum levels of performance, are set at the outset of each three-year performance period. At the end of a performance period, the SHRC assesses performance against each measure, determines success achieved and makes a recommendation to the Board.

In making its assessment, the SHRC considers external factors beyond the participants' control for which they should not be rewarded or penalized. Performance scores for each measure can range from 0% of target for performance below threshold, 50% of target for threshold performance, 100% for target performance to 200% of target for maximum performance. All LTIP payouts are capped at 200% of target.

At the outset of the performance period, LTIP compensation opportunity is approved by the Board and communicated to program participants. Participants understand that there is no certainty of payout as it is subject to performance and employment at the end of the performance period. LTIP payments are made in the pay period after the SHRC meeting following the completion of the performance period.

The Board retains overall discretion for all LTIP payouts.

Historical LTIP grants awarded for the period 2017-2019 are reported on **page 39**. The 2019 LTIP grants can be found on **page 38** in the Summary Compensation Table.

Pension Plans

All NEOs participate in the DC provision of ENMAX's pension plan ("**Registered Plan**"). In addition, the NEOs participate in ENMAX's corporation supplemental retirement plan ("**Supplemental Plan**"). The Supplemental Plan is an unfunded non-registered pension plan, and it provides benefits under a defined benefit ("**DB**") provision and a DC provision. With the exception of James McKee, all ENMAX's NEOs participate in the DC provision of the Supplemental Plan. James McKee participates in the DB provision of the Supplemental Plan. The supplemental benefits payable to the NEOs are calculated consistently with all other members of the Supplemental Plan. As the Supplemental Plan is unfunded, benefits from this plan are paid from ENMAX's general revenues.

ENMAX Defined Contribution Pension Plan

The Registered Plan provides benefits under a DB provision and a DC provision. ENMAX's NEOs all participate in the DC provision and their benefits are calculated consistently with all other DC members. A summary of the DC provisions is provided below:

- Permanent employees are immediately enrolled upon hire and are immediately vested in the plan and, therefore, entitled to ENMAX's contributions upon termination or retirement;
- ENMAX contributes 4% of employees' base salary to the plan;
- Employees may make optional contributions between 0% to 4% of base salary, which ENMAX will match at a rate between 50% to 150% based on the employee's age and service;
- Total contributions to the DC provision cannot exceed the "Money Purchase Limit" imposed by the Income Tax Act (Canada), which was $27,230 in 2019; and
- Employees direct their own investments and may invest in various funds covering all major asset classes.

Defined Contribution Supplemental Retirement Plan

Effective March 21, 2006, the DC provision of the Supplemental Plan ("**DC SRP**") was established for all new employees and existing employees who did not previously qualify for the DB provisions of the Supplemental Plan. The DC SRP is available to employees whose base salary plus actual annual variable pay amounts exceed the annual earnings threshold under the DC provision of the Registered Plan. Other aspects of the DC SRP include:

- Employee contributions are neither permitted nor required; and
- ENMAX makes notional allocations between 6% and 10% (based on age plus service) of pensionable earnings to the employee's notional account balance.

Pensionable earnings are determined as the amount of base salary plus actual annual variable pay in excess of the annual earnings threshold under the DC provision of the Registered Plan.

Defined Benefit Supplemental Retirement Plan

ENMAX closed the DB provision of the Supplemental Plan ("**DB SRP**") to new entrants effective March 21, 2006. Participants whose earnings would exceed an annual earnings threshold under the DB provisions of the Registered Plan ($168,498 for 2019) will earn service for that year under the DB SRP. Other aspects of the DB SRP include:

- Employee contributions are neither permitted nor required;
- Formula for each year of DB-SRP service is 1.75% of best average pensionable earnings;
- Pensionable earnings are determined as the amount of base salary plus actual annual variable pay in excess of the annual earnings threshold under the DB provision of the Registered Plan;
- Best average pensionable earnings are the average of the pensionable earnings in the five consecutive calendar years in which pensionable earnings are the highest;
- Members are entitled to receive DB-SRP benefits after two years of service from date of hire; and
- Normal retirement is the later of age 55 and the attainment of 85 points, but not later than age 65. Early retirement is age 55. The early retirement reduction is 3% for each year that the member retires prior to normal retirement as mentioned above.

Additional Benefits

NEOs participate in ENMAX's flex benefit program which includes: extended health, dental, short-term and long-term disability, life and accidental death and dismemberment insurance, critical illness insurance, executive medicals, and health spending or wellness accounts.

Executives also receive an annual perquisite account which can be allocated annually to one or a combination of the following items: an annual perquisite or a health spending account (in addition to the amount provided under the core benefits plan). The value of the flexible perquisite account is $20,000 for the President & CEO and $15,000 a year for the other NEOs.

Detailed Compensation Disclosure

Summary Compensation Table

NAME / POSITION	YEAR	SALARY	OTHER COMPENSATION [1]	VARIABLE PAY		PENSION VALUE [4]	TOTAL COMPENSATION [5]
				AVPP [2]	LTIP [3]		
Gianna Manes [11] President & CEO	**2019**	**$746,677**	**$20,592**	**$706,954**	**$1,125,000**	**$138,052**	**$2,737,275**
	2018	$733,016	$32,102	$635,524	$959,400	$118,369	$2,478,411 [6]
	2017	$709,615	$35,182	$747,225	$792,000	$104,732	$2,388,754
Helen Wesley EVP Finance, IT & CFO	**2019**	**$508,315**	**$15,592**	**$284,453**	**$409,200**	**$62,736**	**$1,280,296**
	2018	$461,785	$15,582	$278,872	$406,800	$60,396	$1,223,435
	2017	$430,000	$15,582	$292,701	$344,000	$54,808	$1,137,091
Dale McMaster [7,8] EVP Power Supply & Delivery & COO	**2019**	**$493,099**	**$15,592**	**$344,430**	**$396,960**	**$81,637**	**$1,331,718**
	2018	$485,000	$15,582	$322,394	$363,750	$77,901	$1,264,627
	2017	$431,068	$15,582	$292,911	$316,800	$68,912	$1,125,273
James McKee [7,9] EVP Energy Services	**2019**	**$410,123**	**$15,592**	**$205,021**	**$310,500**	**$171,850**	**$1,113,086**
	2018	$370,649	$15,582	$211,603	$272,475	$284,399	$1,154,708
	2017	$337,305	$15,582	$230,210	$235,950	$148,231	$967,278
Erica Young [10] EVP Regulatory & CLO	**2019**	**$337,159**	**$15,592**	**$192,450**	**$270,640**	**$42,937**	**$858,778**
	2018	$327,231	$175,582	$200,429	$250,000	$43,493	$996,735
	2017	$320,000	$15,582	$217,920	$240,000	$31,764	$825,266

[1] All Other Compensation reflects perquisite amounts and premiums for company-paid critical illness insurance coverage and tax planning for the President & CEO. For Ms. Manes, her tax planning amounts include: (i) $11,520 for 2018 and (ii) $14,600 for 2017.

[2] AVPP earned in year, and payable in March of subsequent year indicated.

[3] Reflects amounts granted in year, payable at end of three-year performance period. Actual amount paid dependent on plan performance.

[4] Pension Value reflects the compensatory components of the Registered Plan and Supplemental Plan.

[5] Total Compensation includes salary and other compensation amounts reflective of performance for year indicated. May be payable in future years.

[6] 2018 tax planning was received following the approval of the 2018 disclosure, in the amount of $11,520 (as noted in footnote 1). Ms. Manes' 2018 Other Compensation and Total Compensation has been updated to reflect this.

[7] In 2017 the ENMAX Executive team was reduced by one headcount, resulting in increases to the responsibilities of Mr. McMaster and Mr. McKee which is reflected in part by the increase to Salary over this period.

[8] Mr. McMaster retired on January 2, 2020. AVPP paid in accordance with the Executive Employment Agreement.

[9] Mr. McKee's pension value reflects both his participation in the Defined Benefit Supplemental Retirement Plan (DB SRP) and greater than assumed pensionable earnings resulting in an increase to his compensatory changes in accrued obligation. The 2019 pension value decreased from 2018 as Mr. McKee's actual pensionable earnings increase in 2019 more closely aligned to the salary increase assumptions.

[10] Amount in Other Compensation reflects a $160,000 special effort payment in 2018.

[11] Ms. Manes will retire as President and CEO of ENMAX upon the commencement of her successor, Mr. Wayne O'Connor.

LTIP Grants Table

The table below summarizes LTIP grants over the last three years and the payment made for the grant following the completion of the performance period. LTIP grant amounts listed are broken out into their respective performance periods.

		LTIP GRANT (FUTURE PAYMENT)			
NAME / POSITION	YEAR OF GRANT	MINIMUM	TARGET	MAXIMUM	PAYMENT
Gianna Manes President & CEO	2019[1]	$0	$1,125,000	$2,250,000	
	2018[2]	$0	$959,400	$1,918,800	
	2017[3]	$0	$792,000	$1,584,000	$1,092,960
Helen Wesley EVP Finance, IT & CFO	2019[1]	$0	$409,200	$818,400	
	2018[2]	$0	$406,800	$813,600	
	2017[3]	$0	$344,000	$688,000	$474,720
Dale McMaster EVP Power Supply & Delivery & COO	2019[1]	$0	$396,960	$793,920	
	2018[2]	$0	$363,750	$727,500	
	2017[3]	$0	$316,800	$633,600	$437,184
James McKee EVP Energy Services	2019[1]	$0	$310,500	$621,000	
	2018[2]	$0	$272,475	$544,950	
	2017[3]	$0	$235,950	$471,900	$325,611
Erica Young EVP Regulatory & CLO	2019[1]	$0	$270,640	$541,280	
	2018[2]	$0	$250,000	$500,000	
	2017[3]	$0	$240,000	$480,000	$331,200

[1] Grant for 2019-2021 performance period, payable in 2022.

[2] Grant for 2018-2020 performance period, payable in 2021.

[3] Grant for 2017-2019 performance period, payable in 2020.

Pension Plan Tables

ENMAX Pension Plan – Defined Contribution Plan

The table below presents the benefits accumulated under the DC provision for the 2019 year. The actual benefit payable upon retirement or termination will be the value of the employee's DC account at the time of transfer.

NAME / POSITION	ACCUMULATED VALUE AT START OF YEAR	COMPENSATORY CHANGE[1]	ACCUMULATED VALUE AT END OF YEAR[2]
Gianna Manes President & CEO	$237,445	$19,282	$308,742
Helen Wesley EVP Finance, IT & CFO	$83,542	$17,914	$125,292
Dale McMaster EVP Power Supply & Delivery & COO	$277,921	$19,538	$353,296
James McKee[3] EVP Energy Services	$421,004	$16,850	$528,964
Erica Young EVP Regulatory & CLO	$69,883	$18,083	$111,012

[1] Compensatory change includes contributions made by ENMAX on the NEOs' behalf.

[2] Includes employee and employer contributions with investment earnings accumulated to December 31, 2019.

[3] James McKee participates in the DB provision of the Supplemental Retirement Plan; as a result, his pensionable earnings recognized under the Registered Plan for purposes of determining contribution amounts are lower than NEOs in the DC provision of the Supplemental plan.

Supplemental Retirement Plan – Defined Contribution

The table below presents the benefits accumulated under the DC SRP for the 2019 year. The actual benefit payable upon retirement or termination will be the value within the employee's notional DC SRP account at the time of termination.

NAME / POSITION	ACCUMULATED VALUE AT START OF YEAR	COMPENSATORY CHANGE[1]	ACCUMULATED VALUE AT END OF YEAR[2]
Gianna Manes President & CEO	$610,330	$118,770	$823,661
Helen Wesley EVP Finance, IT & CFO	$96,006	$44,822	$155,720
Dale McMaster EVP Power Supply & Delivery & COO	$413,372	$62,099	$539,510
Erica Young EVP Regulatory & CLO	$39,953	$24,854	$71,010

[1] Compensatory changes include allocations by ENMAX to the member's DC SRP in early 2020 in respect of 2019.

[2] Includes notional returns on the beginning of year accumulated value and notional allocations made in early 2020 in respect of 2019. Notional returns in 2019 were positive.

Supplemental Retirement Plan – Defined Benefit

The table below presents the projected annual retirement benefits payable from the DB SRP at 2019 year end and upon normal retirement.

		ANNUAL BENEFITS PAYABLE					
NAME	YEARS OF CREDITED SERVICE[1]	AT YEAR END[2]	AT AGE 65[3]	OPENING PRESENT VALUE OF ACCRUED BENEFIT OBLIGATION	COMPENSATORY CHANGE	NON-COMPENSATORY CHANGE	CLOSING PRESENT VALUE OF ACCRUED BENEFIT OBLIGATION
James McKee EVP Energy Services	17.2526	$116,000	$188,000	$1,516,000	$155,000	$316,000	$1,987,000

[1] Includes continuous service with ENMAX from date of entry into the Supplementary Plan.

[2] Pension earned to December 31, 2019 payable at normal retirement age (i.e. the later of age 55 and 85 points, but not later than age 65) based on Best Average Pensionable Earnings and DB Supplemental Plan Pensionable Service as at December 31, 2019.

[3] Amounts payable on retirement at age 65, assuming service continues to age 65 and that the Best Average Pensionable Earnings remain unchanged from December 31, 2019.

Please see **pages 37-40** for more information on ENMAX's pension plans.

Employment Agreements & Termination Provisions

All NEO employment agreements meet or exceed the statutory requirements for termination provisions. Amounts to which the NEOs would be entitled upon various termination scenarios are outlined on the following below, as per program documents or other agreements.

	RETIREMENT	RESIGNATION	TERMINATION WITH CAUSE	TERMINATION WITHOUT CAUSE	TERMINATION FOLLOWING A CHANGE OF CONTROL
Severance (per Employment Agreement or Offer Letter)	N/A	N/A	N/A	18 or 24-months' severance depending on position	18 or 24-months' severance depending on position
AVPP (per program Terms and Conditions)	Current target award pro-rated based on service in the year of retirement and multiplied by the average prior three-year performance multiplier. Executive must provide 6 months' notice of intent to retire. Executive must be at least 55 at retirement date and have 5 years' service.	Forfeited	Forfeited	Current target award multiplied by average prior three-year performance multiplier, pro-rated based on service in the year of termination. Plus, current target award multiplied by average prior three-year performance multiplier for the severance period.	Current target award multiplied by average prior three-year performance multiplier, pro-rated based on service in the year of termination. Plus, current target award multiplied by average prior three-year performance multiplier for the severance period.
LTIP (per program Terms and Conditions)	Full payment of all outstanding awards to be paid on normal schedule based on actual performance. Executive must provide 6 months' notice of intent to retire. Executive must be at least 55 at retirement date and have 5 years' service.	Forfeited	Forfeited	Immediate pro-rated vesting of LTIP awards to be paid on termination date based on the number of months employed during each of the LTIP performance periods and based on the prior three-year average performance multiplier.	Full immediate vesting of LTIP awards granted, paid out based on the prior three-year average performance multiplier.

IF YOU HAVE ANY QUESTIONS REGARDING OUR ANNUAL REPORT ON GOVERNANCE AND COMPENSATION, PLEASE CONTACT THE CORPORATE SECRETARY AT **GOVERNANCE@ENMAX.COM**.

PRINCIPLES OF BUSINESS ETHICS POLICY

Board of Directors		Date Approved
		March 24, 2021
Executive Sponsor	**Title**	**Date Approved**
Erica Young	Executive Vice President, Regulatory and Chief Legal Officer	March 24, 2021
Content Owner	**Title**	**Date Approved**
Tracy Coutts	Director, Compliance	March 2, 2021

Review of this Policy is required every three years.

Revision history of this Policy is referenced in Schedule “B”.

This Policy applies to ENMAX Corporation and its Subsidiaries ("ENMAX").

The Board of Directors has the primary responsibility for the approval of this Policy, for charging specific committees of the Board of Directors with the oversight of this specific Policy, and authorizing specific members of the Executive Team to interpret and update this Policy.

Amendments to this Policy may only be approved by resolution of the Board of Directors. However, amendments that only alter the form (and not the substance) of the Policy will not require Board of Directors approval. The Board of Directors reserves the right and responsibility for interpreting this Policy. The Chief Executive Officer is responsible for interpreting this Policy where engagement of the Board of Directors is not necessary. The Executive Sponsor is responsible for updating this Policy.

Any questions about this Policy should be addressed to the Executive Sponsor or Content Owner directly, through a supervisor, or by contacting the ENMAX Compliance Department through compliance@enmax.com.

1.0 PURPOSE

Unless expressly provided herein to the contrary, this Policy applies to all ENMAX Personnel.

This Policy establishes the appropriate and expected behaviour for maintaining ENMAX's reputation for honesty and integrity earned by maintaining the highest standards of business ethics and compliance with Applicable Laws.

2.0 DEFINITIONS

Capitalized and underlined terms used in this Policy are defined in Schedule "A" attached to this Policy.

3.0 PRINCIPLES

3.1 Compliance with all Applicable Laws and this Policy

All Personnel are expected to comply with all Applicable Laws and all aspects of this Policy. This Policy does not specifically address every potential form of unacceptable conduct, and it is expected that all Personnel will exercise good judgment. All Personnel have a duty to comply with the letter and spirit of this Policy.

3.2 Contractors

For greater clarification, in the case of Personnel that are Contractors, this Policy shall apply to only those Contractors that are providing services to ENMAX and that are advised, in writing, of the applicability of this Policy to the provision of those services, and in such cases this Policy shall apply with such necessary and appropriate modifications to recognize that Contractors are not Directors, Officers or Employees of ENMAX.

3.3 Corporate Responsibility

Corporate Responsibility at ENMAX refers to the simple principle that how we conduct our business is equally as important as the profits we earn. Corporate Responsibility demonstrates our belief in taking personal accountability for all that we do, including safety, customer care, environmental stewardship, and meaningful stakeholder and community engagement. ENMAX and its Personnel will seek to increase competitiveness and maximize value to the shareholder while understanding and embracing corporate responsibility for the impact of ENMAX activities on the environment, consumers, Personnel, communities and the citizens of Calgary, and all other Stakeholders to the extent that is reasonably achievable.

3.4 No Retaliation for Raising Concern

Personnel may submit a complaint regarding a suspected violation of this Policy without fear of dismissal or retaliation. ENMAX prohibits any form of retaliation for raising concerns or reporting possible misconduct in good faith or for assisting in the investigation of possible misconduct. No adverse action will be taken against any individual for making a complaint or disclosing information in good faith. Any Personnel who retaliates in any way against an individual who, in good faith, reports any violation, or suspected violation, of this Policy will be subject to disciplinary action.

4.0 RESPONSIBILITIES AS PERSONNEL, SUPERVISORS AND MANAGERS, AND OFFICERS

4.1 Personnel

All Personnel are to read and fully understand this Policy and if it is not understood, the obligation is to seek advice or guidance. If Personnel are aware of any conduct involving other Personnel that may violate this Policy, there is an obligation on that individual to report the issue to a supervisor, an Officer of ENMAX, the Content Owner, the Executive Sponsor or the ENMAX Safety and Ethics Helpline without delay. Confidentiality will be maintained to the extent consistent with the best interests of the Personnel involved, and ENMAX's obligations under any Applicable Laws.

4.2 Supervisors and Managers

In addition to their responsibilities as Personnel, supervisors and managers are responsible for enabling their subordinates to understand and comply with this Policy. As the first point of contact for Personnel, supervisors and managers need to be a knowledgeable and reliable source of advice.

Supervisors and managers should make it possible for their staff to comfortably express their concerns about possible violations of this Policy. This means advising Personnel when it becomes necessary to disclose their concerns to senior Management.

Supervisors and managers are obligated to escalate suspected violations of this Policy to senior Management of their Business Unit or, if they are concerned about such escalation due to the nature of the suspected violation, to the Executive Sponsor or the Vice President, People and Culture.

4.3 Officers

ENMAX Officers, in addition to their responsibilities as Employees and supervisors, are accountable for ensuring all Personnel are provided with training in relation to this Policy. The Chief Executive Officer is ultimately responsible for ENMAX's compliance with this Policy.

5.0 ETHICAL CONDUCT IN THE WORKPLACE

5.1 Diversity

ENMAX promotes and encourages a culture of diversity, inclusion and acceptance and prohibits any form of Discrimination in hiring and employment practices.

5.2 Harassment

ENMAX treats all Customers, Stakeholders and Personnel with dignity and respect, working together to create a respectful and respectable workplace. Behaviour that harasses, is intimidating, hostile, offensive, violent, demeaning, threatening or humiliating to any person or group of people within ENMAX will not be tolerated. If such behaviour is encountered, it must be reported to a supervisor, the Director, Compliance, the Vice President, People and Culture or by using the ENMAX Safety and Ethics Helpline (1-800-661-9675 or www.enmax.confidenceline.net).

6.0 ETHICAL CONDUCT IN BUSINESS RELATIONSHIPS

6.1 Suppliers and Stakeholders

ENMAX and its Personnel are committed to fair competition in all dealings with suppliers and Stakeholders. All purchases made on behalf of ENMAX are made honestly and objectively.

6.2 Customers

ENMAX and its Personnel provide Customers with the truthful information required to make informed choices about products and services offered by ENMAX. Personnel shall not take unfair advantage of anyone, including Customers. Taking unfair advantage includes manipulation, concealment, misrepresentation of material facts, or any other unfair dealing practice.

Employees must never access or review their own ENMAX accounts. Employees who may be exposed to the ENMAX account of a relative, friend, acquaintance or fellow Employee who they interact with regularly are to turn over any such business transaction to a direct Team Lead for assistance.

All transactions, including payment arrangements, involving ENMAX accounts held by Employees or individuals with a personal association with ENMAX Employees must be processed in the same manner that transactions are normally handled by the customer call centre.

6.3 Gifts and Entertainment

ENMAX and its Personnel shall act honestly and with integrity in all business relationships with competitors, potential business partners, suppliers, Customers and government officials. ENMAX and its Personnel shall exercise good business judgment in extending business courtesies. ENMAX and its Personnel shall never accept or offer bribes, favours or “kickbacks” for the purpose of securing business transactions. ENMAX and its Personnel shall ensure that all payments are necessary, lawful and properly documented.

6.3.1 Accepting Gifts

Your supervisor must provide written approval prior to the acceptance of a gift offered with a value greater than $300. Gifts of travel are not to be accepted under any circumstances. If a Third Party offers travel for business purposes and it would not be practicable or reasonable for ENMAX to pay for it directly, your supervisor must provide written approval, including reasons, prior to acceptance. The Chair of the Board of Directors and Chair of the Governance

Committee act as "supervisor" to Directors for the purposes of this provision. Travel shall not be accepted from vendors.

In no circumstances should gifts of cash be given or received.

6.3.2 Hosting and Gifts for Government Employees or Government Agency Employees

Approval from the Vice President, Public Policy and Government Relations is required prior to issuing an invitation, or providing or offering a gift, to a government employee or a government agency employee.

6.3.3 Entertainment

There is no specific value limit set for the entertainment of Stakeholders, industry participants, and Customers; however, Personnel are expected to be thoughtful and exercise sound judgment relative to their role and position at ENMAX. If there is any doubt about entertainment, a supervisor should be consulted, and Directors should consult with the Chair of the Board of Directors and Chair of the Governance Committee for this purpose.

Social activities that could reasonably be associated with ENMAX are to be conducted with propriety and with appropriate regard to all applicable ENMAX Policies and must not be detrimental to ENMAX's reputation in the community.

6.4 Fair Competition

ENMAX believes in competing on fair terms and does not permit Personnel to use proprietary or confidential information from prior employers or place such information on ENMAX's information technology infrastructure.

Where Personnel have previously worked for a competitor, ENMAX and its Personnel shall not attempt to obtain the competitor's proprietary information from that individual.

Personnel shall not conspire with any other party to lessen fair competition or engage in anti-competitive practices such as price-fixing or bid-rigging.

Personnel shall not, either directly or through a Third Party, misrepresent ENMAX or offer inducements to solicit proprietary information about competitors.

ENMAX and its Personnel protect information about Customers of its regulated products or services from disclosure to affiliated and unaffiliated retailers where doing so would violate Applicable Laws.

6.5 Relationships with Non-profit and Professional Organizations

Officers and Employees may perform services for an outside organization during business hours if he/she has received prior consent from a supervisor. If Personnel act as a spokesperson for an organization or speak publicly in a non-business capacity, it must be clear to the audience that he or she is not acting as a representative or expressing the views of ENMAX.

As private citizens, Personnel might choose to take part in the political process, a right that is respected by ENMAX. Personnel, outside of those whose responsibilities include engaging in the political process, may engage in these activities only on their own time, and participation in the political process by Personnel must be kept separate from their duties or association with ENMAX.

6.6 Conducting International Business

This Policy applies to all activities carried out by Personnel on behalf of ENMAX, whether inside or outside of Canada. When conducting business outside Canada, ENMAX and its Personnel are expected to adhere to the local laws and standards to the extent that laws are not in conflict with Canadian law. ENMAX and its Personnel will not make payments of any sort to government officials to obtain a favourable decision or to attract or retain business. ENMAX will comply with the Corruption of Foreign Public Officials Act (CFPOA) and all other laws prohibiting improper payments to domestic and foreign officials. ENMAX's Policy is to avoid all facilitation payments.

7.0 ETHICAL USE OF COMPANY PROPERTY AND INFORMATION

7.1 Confidential and Private Information

ENMAX and its Personnel protect confidential competitive information, Customer Information and Personal Information.

Personnel are responsible for knowing what information must remain in confidence and for seeking clarification from a supervisor if in doubt. In addition, Personnel will not disclose confidential competitive information about ENMAX to anyone outside ENMAX, including family and friends, even after leaving ENMAX's employ, except in the circumstances where disclosure is required by law or by a regulatory authority. Within ENMAX, Personnel will not disclose confidential information to colleagues other than that which is required for the performance of their assigned work.

ENMAX and its Personnel protect all confidential information against theft, fraudulent use, loss, unauthorized access and misuse. ENMAX recognizes that any unauthorized disclosure of confidential information exposes ENMAX to legal, financial, commercial and reputational liability and risks.

7.2 Use of Company Assets

Personnel share the responsibility for protecting ENMAX's assets, which includes physical property, data, intellectual property, credit cards, information networks and commodities, from theft, misuse, damage, loss and neglect.

Whenever ENMAX property is entrusted to Personnel for use, Personnel have full accountability for it and are required to maintain it in good condition. Personnel shall dispose of ENMAX property only in an approved manner and with the consent of ENMAX.

ENMAX time, property and services, including assets such as stationery, computers and mail services, may normally not be used for a personal or non-business reason. However, because ENMAX recognizes that the work done for ENMAX may take Personnel away from the personal or family aspects of his/her life, limited and reasonable personal or non-business use of these resources is acceptable where the purpose of such is lawful and not contrary to ENMAX's interests or Policies, including this Policy. ENMAX information may never be used for personal or non-business reasons.

7.3 Accounting and Financial Reporting

All ENMAX financial reports, accounting records, invoices, research and sales reports, expense accounts, time sheets and other financial documents shall accurately and clearly represent the relevant facts and true nature of each transaction, and shall be retained in accordance with ENMAX's records retention policies and Applicable Law. Making false, fictitious or inappropriate entries with respect to any transaction of ENMAX or the disposition of any of ENMAX's assets is prohibited, and no Personnel may engage in any transaction that requires or contemplates the making of such false entries. Personnel are responsible for the accuracy and completeness of any reports or records created or maintained. If Personnel become aware of questionable or suspicious financial transactions or entries, they must disclose them to a supervisor, the Director, Compliance or by using the ENMAX Safety and Ethics Helpline.

8.0 ETHICAL CONDUCT AS INDIVIDUAL EMPLOYEES

8.1 Avoiding Conflict of Interest

A Conflict of Interest occurs when undisclosed personal interests influence, or could appear to influence, the decisions of Personnel in the performance of his or her duties at ENMAX. Personal interests include matters involving Personnel directly, an Immediate Relative, or a business enterprise in which Personnel or his or her family has an interest, financial or otherwise.

Personnel must disclose any situation that may create a Conflict of Interest between personal interests and those of ENMAX, particularly where personal interests benefit in any way, or could appear to benefit, from business decisions or knowledge acquired at ENMAX. All Personnel have an obligation to immediately declare any actual, potential or perceived Conflict of Interest to their supervisor or the Director, Compliance, or in the case of Directors, to the Board of Directors.

Personnel shall not participate in or influence any decision by ENMAX where they have a Conflict of Interest.

Directors must declare any actual, potential or perceived Conflict of Interest to the Chair of the Board of Directors. It is the responsibility of each member of the Board of Directors to acknowledge and sign the Directors' Code of Conduct upon becoming a Director of ENMAX and to keep relevant information up to date by filing a *Declaration of Interest* form annually with the Corporate Secretary.

All Personnel must review the ENMAX *Conflict of Interest Standard* which provides direction and measures to assist Personnel in effectively dealing with any actual, potential or perceived Conflict of Interest situations which may arise during employment, during the course of performance of his or her duties, or when otherwise representing ENMAX.

8.2 Outside Business Activities

Officers and Employees shall not serve as directors of any organization that supplies goods or services to ENMAX, or competes with ENMAX, without the approval of a supervisor.

Officers and Employees may work for another organization, including a sole proprietorship, as long as it is not a supplier, a commercial or industrial customer or a competitor of ENMAX, and does not affect work performance at ENMAX. Where it is not clear whether external work interferes with a duty to ENMAX, Officers and Employees are responsible to disclose the situation to a supervisor.

Officers and Employees shall not perform work for other organizations on ENMAX's time or promote any non-ENMAX product or service to others during working hours, without the approval of a supervisor.

Personnel shall not use ENMAX's equipment, supplies, Personnel, or intellectual property for the benefit of another organization, without the approval of a supervisor. The Chair of the Board of Directors and Chair of the Governance Committee act as "supervisor" to Directors for the purposes of this provision.

8.3 Investments

To ensure there is no Conflict of Interest created through personal investments, Personnel and their Immediate Relatives may not hold an ownership or financial interest in any company that competes with ENMAX or that sells goods and services to ENMAX, except as provided below.

Personnel may own shares in a privately owned or publicly traded company that does business with or competes with ENMAX provided ownership does not exceed five percent of the shares of the company.

The five percent holding restriction does not include investments held through a mutual fund or other arrangement where the Personnel does not directly control or dictate the timing or volume of purchases or sales of the securities.

8.4 Disclosure of Investment Information

Persons or companies in possession of undisclosed information concerning ENMAX may not make use of such information for their own benefit or for the benefit of others. This applies to any information that could influence anyone's decisions with regard to investment in ENMAX, including information about ENMAX's performance and plans and changes to its operations and capital. ENMAX and its Personnel ensure that the disclosure of information about ENMAX to the public is timely, factual and accurate and broadly disseminated in accordance with all Applicable Laws. Selective disclosure of such information is improper Personnel shall not disclose such information to any person or company before it is publicly announced. Personnel shall also ensure that when information has not been publicly disclosed it remains confidential. Personnel shall protect such information by sharing it internally only on a need-to-know basis.

9.0 POLICY ADMINISTRATION

9.1 Policy Management

This Policy shall be reviewed within three years by the Board of Directors and will be updated and approved by the Board of Directors. All new versions of the Policy shall be posted on Intramax once approved.

The Executive Sponsor may approve Standards relating to any matters falling within the scope of this Policy.

9.2 Reporting and Potential Consequences of Non-Compliance

Personnel are responsible for compliance with this Policy and any Standards or Procedures that are created pursuant to this Policy. Failure to comply may result in disciplinary action, investigation, or other action by ENMAX that may include, but it not limited to, termination of employment, or in the case of the Board of Directors, termination of directorship.

In addition to acting in compliance with the Policies, Standards, Procedures, and any Applicable Laws, Personnel have the responsibility to report to the Company any violations of Policy, Standard, Procedure, or any Applicable Laws that he or she may discover. All Personnel are assured that they can report such violations without fear of retribution or retaliation. Any Personnel who threatens, retaliates against or harasses any person who has reported in good faith a compliance concern, or is considering reporting such a concern, shall be subjected to disciplinary action, up to and including termination.

All instances of non-compliance with this Policy must be reported to a supervisor, the Director, Compliance, the Executive Sponsor directly, or by using the ENMAX Safety and Ethics Helpline (1-800-661-9675 or www.enmax.confidenceline.net/).

Anyone filing a complaint concerning a suspected non-compliance with this Policy, or with Applicable Laws, must be acting in good faith for believing the information disclosed indicates a suspected non-compliance. Any allegations that prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

All Personnel are required to comply with requests for assistance, information or documentation in support of a suspected non-compliance investigation.

SCHEDULE "A" – DEFINITIONS

Defined Term	Definition
Applicable Laws	means all statutes, bylaws, regulations, ordinances, standards, codes, orders, decrees, restrictions, and rules (including all occupational health and safety requirements) whether federal, provincial, or municipal in origin, of all lawful authorities and applicable regulatory bodies, administrative bodies, tribunals or boards, having jurisdiction in relation to the relevant subject matter in force from time to time during the term of the relevant corporate governance document.
Board of Directors	means the Board of Directors of ENMAX Corporation.
Business Unit	means a Subsidiary or a unit of shared services headed by a member of the Executive Team.
Chief Executive Officer	means the President and Chief Executive Officer of ENMAX Corporation.
Conflict of Interest	occurs when undisclosed personal interests influence, or even appear to influence, a Director or Personnel's decisions in the performance of his or her duties at ENMAX.
Content Owner	means an Employee who has been appointed by the Executive Sponsor of a Policy to assist with the Executive Sponsor's Policy accountabilities as determined by the Policies, Standards, Procedures and Forms Standard.
Contract	means an agreement between two or more parties creating obligations that are enforceable or otherwise recognizable at law.
Contactor(s)	means any contractor, sub-contractor, consultant or agent engaged by or on behalf of ENMAX, who is not an Employee.
Corporate Responsibility	refers to the simple principle that how we conduct our business is equally as important as the profits we earn. Corporate Responsibility demonstrates our belief in taking personal accountability for all that we do, including safety, customer care, environmental stewardship, and meaningful stakeholder and

Defined Term	Definition
	community engagement. ENMAX and its Personnel will seek to increase competitiveness and maximize value to the shareholder while understanding and embracing corporate responsibility for the impact of ENMAX activities on the environment, consumers, Personnel, communities and the citizens of Calgary, and all other Stakeholders to the extent that is reasonably achievable.
Customer	means an individual who uses, or applies to use, ENMAX's products or services, where such individual is a residential Customer or an individual carrying on business alone as a sole proprietorship or in partnership with other individuals.
Customer Information	means information that is uniquely associated with an ENMAX Customer, or could be used to identify an ENMAX Customer, and is not available to the public. This includes strategic information about a Customer's business.
Director	means a member of the Board of Directors.
Discrimination	means any form of unequal treatment based on grounds prohibited under the Alberta Human Rights Act and/or: • Age • Creed (religion) • Gender • Gender Identity • Sexual Orientation • Family status • Marital status • Disability (including mental or physical disabilities) • Race • Ancestry • Place of origin • Ethnic origin • Citizenship • Colour • Record of offences (criminal conviction for a provincial offence, or for an offence for which a pardon has been received)

Defined Term	Definition
	• Association or relationship with a person identified by one of the above grounds • Perception that one of the above grounds applies.
Employee(s)	means a member of the Executive Team or any other person employed by ENMAX on a full or part-time basis.
ENMAX	means ENMAX Corporation and its direct and indirect Subsidiaries, other than Versant Power and its U.S. holding companies and its direct and indirect subsidiaries.
Executive Sponsor	is an Employee with specific Policy development and Management accountabilities as designated by the Chief Executive Officer.
Executive Team	means the Chief Executive Officer and their direct reports, excluding support staff.
Immediate Relative	means a spouse, partner in an adult interdependent relationship as defined in the Adult Interdependent Relationships Act (Alberta), intimate partner, children, brothers, sisters, parents, grandparents, and children, brothers, sisters, parents, or grandparents of spouses or partners in an adult interdependent relationship, including adopted, adoptive, foster, or step, as the case may be. For the purposes of this Policy, such an individual is an Immediate Relative whether or not the individual is currently living with the Personnel.
Management	means an Employee who performs management functions for ENMAX.
Officer(s)	means a member of the Executive Team.
Personal Information	means information about an identifiable individual, but does not include aggregated information that cannot be associated with a specific individual.
Personnel	means ENMAX Board of Directors, Executive Team, Employees and Contractors.

Defined Term	Definition
Policy / Policies	is/are principle based document(s) that contain information and direction in relation to the values and fundamental expectations of ENMAX.
Procedures	are documents designating the steps or processes that provide specific direction in order to achieve a uniform approach to executing a work or business activity. Procedures are composed of steps which, when not executed in a specific order may result in an impact to health, safety, environment, customer service or business (operational, financial, regulatory, etc.) performance.
Standard(s)	is a document providing further direction, guidance and requirements that provides greater detail than that provided in a Policy, and reflects Management's expectations.
Third Party	means an individual or organization outside of ENMAX.

SCHEDULE "B" – REVISION HISTORY

Rev No.	Effective Date	Revision History
5	March 25, 2021	Amendments to modify language to increase the value of a gift that can be accepted without supervisor written approval, as well as updated some definitions to ensure defined terms have consistent definitions among the governing document.
4	November 13, 2020	Definitions for Company, ENMAX and Subsidiaries updated with the acquisition of Versant Power.
3	March 26, 2020	Add paragraph to 6.4 to include the prohibition of using proprietary information from a previous employer without the previous employer's consent. Edit some definitions to match the master definition list. Various edits to clean up language.
2	November 30, 2018	Board required review Policy refresh and update Replaced Content Owner with Director, Compliance Update to address Bill 13
1	November 5, 2015	Included 'Directors" in definition of "Personnel". Replaced VP, Corporate Responsibility with VP, Legal Services.

BOARD DIVERSITY POLICY

Board of Directors		Date Approved
		March 24, 2021
Executive Sponsor	**Title**	**Date Approved**
Erica Young	Executive Vice President, Regulatory and Chief Legal Officer	March 24, 2021
Content Owner	**Title**	**Date Approved**
Danielle Grover	Legal Counsel and Assistant Corporate Secretary	March 24, 2021

Review of this Policy is required annually.

Revision history of this Policy is referenced in Schedule “B”.

1.0 PURPOSE AND APPLICATION

This Board Diversity Policy (the "**Policy**") sets out the approach to diversity on the Board of Directors of ENMAX. This Policy applies to the Board of Directors.

2.0 DEFINITIONS

Unless otherwise defined in this Policy, capitalized and underlined terms used in this Policy are defined in Schedule "A" attached to this Policy.

3.0 DIVERSITY POLICY STATEMENT

ENMAX values the benefits that diversity can bring to its Board of Directors. ENMAX believes that a diverse Board of Directors will enhance its decision-making and that different perspectives within the Board of Directors is an essential element to effective corporate governance. Diversity on the Board also demonstrates ENMAX's commitment to diversity at all levels throughout the organization. ENMAX is committed to fostering an inclusive team, representative of the diversity in the communities it serves.

As a result of the foregoing, the Governance Committee of the Board of Directors will consider the following principles when recommending candidates to the Board of Directors:

i. the selection of candidates will be based on merit. The selection process will include a review of a candidate's experience, expertise, personal competencies and educational background, among other relevant factors;

ii. during the selection process, diversity criteria will be considered. For the purpose of this Policy, diversity criteria includes gender, age, residency, race, culture, ethnicity, people with disabilities (including invisible and episodic disabilities), members of the LGBTQ+ community and other factors that may enhance ENMAX's ability to deliver value to our shareholder;

iii. the Governance Committee will seek a balance on the Board of Directors in terms of experience, expertise, diversity and other required competencies;

iv. for each appointment, the Governance Committee will take appropriate measures to identify candidates that are reflective of this Policy, and will have the authority to engage qualified external advisors;

v. any qualified external advisors engaged to identify candidates for appointment to the Board of Directors will be required to present candidates who assist the Corporation in meeting its diversity commitment; and

vi. the Board of Directors seeks to maintain diversity in membership of its Committees and Board leadership roles and will consider diversity when assigning chair roles for the Board and its Committees.

4.0 ASPIRATIONAL BOARD DIVERSITY TARGETS

i. The Board of Directors aspires to maintain or exceed a Board composition in which at least 30 percent of Board members are women; and

ii. The Board of Directors aspires to attain and thereafter maintain a Board composition in which at least one member of the Board of Directors is from an underrepresented group, relative to the communities served by the Corporation.

5.0 POLICY MONITORING AND REPORTING

On an annual basis, the Governance Committee will:

i. consider the objectives of this Policy as part of the annual performance evaluation of the Board of Directors, committees of the Board of Directors and individual directors;

ii. monitor the implementation and effectiveness of this Policy;

iii. report to the Board of Directors on the findings from these assessments and recommend any changes to this Policy, for consideration and approval.

SCHEDULE "A" DEFINITIONS

Defined Term	Definition
Board of Directors **the "Board"**	means the Board of Directors of ENMAX Corporation.
Content Owner	means an Employee who has been appointed by the Executive Sponsor of a Policy to assist with the Executive Sponsor's Policy accountabilities as determined by the Policies, Standards, Procedures and Forms Standard.
ENMAX	means ENMAX Corporation and/or its direct and indirect Subsidiaries.
Executive Sponsor	is an Employee with specific Policy development and Management accountabilities as designated by the Chief Executive Officer.
Policy	is/are principle based document(s) that contain information and direction in relation to the values and fundamental expectations of ENMAX.

SCHEDULE "B" – REVISION HISTORY

Rev No.	Effective Date	Revision History
1	March 25, 2021	Policy updated and reviewed by Executive Sponsor and approved by the Board.
0	May 8, 2020	Initial release.



Q1 2021
Interim Financial Report

ENMAX CORPORATION

CAUTION TO READER

This document contains statements about future events and financial and operating results of ENMAX Corporation and its subsidiaries (ENMAX or the Corporation) that are forward-looking. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements, as a number of factors could cause actual future results, conditions, actions or events to differ materially from financial and operating targets, expectations, estimates or intentions expressed in the forward-looking statements.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A, dated May 20, 2021, is a review of the results of operations of ENMAX Corporation and its subsidiaries (ENMAX or the Corporation) for the three months ended March 31, 2021, compared with 2020, and of the Corporation's financial condition and future prospects. This MD&A should be read in conjunction with the March 31, 2021 Condensed Consolidated Interim Financial Statements and the 2020 ENMAX Financial Report, which is available on ENMAX's website at www.enmax.com, as information has been omitted from this MD&A if it remains substantially unchanged.

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

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

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Glossary of terms can be found on page 44 of the Consolidated Financial Statements.

ENMAX OVERVIEW

ENMAX is a wholly owned subsidiary of The City of Calgary (The City), and is 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 to them today and tomorrow. ENMAX has a proud history of providing Albertans with electricity, and through the acquisition of Versant Power looks to serve a greater North American base. ENMAX continues to explore ways to improve and provide progressive solutions for its customers.

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

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

MARKET CONDITIONS

Many of the public health and emergency measures that were put in place in Q1 2020, to help mitigate the spread of COVID-19, remain in effect in Q1 2021. Pandemic response measures have varied across jurisdictions and changed over time, with varied impacts on businesses and individuals. Government programs have been announced to aid consumers and businesses; the Alberta Utility Payment Deferral Program Act (Bill 14) provided deferral relief to residential, farm and small commercial customers, and programs such as the Canada Emergency Wage Subsidy (CEWS) have been offered to employers in need. ENMAX continues to monitor the impacts of Bill 14 on credit risk and expected credit loss and has not applied for funds under CEWS. ENMAX noted impacts in all business segments, including a shift in energy consumption from commercial to residential sites, changes in credit risk and expected credit losses, and changed working practices. This includes increased safety protocols and remote work where practical. While the duration and full extent of these impacts remains unknown, ENMAX remains committed to safe, reliable and efficient delivery of electricity to our customers, and the health and safety of our workforce.

ENMAX POWER

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

ENMAX Power continues to invest in its electricity transmission and distribution system infrastructure to meet Calgary's needs. This includes expansion of the distribution system, reinforcement of the transmission system, and replacement of aging infrastructure in both systems. Distribution projects include investments to accommodate residential, commercial and industrial growth, as well as the replacement and modification of existing assets required to meet industry safety and reliability standards. Transmission projects can include capacity upgrades to existing substations, existing transmission lines, new substations, and new transmission lines to deliver reliable electricity that meets Calgary's demand. In addition to its regulated transmission and distribution business, ENMAX Power is responsible for unregulated businesses related to telecommunication services, underground residential development, street lighting, and light rail transit.

The Transmission business is regulated by the Alberta Utilities Commission (AUC or the Commission) under a traditional cost of service approach. Under this model, ENMAX Power can apply to recover forecasted cost of providing transmission service, including an allowed return on capital in service. After public review of ENMAX Power's application, the AUC will issue a decision setting the rates to be charged to customers for this service.

The Distribution business is regulated under a Performance-Based Regulation (PBR) model for the 2018 to 2022 period. Under this model, distribution rates are set annually using a formula that limits the recovery of increase in operating costs to below the rate of inflation. Capital cost recovery under the formula is calculated largely on the basis of actual spending in prior years. PBR is intended to create additional incentives for utilities to find efficiencies in their operations as these efficiencies can lead to higher returns.

A leadership change at the AUC in mid-2020 resulted in a change in focus for the Commission. The AUC is working to reduce regulatory lag and streamline the regulatory process to reduce regulatory burden. These positive changes at the AUC have produced a more stable and predictable regulatory environment in Alberta.

In February 2021, the AUC released a report on Alberta's changing electric distribution system as a result of the evolving nature of electric generation, consumption, and storage. In the report, the AUC committed to modernizing the regulatory framework for energy storage and adapting distribution rates to the future needs of customers. The report is a sign that the Commission is focused on expected changes to the distribution business from new technologies and changing customer preferences.

VERSANT POWER

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

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

Versant Power earns revenue by charging customers for electricity delivered across its transmission and distribution facilities. This retail revenue is divided into separate transmission, distribution and stranded cost rates. Currently, approximately 45 per cent of Versant Power's electricity revenue is from distribution operations, 48 per cent is associated with local transmission operations, and 7 per cent relates to stranded cost recoveries and conversion charges. Rates for each element are established in distinct regulatory proceedings.

The Maine legislature has several energy-related bills in committee that, if enacted, could impact Versant Power. Versant Power is following legislation closely. In particular, there is a bill that would direct MPUC to use existing statutory authority to require the divestiture of Maine's investor-owned utilities (IOUs). A "consumer-owned utility" structured entity would replace the IOUs. Several other bills could cap the amount of net energy billing (NEB) on a megawatt (MW)/year basis or restrict the kilowatt (kW) capacity size of facilities that could enter into NEB agreements. If the legislature moves forward with either approach for net energy billing, it will likely reduce the shifting of costs from NEB customers to non-NEB customers that is currently occurring.

ENMAX ENERGY

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

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

In 2021, carbon emission costs in Alberta reached $40 per tonne of CO_2. On March 25, 2021 the Supreme Court of Canada, in a 6-3 decision determined that the federal government's climate policy regarding carbon pricing is constitutional, further reinforcing the trend on carbon emission costs.

FINANCIAL PERFORMANCE

Management believes that a measure of operating performance is more meaningful if the impacts of specific items are excluded from the adjusted financial information. As a result, the table below presents ENMAX's adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA), adjusted earnings before interest and taxes (Adjusted EBIT), and comparable net earnings (CNE). These financial metrics exclude unrealized gain (loss) on commodities where settlement on derivatives will occur in a future period, foreign exchange gain (loss) and Versant Power acquisition-related costs (see Significant Events section). Refer to the Non-IFRS Financial Measures section on page 13 for definitions and further descriptions of the financial measures.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

THREE MONTHS ENDED MARCH 31

(millions of Canadian dollars)	**2021**	**2020**
Total revenue	**836**	720
Adjusted EBITDA [1][2]		
ENMAX Power	**67**	60
Versant Power	**32**	2
ENMAX Energy	**78**	68
Corporate	**1**	-
Consolidated	**178**	130
Adjusted EBIT [1][2]		
ENMAX Power	**32**	27
Versant Power	**19**	1
ENMAX Energy	**48**	35
Corporate	**2**	1
Consolidated	**101**	64
Comparable net earnings [1][2]	**68**	55
Net earnings	**95**	173
Free cash flow (FCF) [1][3]	**200**	49
Capital expenditures [4]	**99**	71

[1] Non-IFRS financial measure. See discussion that follows in Non-IFRS Financial Measures section.

[2] Does not include:

- Realized and unrealized foreign exchange gain of $nil (2020 - $125 million gain)
- Unrealized electricity and gas mark-to-market of $30 million gain (2020 - $31 million gain)
- Versant Power acquisition costs of $nil (2020 - $37 million), including $nil (2020 - $15 million) related to finance charges that are included in calculating comparable net earnings

[3] FCF is calculated for the twelve months ended March 31, 2021 and 2020 respectively.

[4] Capital expenditures excludes $nil (2020 - $1,393 million) investment in the acquisition of Versant Power. See Significant Events section.

ENMAX's Adjusted EBIT increased by $37 million for the three months ended March 31, 2021 as compared with the same period in 2020. The primary drivers for the change in Adjusted EBIT, as follows:

- ENMAX Power - The regulated business continues to grow through investment and an increase in customer sites. This is largely a result of continued growth in the Calgary service area and the need to replace The City's aging infrastructure. The increase in regulatory margins over 2020 is a direct result of continued investment in ENMAX Power's rate base due to expansion of the service area and improvements to existing infrastructure.
- Versant Power – Versant Power has contributed $19 million in EBIT for the three months ended March 31, 2021, compared to $1 million in the same period in 2020. Versant Power was acquired on March 24, 2020, and only seven days of operation are included in the 2020 period.
- ENMAX Energy – For the three months ended March 31, 2021, ENMAX Energy had higher Adjusted EBIT compared to the prior period primarily due to lower staff costs and lower expected credit loss due to increased collection activity with commercial customers.
- Corporate – Adjusted EBIT for Corporate is primarily driven by timing changes in the cost of providing shared services.

ENMAX's net earnings for the three months ended March 31, 2021 were $95 million as compared to $173 million for the first quarter in 2020. The main driver for this decrease is related to $125 million foreign exchange gain in 2020 that was primarily realized on settlement of forward contracts. Foreign exchange gain and loss are not included in Adjusted EBIT.

Adjusting for events not related to normal operations, unrealized gain on commodities and foreign exchange gain, ENMAX's comparable net earnings for the three months ended March 31, 2021 increased by $13 million from the same period in 2020. This favourable variance is primarily driven by the addition of Versant Power.

As at March 31, 2021, ENMAX's balance sheet remains healthy as the Corporation carefully manages debt to cash flow ratios as well as capital investment. The balance sheet is expected to improve as Versant Power acquisition related debt is repaid (see Liquidity section). ENMAX's prudent balance sheet management has enabled the Corporation to continue to achieve growth and profitability in an uncertain economic environment.

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

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

SIGNIFICANT EVENTS

DISTRICT ENERGY CENTRE

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

Following regulatory approvals, on May 14, 2021, the Corporation completed its sale of its District Energy Centre assets for $27 million.

VERSANT POWER ACQUISITION

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

ENMAX POWER BUSINESS UPDATE

The AUC is currently reviewing an application by ENMAX Power for its 2021-2022 costs for providing transmission services. This application seeks recovery of approximately $230 million in transmission revenue over two years and a decision is expected in Q3, 2021.

On March 4, 2021, the AUC issued its decision on the 2022 Generic Cost of Capital (GCOC) approving the extension of the 2021 Return on Equity (ROE) of 8.5 per cent and deemed equity ratio of 37 per cent for 2022 on a final basis. This decision provides increased revenue certainty for 2022.

Additionally, a decision by the AUC on the form of distribution regulation for the post 2022 period is expected by the end of Q2, 2021. To be successful, this new framework will need to provide sufficient revenue for ongoing operations as well as for grid-modernization and to address evolving customer service requirements.

KEY BUSINESS STATISTICS

THREE MONTHS ENDED MARCH 31	2021	2020
Distribution volumes in Gigawatt Hours (GWh)	**2,317**	2,338
System average interruption duration index (SAIDI) [1]	**0.10**	0.05
System average interruption frequency index (SAIFI) [2]	**0.14**	0.07

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

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

Total electricity delivered in GWh to the Calgary service area in 2021 was lower than the prior period, as restrictions implemented in response to the COVID-19 pandemic have resulted in a decrease in electricity consumption for ENMAX Power's medium and large commercial customers. ENMAX Power continues to monitor impacts of the COVID-19 pandemic on electricity delivered.

ENMAX remained one of the most reliable transmission and distribution utilities in Canada when compared to the performance of other Canadian Electricity Association member utilities. However, both SAIDI and SAIFI results have trended higher in the current period due to cable faults, tree contacts, and scheduled outages.

VERSANT POWER BUSINESS UPDATE

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

KEY BUSINESS STATISTICS

THREE MONTHS ENDED MARCH 31	2021	2020
Distribution volumes in Gigawatt Hours (GWh)	**512**	507
System average interruption duration index (SAIDI) [1][4]	**0.62**	0.65
System average interruption frequency index (SAIFI) [2][4]	**0.36**	0.32
Customer average interruption duration index (CAIDI) [3][4]	**1.73**	2.03

[1] SAIDI represents the total duration of a sustained interruption per average customer during a predefined period of time. A sustained interruption has a duration greater than or equal to five minutes. The lower the SAIDI, the better the reliability.
[2] SAIFI represents how often the average customer experiences a sustained interruption over a predefined period of time. A sustained interruption has a duration greater than or equal to five minutes. The lower the SAIFI, the better the reliability.
[3] CAIDI represents the average hours of service interruption for customers who experience a service interruption. The lower the CAIDI, the better the reliability.
[4] The Institute of Electrical Electronics Engineers (IEEE) defines a 'sustained' outage as one that is five minutes or longer. This is a known distinction with Canadian utilities.

Total electricity delivered in GWh to Versant Power's service area to-date in 2021 was higher than the prior period as a result of an overall increase in residential customer usage year over year. This was largely driven by impacts of the COVID-19 pandemic, with more customers staying at home throughout the first quarter of 2021, compared to 2020. Versant Power is continuously monitoring the impact of the COVID-19 pandemic is having on electricity delivered.

Versant Power experienced little change in SAIDI compared to 2020. In 2021, SAIFI was higher due primarily to higher service interruptions caused by two separate planned outages for substation maintenance. CAIDI was lower year-over-year due to a reduction in average hours off per service interruption caused by scheduled outages.

In response to the COVID-19 pandemic, the MPUC directed all electric utilities not to engage in disconnection activity until further notice was received. This direction applied equally to residential and business customers. On November 1, 2020 the MPUC reinstated limited collection activity for all customers as well as disconnections for business customers only. However, due to the length and severity of these developments it is not possible to reliably estimate the impact the moratorium will have on the financial results and condition of Versant Power in future periods.

On January 19, 2021, Versant Power filed a distribution rate case with the MPUC seeking an approximately 25 per cent increase in distribution revenue. Timing of this rate request coincides with the rate stay-out provision that was agreed to as part of the purchase of Versant Power. This increase, if approved, will produce approximately $22 million in additional annual revenue. Versant Power proposed phasing-in the increase over two years to mitigate the rate impact to customers.

ENMAX ENERGY BUSINESS UPDATE

Alberta pool prices continue to reflect commercial offer strategies since the retirement of the PPAs at the start of the year. Increased price volatility was observed during February 2021, which settled at $151.98 per megawatt hour (MWh). Freezing weather across the province supported strong demand along with some tie-line constraints, weaker wind generation and high gas prices kept the market relatively high for most of the quarter. Stronger spot prices and higher volatility at the start of the year pushed up electricity forward prices.

Average electricity demand for Q1 2021 was 10,210 MW, compared to 10,245 MW in Q1 2020. Although the average load for the recent quarter was slightly softer, Alberta set a new peak demand record in February 2021 at 11,729 MW, surpassing the previous peak load set in January 2020. In February, TransAlta's Sundance Unit 6 (SD6) completed the boiler conversion to natural gas. In addition, TransAlta's Keephills Unit 2 (KH2) conversion from coal to natural gas is anticipated to be complete by mid-June 2021. ENMAX has already transitioned away from coal as its current generation portfolio comprises 86 per cent natural gas and 14 per cent renewable in preparation for higher anticipated carbon costs, which has impacted market spark spreads for the period.

The AECO (Alberta Energy Company) gas market observed strong spot prices in 2021 as frigid weather blanketed the U.S. and Canada. AECO for Q1 2021 averaged $2.91 per gigajoule (GJ). February 2021 settled at a high of $3.57/GJ as cold weather caused declines in production and all the interconnected downstream markets rose significantly. The premium prices in the downstream markets incentivized export flows from Alberta. AECO storage had the most significant drawdown in storage inventories in over five years. At the end of Q1 2021 Alberta storage capacity was close to the five-year average.

KEY BUSINESS STATISTICS

THREE MONTHS ENDED MARCH 31	2021	2020
Plant availability (%) [1]	**98.0**	99.2
Average flat pool price ($/MWh)	**97.26**	66.38
Spark spread ($) [2]	**75.41**	51.91

[1] Plant availability includes planned maintenance and forced outages.
[2] Based on market prices.

Plant availability was lower than the prior period as minor outage events were undertaken during the period while continuing to focus on safe and reliable operations.

During the first three months of 2021, the average flat pool power price increased compared to the same period in 2020. This was primarily due to the extreme temperatures Alberta experienced in February 2021, which tightened the market supply-demand balance and provided upward pressure on pool prices.

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

In the retail business, the fixed price electricity volumes in the first three months of 2021 decreased over the prior period, mainly from the reduction in commercial sites as result of the COVID-19 pandemic.

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

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

ENMAX FINANCIAL RESULTS

ADJUSTED EBIT COMPARED WITH 2020

THREE MONTHS ENDED MARCH 31 *(millions of Canadian dollars)*	ENMAX Power	Versant Power	ENMAX Energy	Corporate	ENMAX Consolidated
Adjusted EBIT [1] for the THREE MONTHS ENDED MARCH 31, 2020	27	1	35	1	**64**
Increased (decreased) margins attributable to:					
Transmission and distribution	6	53	-	-	**59**
Electricity	-	-		-	**-**
Natural gas	-	-	(1)	-	**(1)**
Contractual services and other	(2)	2	-	-	**-**
(Increased) decreased expense:					
Operations, maintenance & administration (OM&A) [2]	3	(25)	11	1	**(10)**
Depreciation and amortization	(2)	(12)	3	-	**(11)**
Adjusted EBIT [1] for the THREE MONTHS ENDED MARCH 31, 2021	**32**	**19**	**48**	**2**	**101**

[1] Adjusted EBIT is a non-IFRS measure. See Non-IFRS Financial Measures section.
[2] Normalized to exclude impact of intercompany transactions with no consolidated impact.

For the quarter ended March 31, 2021 Transmission and Distribution margins increased by $59 million or 66 per cent compared to the same period in 2021. The favourable variance was largely due to including Versant Power results for the full period in 2021, as well as continued investment in ENMAX Power.

Electricity margins for the three months ended March 31, 2021 increased $nil compared to the same period in 2020. Higher revenue was realized on floating variable priced products due to colder seasonal temperatures which was offset by additional hedging loss compared to the same period in 2020.

Natural gas margins for the three months ended March 31, 2021 decreased $1 million or 5 per cent compared to the same period in 2020. The decrease was primarily due to lower retail consumption volumes combined with higher costs to serve customers.

Contractual services and other margins for the three months ended March 31, 2021 increased $nil from the comparative period. The consistency from prior period was primarily due to lower construction service activity offset with increased operations from the acquisition of Versant Power, driven by the equity portion of Versant Power's cost of capital.

OM&A is characterized as other expense recognized on the consolidated statement of earnings that excludes foreign exchange gain (loss), Versant Power acquisition costs, and costs that are included in contractual service margins. For the three months ended March 31, 2021, OM&A increased by $10 million or 10 per cent from the three months ended March 31, 2020. The unfavourable variance from prior period was largely due to the inclusion of Versant Power results for the full period in 2021, partially offset by decreased staffing costs and increased collection of previously recorded expected credit loss.

During the first quarter of 2021, the Corporation recognized $nil in Versant Power acquisition related costs, compared to $37 million for the three months ended March 31, 2020, of which $15 million were finance related charges. Acquisition costs are not included in adjusted EBIT.

Depreciation and amortization expense increased $11 million or 17 per cent compared to the same period in 2020. This increase was consistent with capital asset additions in the period, which includes Versant Power assets acquired late in the first quarter of 2020.

OTHER NET EARNINGS ITEMS

Finance charges for the three months ended March 31, 2021 were $33 million or 22 per cent higher compared to the prior period in 2020. This is primarily driven by the inclusion of Versant Power results for the full period in 2021.

The calculation of the Corporation's current and deferred income taxes involves a degree of estimation and judgment. The value of deferred income tax assets is reviewed at the end of each reporting period. The computation of the tax provision includes management's best estimate regarding the expectation of future operating results, interpretation of applicable tax regulations, allowances where uncertainty surrounding any realization of the tax benefit exists, and settlement of various tax disputes.

The Corporation recorded a total income tax expense of $3 million (2020 - $2 million recovery) for the three months ended March 31, 2021. The change in this amount is primarily due to changes in taxable income.

OTHER COMPREHENSIVE INCOME AND SHAREHOLDER'S EQUITY

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

For the first quarter of 2021, OCI included total loss of $13 million compared with loss of $28 million in the first quarter of 2020. OCI loss in 2021 primarily reflect the cumulative foreign currency translation impact on consolidation of Versant Power, and reclassification of gain on derivative instruments to net earnings.

Accumulated other comprehensive loss is reflected in shareholder's equity along with retained earnings and share capital. Retained earnings for the period increased $37 million, largely from earnings during the period, partially offset by $58 million in dividends on common shares.

NON-IFRS FINANCIAL MEASURES

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

ADJUSTED EBITDA

THREE MONTHS ENDED MARCH 31 *(millions of Canadian dollars)*	**2021**	**2020**
Net earnings (IFRS financial measure)	**95**	173
Add (deduct):		
Unrealized (gain) on commodities	**(30)**	(31)
Foreign exchange (gain)	**-**	(125)
Versant Power related acquisition costs (including finance charges) [(1)]	**-**	37
Net income tax expense on unrealized (gain) on commodities, and foreign exchange (gain), Versant Power acquisition related costs	**3**	1
Comparable net earnings (non-IFRS financial measure)	**68**	55
Add (deduct):		
Depreciation and amortization (excludes regulatory deferral costs)	**77**	66
Finance charges (excludes Versant Power related acquisition costs)	**33**	12
Remaining income tax (recovery)	**-**	(3)
Adjusted EBITDA (non-IFRS financial measure)	**178**	130

[(1)] Comprised of $22 million in OM&A costs and $15 million in net financing charges for the three months ended March 31, 2020.

Management considers Adjusted EBITDA a useful measure of business performance, as it provides an indication of the cash flow results generated by primary business activities without consideration as to how those activities are financed and amortized, or how the results are taxed. Adjusted EBITDA is also used to evaluate certain debt coverage ratios.

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

ADJUSTED EBIT

THREE MONTHS ENDED MARCH 31 *(millions of Canadian dollars)*	2021	2020
Net earnings (IFRS financial measure)	**95**	173
Add (deduct):		
Unrealized (gain) on commodities	**(30)**	(31)
Foreign exchange (gain)	**-**	(125)
Finance charges (excludes Versant Power related acquisition costs)	**33**	12
Versant Power related acquisition costs (including finance charges) [1]	**-**	37
Income tax expense (recovery)	**3**	(2)
Adjusted EBIT (non-IFRS financial measure)	**101**	64

[1] Comprised of $22 million in OM&A costs and $15 million in net financing charges for the three months ended March 31, 2020.

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

FREE CASH FLOW

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

TWELVE MONTHS ENDED MARCH 31 *(millions of Canadian dollars)*	2021	2020
Net cash provided by operating activities [1]	**501**	588
Capital expenditures funded from operations [2]	**(301)**	(242)
Versant Power acquisition funded from operations [3]	**-**	(297)
Free cash flow (non-IFRS financial measure)	**200**	49

[1] Refer to Liquidity and Capital Resources section.
[2] Includes cash provided to fund capital expenditures in ENMAX Power that would otherwise be considered financing activities and excludes cash investment in the acquisition of Versant Power (See Significant Events section).
[3] Versant Power acquisition funds from operations include $1,393 million invested in the acquisition of Versant Power, reduced by incremental borrowings of $1,096 million for the acquisition.

Free cash flow for the three months ended March 31, 2021 increased by $151 million compared to the same period in 2020. The increase in FCF was primarily driven by net funds used to acquire Versant Power in the prior year. This is partially offset by repayments of credit facilities in the first quarter of 2021.

FINANCIAL CONDITION

SIGNIFICANT CHANGES IN THE CORPORATION'S FINANCIAL CONDITION

AS AT *(millions of Canadian dollars, except % change)*	March 31, 2021	December 31, 2020	$ Change	% Change	Explanation for Change
ASSETS					
Cash and cash equivalents	**84**	40	44	110	Refer to Liquidity section
Accounts receivable	**792**	736	56	8	Increase is mainly attributable to the timing of receipts
Property, plant and equipment (PP&E)	**5,752**	5,773	(21)	-	Capital additions largely offset by amortization
Goodwill	**604**	610	(6)	(1)	Foreign exchange differences
Financial assets [(1)]	**30**	-	30	100	Change in fair value derivatives
Other assets [(1)]	**198**	210	(12)	(6)	Decrease is related to changes in deferred margin positions
LIABILITIES AND SHAREHOLDER'S EQUITY					
Short-term financing	**322**	166	156	94	Refer to Liquidity section
Accounts payable	**600**	564	36	6	Increase is mainly attributable to the timing of disbursements
Long-term debt [(1)]	**3,315**	3,442	(127)	(4)	Decrease is attributable to $121 million in repayments of debt
Asset retirement obligation and other provisions	**117**	149	(32)	(21)	Fair value adjustment to asset retirement obligation and settlement of Versant Power provision

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

ENMAX's total debt balance as at March 31, 2021 was $3,637 million (December 31, 2020 - $3,608 million).

In March 2020, the Corporation entered a $250 million two-year syndicated credit facility, in connection with the Versant Power acquisition. Consistent with ENMAX's commitment to repay acquisition related debt, $55 million of this facility was repaid throughout 2020, and an additional $115 million was repaid in March 2021.

As at March 31, 2021, ENMAX has access to $740 million (December 31, 2020 - $740 million) in revolving credit facilities, of which $312 million (December 31, 2020 – $520 million) was available. The Corporation's credit facilities mature between 2022 and 2023 and are provided by national and regional lenders.

As at March 31, 2021, ENMAX has access to $360 million (December 31, 2020 - $360 million) in Letters of Credit facilities, of which $42 million (December 31, 2020 – $135 million) was available. The Corporation's credit facilities mature between 2022 and 2023 and are provided by national and regional lenders.

Cash and cash equivalents increased to $84 million as at March 31, 2021 compared to $40 million as at December 31, 2020. Short-term financing of $322 million as at March 31, 2021 reflects a temporary use of credit facilities to address timing of expenditures.

As at March 31, 2021 ENMAX had issued net $167 million in commercial paper with a fair value of $167 million, and an average interest rate of 0.87 per cent (December 31, 2020 - $nil).

RISKS AND RISK MANAGEMENT

There have been no material changes in the three months ended March 31, 2021 to the Corporation's business and operational risk as described in the Corporation's December 31, 2020 MD&A.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT *(unaudited), (millions of Canadian dollars)*	MARCH 31, 2021	DECEMBER 31, 2020
ASSETS		
Cash and cash equivalents (Note 9)	$ 84	$ 40
Accounts receivable	792	736
Income taxes receivable (Note 7)	10	11
Current portion of financial assets (Note 6)	98	100
Other current assets (Note 10)	73	72
Assets held for sale (Note 11)	39	38
	1,096	997
Property, plant and equipment (Notes 12 and 15)	5,752	5,773
Intangible assets (Note 13)	294	290
Goodwill (Note 14)	604	610
Deferred income tax assets (Note 7)	53	57
Financial assets (Note 6)	46	44
Other long-term assets (Note 10)	222	227
TOTAL ASSETS	8,067	7,998
REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES (Note 8)	196	189
TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES	$ 8,263	$ 8,187
LIABILITIES		
Short-term financing (Note 6)	$ 322	$ 166
Accounts payable and accrued liabilities	600	564
Dividend payable	44	-
Current portion of long-term debt (Note 6)	226	74
Current portion of financial liabilities (Note 6)	77	98
Current portion of deferred revenue (Note 16)	5	7
Current portion of lease liabilities (Note 15)	5	5
Other current liabilities (Note 10)	85	72
Liabilities held for sale (Note 11)	11	11
Current portion of asset retirement obligations and other provisions	4	6
	1,379	1,003
Long-term debt (Note 6)	3,089	3,368
Deferred income tax liabilities (Note 7)	266	268
Post-employment benefits	169	166
Financial liabilities (Note 6)	37	46
Deferred revenue (Note 16)	562	562
Lease liabilities (Note 15)	45	47
Other long-term liabilities (Note 10)	12	17
Asset retirement obligations and other provisions	113	143
TOTAL LIABILITIES	5,672	5,620
REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES (Note 8)	151	151
SHAREHOLDER'S EQUITY		
Share capital	280	280
Retained earnings	2,363	2,326
Accumulated other comprehensive loss (Note 17)	(203)	(190)
	2,440	2,416
TOTAL LIABILITIES, REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES AND SHAREHOLDER'S EQUITY	$ 8,263	$ 8,187

Commitments and contingencies (Note 22).
See accompanying notes to the unaudited condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

THREE MONTHS ENDED MARCH 31
(unaudited), (millions of Canadian dollars)

	2021	2020
REVENUE (Note 5)		
Transmission and distribution	$ 265	$ 186
Electricity	357	355
Natural gas	142	103
Local access fees	38	37
Contractual services	24	32
Contributions in aid of construction (CIAC) revenue (Note 16)	5	5
Other revenue (Note 21)	5	2
TOTAL REVENUE	836	720
OPERATING EXPENSES (Note 5)		
Transmission and distribution	124	119
Electricity and fuel purchases	230	227
Natural gas and delivery	122	82
Local access fees	38	37
Depreciation and amortization	77	66
Other expenses (Note 21)	122	14
TOTAL OPERATING EXPENSES	713	545
OPERATING PROFIT	123	175
Finance charges	33	27
NET EARNINGS BEFORE TAX	90	148
Current income tax (recovery) (Note 7)	-	(7)
Deferred income tax expense (Note 7)	3	5
NET EARNINGS - BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES	87	150
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES (Note 8)	8	23
NET EARNINGS	$ 95	$ 173

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

THREE MONTHS ENDED MARCH 31 *(unaudited), (millions of Canadian dollars)*		**2021**		**2020**
NET EARNINGS	**$**	**95**	$	173
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX				
Items that will not be reclassified subsequently to statement of earnings				
Cumulative (loss) on translation adjustment		**(13)**		(17)
Items that will be reclassified subsequently to statement of earnings				
Unrealized (loss) on derivative instruments [(1)]		**-**		(6)
Reclassification of (gain) on derivative instruments to net earnings [(2)]		**-**		(5)
Other comprehensive loss net of income tax		**(13)**		(28)
TOTAL COMPREHENSIVE INCOME	**$**	**82**	$	145

[(1)] Net deferred income tax of $nil for the three months ended March 31, 2021 (2020 - $3 million tax recovery).
[(2)] Net deferred income tax of $nil for the three months ended March 31, 2021 (2020 - $2 million tax expense).

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(unaudited), (millions of Canadian dollars)	Share Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total
As at January 1, 2021	$ 280	$ 2,326	$ (190)	$ 2,416
Net earnings	-	95	-	95
Other comprehensive (loss), net of income tax	-	-	(13)	(13)
Total comprehensive income (loss)	-	95	(13)	82
Dividends (Note 18)	-	(58)	-	(58)
As at March 31, 2021	**$ 280**	**$ 2,363**	**$ (203)**	**$ 2,440**
As at January 1, 2020	280	$ 2,092	$ (32)	$ 2,340
Net earnings	-	173	-	173
Other comprehensive (loss), net of income tax	-	-	(28)	(28)
Total comprehensive income (loss)	-	173	(28)	145
Dividends (Note 18)	-	(54)	-	(54)
As at March 31, 2020	$ 280	$ 2,211	$ (60)	$ 2,431
Net earnings	-	115	-	115
Other comprehensive (loss), net of income tax	-	-	(130)	(130)
As at December 31, 2020	$ 280	$ 2,326	$ (190)	$ 2,416

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31 *(unaudited), (millions of Canadian dollars)*	2021	2020
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings	$ 95	$ 173
Reconciliation of net earnings to cash flow from operating:		
CIAC (Note 16)	5	4
CIAC revenue (Note 16)	(5)	(5)
Depreciation and amortization	77	66
Finance charges	33	27
Income tax expense (recovery) (Note 7)	3	(2)
Change in unrealized market value of financial contracts	(30)	(50)
Post-employment benefits	2	1
Unrealized foreign exchange (gain) loss	(11)	17
Changes in non-cash working capital (Note 19)	(27)	(51)
Cash flow from operations	142	180
Interest paid [1]	(18)	(9)
Income taxes paid	-	(13)
Net cash flow provided by operating activities	124	158
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangibles (Notes 12 and 13) [1]	(99)	(71)
Acquisition of Versant Power (Note 14)	-	(1,393)
Cash flow used in investing activities	(99)	(1,464)
FINANCING ACTIVITIES		
Repayment of short-term debt	(815)	(1,377)
Proceeds from short-term debt	971	1,399
Repayment of long-term debt	(121)	(9)
Proceeds from long-term debt	-	247
Repayment of lease liabilities (Note 15)	(2)	(1)
Dividend paid (Note 18)	(14)	(14)
Cash flow from financing activities	19	245
Increase (decrease) in cash and cash equivalents	44	(1,061)
Cash and cash equivalents, beginning of period	40	1,080
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 84	$ 19
Cash and cash equivalents consist of:		
Cash	$ 69	$ 10
Restricted cash (Note 9)	15	9
	$ 84	$ 19

[1] Total interest paid during the three months ended March 31, 2021 was $19 million (2020 - $11 million). Purchase of property, plant and equipment (PP&E) and intangibles includes $1 million of capitalized borrowing costs (2020 - $2 million).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

1. DESCRIPTION OF THE BUSINESS

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

On March 24, 2020, the Corporation closed the acquisition of BHE Holdings, Inc., the parent company of Versant Power (formerly known as Emera Maine). The Corporation through its subsidiary, Versant Power, engages in transmission and distribution operations in the Bangor Hydro District (BHD) as well as the Maine Public District (MPD), in Maine, USA. Versant Power's regulated operations are subject to the regulatory authority of the Maine Public Utilities Commission (MPUC) and the Federal Energy Regulatory Commission (FERC). BHD is a member of the New England Power Pool (NEPOOL) while MPD is a member of the Northern Maine Independent System Administrator (NMISA).

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

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC). They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020, prepared according to IFRS. The unaudited interim condensed consolidated financial statements are prepared following the same accounting policies used in the Company's most recent annual consolidated financial statements.

These unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 20, 2021.

BASIS OF MEASUREMENT

These unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis except for the revaluation of financial derivative instruments to fair value and to reflect asset impairment (if any).

FUNCTIONAL AND PRESENTATION CURRENCY

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these unaudited interim condensed consolidated financial statements requires management to select appropriate accounting policies and make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as to disclose contingent assets and liabilities. These estimates and judgments involve matters that are inherently complex and uncertain. Judgments and estimates are continually evaluated and are based on historical experience and expectations of future events. Changes to accounting estimates are recognized prospectively. Refer to Note 3 of the Corporation's most recent annual consolidated financial statements for further details.

4. ACCOUNTING PRONOUNCEMENTS

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

IAS 1 *Presentation of Financial Statements*

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

IFRS 10 *Consolidated Financial Statements*

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

IAS 28 *Investments in Associates and Joint Ventures*

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

Regulatory Assets and Regulatory Liabilities

On January 28, 2021 the IASB issued an Exposure Draft on Regulated Assets and Regulated Liabilities which is expected to replace IFRS 14 Regulatory Deferral Accounts. The proposed new standard will give stakeholders better information about the financial performance of companies that are subject to rate regulation. This will possibly have an impact on ENMAX Power and Versant Power segments. The IASB have not set an implementation date for this new standard and comments on the exposure draft are due by June 30, 2021.

5. SEGMENT INFORMATION

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

ENMAX POWER

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

VERSANT POWER

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

ENMAX ENERGY

ENMAX Energy carries out retail energy supply and related functions including the Calgary Regulated Rate Option (RRO) through various affiliated legal entities. ENMAX Energy is an integrated business that involves generation of electricity and providing customers with electricity, natural gas, and distributed energy resource solutions. This integration provides an advantage that allows ENMAX to efficiently serve the largest number of customers in Alberta.

CORPORATE

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

SEGMENTED TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT BALANCES

AS AT	MARCH 31, 2021	DECEMBER 31, 2020 [1]
ENMAX Power	**3,027**	2,991
Versant Power	**2,189**	2,180
ENMAX Energy [2]	**2,705**	2,686
Corporate	**146**	141
Total assets	**8,067**	7,998
Regulatory deferral account debit balances (Note 8)	**196**	189
Total assets and regulatory deferral account debit balances	**8,263**	8,187

[1] Reclassified to conform with current period's presentation.
[2] Includes $39 million (December 31, 2020 - $38 million) in asset classified as held for sale (see Note 11).

COMPARATIVE SEGMENT INFORMATION

Segment information reflects the presentation regularly reviewed by the chief operating decision maker, who uses adjusted operating profit as the basis for making decisions around asset allocation or assessing performance. Adjusted operating profit accounts for items such as unrealized gain and loss on commodities, foreign exchange, and Versant Power acquisition related costs, which are reflected in the column "Adjusted Consolidated Totals" below.

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

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

THREE MONTHS ENDED MARCH 31, 2020	ENMAX Power	Versant Power	ENMAX Energy	Corporate	Adjusted Consolidated Totals	Regulatory Deferral Movement	Other Presentation Reclass	Consolidated Totals
REVENUE								
Transmission and distribution	178	6	-	-	184	2	-	186
Electricity	-	-	387	(32)	355	-	-	355
Natural gas	-	-	103	-	103	-	-	103
Local access fees	37	-	-	-	37	-	-	37
Other revenue	30	-	14	-	44	(5)	-	39
TOTAL REVENUE	245	6	504	(32)	723	(3)	-	720
OPERATING EXPENSES								
Transmission and distribution	93	2	-	-	95	24	-	119
Electricity and fuel purchases	-	-	290	(32)	258	-	(31)	227
Natural gas and delivery	-	-	82	-	82	-	-	82
Local access fees	37	-	-	-	37	-	-	37
Depreciation and amortization	33	1	33	(1)	66	-	-	66
Other expenses	55	2	64		121	(4)	(103)	14
TOTAL OPERATING EXPENSES	218	5	469	(33)	659	20	(134)	545
OPERATING PROFIT	27	1	35	1	64	(23)	134	175
Unrealized (gain) on commodities					(31)	-	31	-
Foreign exchange (recovery)					(125)	-	125	-
Versant Power acquisition costs [1]					22	-	(22)	-
Finance charges [2]					27	-	-	27
NET EARNINGS BEFORE TAX					171	(23)	-	148
Current income tax (recovery)					(7)	-	-	(7)
Deferred income tax expense					5	-	-	5
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					173	(23)	-	150
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					-	23	-	23
NET EARNINGS					173	-	-	173

[1] During the three months ended March 31, 2020, ENMAX recognized other expenses related to the acquisition of Versant Power (see Note 14) of $22 million.

[2] During the three months ended March 31, 2020, finance charges include charges related to the acquisition of Versant Power (see Note 14) of $15 million.

REVENUE

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

REVENUE – MAJOR CUSTOMERS AND SALES CHANNELS

	Transmission	Distribution	U.S. Operations	Mass Market	Commercial Market	City of Calgary Local Access Fees	Government and Institutional	Other	Total
THREE MONTHS ENDED MARCH 31, 2021									
Transmission & distribution	**26**	**165**	**74**	**-**	**-**	**-**	**-**	**-**	**265**
Electricity									
ENMAX Energy	**-**	**-**	**-**	**73**	**245**	**-**	**-**	**-**	**318**
Regulated	**-**	**-**	**-**	**32**	**7**	**-**	**-**	**-**	**39**
Natural gas	**-**	**-**	**-**	**100**	**42**	**-**	**-**	**-**	**142**
Local access fees	**-**	**-**	**-**	**-**	**-**	**38**	**-**	**-**	**38**
Contractual services	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**16**	**24**
Other revenue & CIAC	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**8**	**10**
TOTAL REVENUE	**26**	**165**	**76**	**205**	**294**	**38**	**8**	**24**	**836**

	Transmission	Distribution	U.S. Operations	Mass Market	Commercial Market	City of Calgary Local Access Fees	Government and Institutional	Other	Total
THREE MONTHS ENDED MARCH 31, 2020									
Transmission & distribution	25	155	6	-	-	-	-	-	186
Electricity									
ENMAX Energy	-	-	-	65	254	-	-	-	319
Regulated	-	-	-	30	6	-	-	-	36
Natural gas	-	-	-	75	28	-	-	-	103
Local access fees	-	-	-	-	-	37	-	-	37
Contractual services	-	-	-	-	-	-	12	20	32
Other revenue & CIAC	-	-	-	-	-	-	-	7	7
TOTAL REVENUE	25	155	6	170	288	37	12	27	720

6. FINANCIAL INSTRUMENTS, HEDGES AND RISK MANAGEMENT MARKET RISK

MARKET RISK

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

CREDIT RISK

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

The COVID-19 pandemic resulted in several government mandated response measures that may have adverse financial impacts on ENMAX customers. As the nature and duration of these response measures continues to evolve, it is not possible to fully measure the financial impact of these events. In response to increased credit risk, the Corporation increased its monitoring of customer credit worthiness and recorded provisions for credit loss on customer receivables totaling $27 million as at March 31, 2021 (December 31, 2020 - $29 million). Given the uncertain effects of the pandemic on ENMAX customers and the broader economy, the estimates and judgements made by management with respect to credit loss are subject to a high degree of estimation uncertainty. The Corporation continues to monitor its exposure to credit risk and will adjust expected credit loss provisions in future periods if warranted.

VALUATION OF DERIVATIVE ASSETS AND LIABILITIES

Financial derivative instruments are recorded at fair value on the statement of financial position. As at March 31, 2021, the fair values of derivatives were as follows:

AS AT	MARCH 31, 2021		DECEMBER 31, 2020	
	Hedge Instruments	Non-Hedge Derivatives	Hedge Instruments	Non-Hedge Derivatives
Assets				
Current	**3**	**95**	**4**	**96**
Non-current	**4**	**42**	**4**	**40**
Liabilities				
Current	**5**	**72**	**5**	**93**
Non-current	**-**	**37**	**-**	**46**

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

For non-hedge derivatives, there were unrealized gain of $30 million for the three months ended March 31, 2021 (December 31, 2020 - $68 million gain), primarily recorded in electricity and fuel purchases. The anticipated non-hedge derivatives are expected to settle in 2021 through to 2031. The mark-to-market adjustments do not consider the impact of any interrelationship among the factors such as the underlying position and the optionality of the Corporation's integrated business. Generation capacity or future sales to customers are not mark-to-market, which creates a mismatch in the timing of earnings.

NON-DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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

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

CARRYING AMOUNTS AND FAIR VALUES OF LONG-TERM DEBT

AS AT	MARCH 31, 2021		DECEMBER 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt [1] consisting of:				
Debentures, with remaining terms of:				
Less than 5 years	**27**	**28**	33	34
5–10 years	**34**	**38**	34	39
10–15 years	**309**	**357**	309	372
15–20 years	**567**	**607**	566	642
20–25 years	**429**	**456**	429	459
General and refunding mortgage bonds				
8.98% series	**27**	**27**	28	28
Private debentures				
Series 3 (3.81%)	**197**	**217**	197	219
Series 4 (3.84%)	**294**	**328**	294	340
Series 5 (2.92%)	**299**	**311**	299	309
Series 6 (3.33%)	**299**	**322**	299	326
Series 7 (3.88%)	**249**	**269**	249	284
Senior notes				
Unsecured note (3.61%)	**77**	**80**	78	81
Unsecured note (4.34%)	**130**	**149**	131	164
Unsecured note (4.36%)	**57**	**67**	58	74
Unsecured note (4.71%)	**60**	**71**	61	78
Unsecured note (3.79%)	**63**	**73**	64	81
Unsecured note (2.80%)	**38**	**37**	38	39
Unsecured note (2.80%)	**76**	**74**	77	79
Non-revolving term facility [2]	**80**	**80**	195	195
Promissory note	**3**	**3**	3	3
	3,315	**3,594**	3,442	3,846

[1] Includes current portion of $226 million (December 31, 2020 – $74 million). Maturity dates range from June 2021 to December 2049.
[2] $80 million non-revolving 2-year term facility with an interest rate of 2.09 per cent as at March 31, 2021 (December 31, 2020 – 2.09 per cent).

As at March 31, 2021, ENMAX had issued $167 million in commercial paper, with a fair value of $167 million, and average interest rates of 0.87 per cent (December 31, 2020 - $nil) and had drawn $155 million on existing credit facilities with an average rate of 0.41 per cent (December 31, 2020 - $166 million at 0.47 per cent).

7. INCOME TAXES

The calculation of the Corporation's current and deferred income taxes involves a degree of estimation and judgment. The value of deferred income tax assets is reviewed at the end of each reporting period. For the three months ended March 31, 2021, management adjusted the income tax provision using its best estimate with considerations including management's expectation of future operating results and interpretation of applicable tax positions and allowances, where uncertainty surrounding the realization of the tax benefit exists.

8. REGULATORY DEFERRAL ACCOUNT BALANCES

NATURE AND ECONOMIC EFFECT OF RATE REGULATION

ENMAX Transmission and ENMAX Distribution (the Divisions) are divisions of ENMAX Power. The Divisions are regulated operations established to carry out all electrical transmission and distribution service functions within the City of Calgary. 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*.

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

Transmission division rates are set based on an AUC approved revenue requirement and are regulated under a traditional cost-of-service framework. On October 28, 2020, the AUC approved the interim revenue requirements to be effective January 1, 2021.

ENMAX U.S. Operations

ENMAX, through its wholly owned subsidiary Versant Power, has distribution and transmission operations in the state of Maine, USA. Versant Power's distribution and stranded cost recoveries are regulated by the MPUC while its transmission operations are regulated by the FERC. Rates for these operations are established in distinct regulatory proceedings. Tax benefits arising from U.S. tax reforms were reflected in transmission rates effective July 1, 2018, while other components being deferred are to be addressed in future regulatory proceedings.

Versant Power's distribution service operates under a traditional cost of service regulatory structure and distribution rates are set by the MPUC. Versant Power's transmission operations are split between two districts: BHD and MPD. BHD's transmission rates are regulated by the FERC and set annually on June 1, based on a formula that utilizes prior year actual transmission investment and forecasted transmission investment. BHD's bulk transmission assets are managed by ISO-New England (ISO-NE) as part of a region-wide pool of assets. MPD's transmission rates are regulated by the FERC and are set annually on June 1 for wholesale and July 1 for retail customers, based on a formula that utilizes prior year actual transmission investments and expenses.

REGULATORY BALANCES

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

AS AT	Accounts Receivable (a)	Un-Eliminated Inter-Company Profit (b)	Other Regulatory Debits (c)	U.S. Operations (e)	Total Regulatory Deferral Account Debit Balances
Regulatory deferral account debit balances					
JANUARY 1, 2021	17	12	15	145	189
Balances arising in the period [1]	12	1	1	(2)	12
Reversal [2]	-	-	(3)	-	(3)
Foreign exchange translation	-	-	-	(2)	(2)
MARCH 31, 2021	**29**	**13**	**13**	**141**	**196**
Expected reversal period	3 Months	25 Years	15 Months		
JANUARY 1, 2020	20	7	4	-	31
Versant Power balance acquired	-	-	-	158	158
Balances arising in the period [1]	203	6	18	7	234
Reversal [2]	(206)	(1)	(7)	-	(214)
Foreign exchange translation	-	-	-	(20)	(20)
DECEMBER 31, 2020	17	12	15	145	189
Expected reversal period	3 Months	25 Years	15 Months		

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

AS AT	Accounts Payable (a)	Other Regulatory Credits (d)	U.S. Operations (e)	Total Regulatory Deferral Account Credit Balances
Regulatory deferral account credit balances				
JANUARY 1, 2021	-	4	147	151
Balances arising in the period [1]	-	2	-	2
Reversal [2]	-	(1)	-	(1)
Foreign exchange translation	-	-	(1)	(1)
MARCH 31, 2021	**-**	**5**	**146**	**151**
Expected reversal period		18 Months		
JANUARY 1, 2020	-	2	-	2
Versant Power balance acquired	-	-	176	176
Balances arising in the period [1]	-	4	(8)	(4)
Reversal [2]	-	(2)	-	(2)
Foreign exchange translation	-	-	(21)	(21)
DECEMBER 31, 2020	**-**	4	147	151
Expected reversal period		18 Months		

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

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

(a) Accounts receivable and payable

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

(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 standard, IFRS would require that intercompany profits be eliminated upon consolidation.

(c) Other regulatory debits

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

(d) Other regulatory credits

Other regulatory credits primarily relate to items that will be refunded to customers through future rates.

For certain regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties including those inherent in rate-setting regulatory processes. There is a risk that the regulator may disallow a portion of certain costs incurred in the current period for recovery through future rates or disagree with the proposed recovery period.

(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-retirement benefits, storm reserve balances arising from utilizing significant resources to restore services following a major storm, and stranded cost recoveries associated with purchase power contracts where Versant Power has been directed to purchase and resell by the MPUC.

9. RESTRICTED CASH

AS AT	MARCH 31, 2021	DECEMBER 31, 2020
Other current assets		
Funds held with a financial institution to cover posted margins	**10**	4
Restricted deposits with a financial institution to meet financial obligations	**2**	4
Funds designated to be paid to the Balancing Pool and the Government of Alberta relating to the utility deferral program	**-**	1
Funds held in escrow for assets held for sale	**3**	3
	15	12

10. OTHER ASSETS AND LIABILITIES

AS AT	MARCH 31, 2021	DECEMBER 31, 2020
Other current assets		
Prepaid expenses	**15**	20
Collateral paid	**10**	10
Deferred asset	**1**	1
Emission offsets	**44**	37
Other	**3**	4
	73	72
Other long-term assets		
Prepaid expenses	**8**	9
Long-term accounts receivable	**33**	32
Deferred asset	**6**	7
Equity investments	**145**	146
Other	**30**	33
	222	227
Other current liabilities		
Deposits	**53**	42
Other	**32**	30
	85	72
Other long-term liabilities		
Other	**12**	17
	12	17

11. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

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

The carrying amount of the facility is expected to be recovered principally through the sale transaction. The facility's assets and liabilities are classified as held for sale and are measured at the lower of carrying value and fair value less cost to sell. Upon reclassification the Corporation recognized $4 million reversal of impairment charges recognized in prior years. As at March 31, 2021, the Corporation recognized $39 million (December 31, 2020 – $38 million) in assets held for sale and $11 million (December 31, 2020 – $11 million) in liabilities held for sale.

Assets held for sale are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributed to the liabilities of a disposal group classified as held for sale continue to be recognized.

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

	Transmission, Distribution and Substation Equipment	Generation Facilities and Equipment	Buildings and Site Development	Work in Progress	Other [1]	Total
Cost						
As at DECEMBER 31, 2020	3,996	2,268	578	162	346	7,350
Additions	4	-	-	92	4	100
Transfers	22	35	-	(67)	10	-
Assets held for sale	-	(2)	-	1	-	(1)
Disposals	(3)	-	-	(2)	(10)	(15)
Changes to asset retirement costs	-	(29)	-	-	-	(29)
Foreign exchange translation	(16)	-	(1)	-	(2)	(19)
As at MARCH 31, 2021	**4,003**	**2,272**	**577**	**186**	**348**	**7,386**
Accumulated Depreciation						
As at DECEMBER 31, 2020	(536)	(890)	(100)	-	(51)	(1,577)
Depreciation	(35)	(24)	(5)	-	(6)	(70)
Disposals	4	-	-	-	4	8
Foreign exchange translation	5	-	-	-	-	5
As at MARCH 31, 2021	**(562)**	**(914)**	**(105)**	**-**	**(53)**	**(1,634)**
Net book value						
As at DECEMBER 31, 2020	3,460	1,378	478	162	295	5,773
As at MARCH 31, 2021	**3,441**	**1,358**	**472**	**186**	**295**	**5,752**

[1] Other PP&E as at March 31, 2021 has been condensed with the balance consisting of land, tools, systems, equipment, capital spares, vehicles and government grants.

Real property, including land and buildings, with a carrying amount of $559 million as at March 31, 2021 (December 31, 2020 - $556 million), was subject to a right of first refusal to purchase held by The City.

For the three months ended March 31, 2021, capitalized borrowing costs amounted to $1 million (2020 - $2 million), with capitalization rates ranging from 3.09 per cent to 3.87 per cent (2020 - 3.18 to 3.93 per cent). Interest is capitalized based on the actual cost of debt used to finance the capital construction projects. Interest rates ranged from 1.48 per cent to 5.02 per cent (2020 – 1.63 to 5.02 per cent).

These balances include the Corporations right-of-use (ROU) assets and are further discussed in Note 15.

13. INTANGIBLE ASSETS

	Computer Systems	Other [1]	Work in Progress	Total
Cost				
As at DECEMBER 31, 2020	317	95	33	445
Additions	2	-	11	13
Transfers	1	-	(1)	-
Foreign exchange translation	(1)	(1)	-	(2)
As at MARCH 31, 2021	**319**	**94**	**43**	**456**
Accumulated amortization				
As at DECEMBER 31, 2020	(133)	(22)	-	(155)
Amortization	(6)	(1)	-	(7)
As at MARCH 31, 2021	**(139)**	**(23)**	**-**	**(162)**
Net book value				
As at DECEMBER 31, 2020	184	73	33	290
As at MARCH 31, 2021	**180**	**71**	**43**	**294**

[1] Other intangible assets as at March 31, 2021 has been condensed with the balance consisting of renewable energy certificates, water leases, land easements and rights and lease options.

14. GOODWILL

AS AT	MARCH 31, 2021	DECEMBER 31, 2020
Balance, beginning of the period	**610**	-
Acquired through business combination	**-**	692
Net exchange rate difference	**(6)**	(82)
Balance, end of the period	**604**	610

On March 24, 2020, the Corporation acquired all the outstanding shares of BHE Holdings Inc., the parent company of Versant Power (formerly Emera Maine). The excess of the purchase price over estimated fair values of net assets acquired has been recognized as goodwill. The goodwill reflects the amount paid for access to regulated assets, net income and future cash flows, opportunities for adjacency growth, and improved earnings risk profile.

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

15. LEASES

ENMAX leases several assets categorized as: generation facilities and equipment, buildings and site development, land, tools, systems and equipment and vehicles. The average term remaining on the leases are 3.6 years (December 31, 2020 – 3.7 years).

Right-of-use assets

The changes in the net book value for the Corporation's ROU assets during the period were as follows:

	Generation Facilities and Equipment	Buildings and Site Development	Other	Total
Cost				
As at DECEMBER 31, 2020	28	14	19	61
Assets held for sale	(4)	-	-	(4)
As at MARCH 31, 2021	**24**	**14**	**19**	**57**
Accumulated Depreciation				
As at DECEMBER 31, 2020	(2)	(3)	(5)	(10)
Net changes	-	(1)	(1)	(2)
As at MARCH 31, 2021	**(2)**	**(4)**	**(6)**	**(12)**
Net Book Value				
As at DECEMBER 31, 2020	26	11	14	51
As at MARCH 31, 2021	**22**	**10**	**13**	**45**

(1) Other leases as at March 31, 2021 has been condensed with the balance consisting of land, vehicles, and tools, systems and equipment.

Amounts recognized in profit and loss

THREE MONTHS ENDED	MARCH 31, 2021	MARCH 31, 2020
Depreciation expense	**2**	1
Lease expense on short-term leases	**-**	-
Interest expense on lease liabilities	**1**	1
Amounts expensed in profit and loss	**3**	2

Lease payments

The required lease payments at March 31, 2021, are as follows:

Less than 1 year	**7**
1–5 years	**18**
More than 5 years	**49**

The total cash outflow during the 3-month period for leases amounts to $2 million. ENMAX does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored through ENMAX's treasury function.

Generation Facilities and Equipment

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

Buildings and Site Development

ENMAX has entered into building leases to house various operations. As at March 31, 2021 the leases that were capitalized have 3 to 27 years remaining.

Other

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

ENMAX leases vehicles that are mainly used by its field services crews for the 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. DEFERRED REVENUE

	CIAC	Other	Liabilities Classified as Held for Sale	Total
As at DECEMBER 31, 2020	556	20	(7)	569
Net additions	5	(1)	-	4
Recognized as revenue	(5)	(1)	-	(6)
As at MARCH 31, 2021	556	18	(7)	567
Less: current portion	-	5	-	5
	556	**13**	**(7)**	**562**

17. ACCUMULATED OTHER COMPREHENSIVE (LOSS)

AS AT	MARCH 31, 2021	DECEMBER 31, 2020
Net unrealized gain on derivatives designated as cash flow hedges, including deferred income tax expense of $1 million (December 31, 2020 - expense of $1.0 million)	**2**	2
Net actuarial loss on defined benefit plans, including deferred income tax recovery of $1 million (December 31, 2020 - recovery of $1 million)	**(38)**	(38)
Cumulative translation adjustment	**(167)**	(154)
Accumulated other comprehensive loss, including deferred income tax expense of $nil (December 31, 2020 - expense of $nil)	**(203)**	(190)

18. DIVIDENDS

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

19. CHANGES IN NON-CASH WORKING CAPITAL

THREE MONTHS ENDED MARCH 31	2021	2020
Accounts receivable	**(56)**	20
Regulatory deferral account debit balances	**(7)**	(23)
Other assets	**4**	(13)
Accounts payable and accrued liabilities	**28**	(38)
Regulatory deferral account credit balances	**-**	1
Other liabilities	**7**	(15)
Deferred revenue (non-CIAC)	**(1)**	1
Provisions	**(2)**	16
Changes in non-cash working capital	**(27)**	(51)

20. RELATED PARTY TRANSACTIONS

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

STATEMENTS OF EARNINGS

THREE MONTHS ENDED MARCH 31	2021	2020
Revenue [1]	**37**	34
Local access fees and other expenses [2]	**39**	37

[1] The significant components include contract sales of electricity, construction of infrastructure, provision of non-regulated power distribution services, and billing and customer care services relating to The City's utilities departments.
[2] This cost is passed through the Corporation directly to transmission and distribution customers.

STATEMENTS OF FINANCIAL POSITION

AS AT	MARCH 31, 2021	DECEMBER 31, 2020
Accounts receivable	**24**	23
Assets held for sale [1]	**3**	3
Accounts payable and accrued liabilities	**15**	12
Liability held for sale [2]	**4**	6
Long-term debt [3]	**1,366**	1,372

[1] Right-of-use asset.
[2] Finance lease obligation and deferred revenue.
[3] Interest and principal payments for the 3 months ended March 31, 2021 were $nil (2020 - $nil) and $6 million (2020 - $6 million) respectively. In addition, for the three months ended March 31, 2021, the Corporation paid a management fee of $1 million (2020 - $1 million) to the City.

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.

21. OTHER REVENUE AND EXPENSES

OTHER REVENUE

THREE MONTHS ENDED MARCH 31	2021	2020
Interest and penalty revenue	**2**	2
Miscellaneous	**3**	-
	5	2

OTHER EXPENSES

THREE MONTHS ENDED MARCH 31	2021	2020
Contractual services cost	**13**	19
Staff costs	**50**	63
Consulting costs	**5**	4
Advertising and promotion	**1**	5
Administrative and office expenses	**23**	17
Operating costs	**18**	9
Building and property costs	**11**	12
Other costs	**1**	11
Foreign exchange (gain)	**-**	(126)
	122	14

22. COMMITMENTS AND CONTINGENCIES

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

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

HISTORICAL TRANSMISSION LINE LOSS PROVISION

ENMAX has participated in various proceedings regarding the AESO's Line Loss Rule (LLR). The LLR establishes the loss factors that form the basis for certain transmission charges paid by Alberta generators, including ENMAX. The LLR Proceeding 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 the AUC's decisions, the AESO is required to settle adjustments for these historic amounts.

The AUC's decisions do not require the AESO to consider commercial agreement terms and service transfer circumstances when the 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 recorded payables and receivables in its 2020 consolidated financial statements related to the line loss proceedings. These amounts are expected to settle in 2021 and ENMAX has sufficient access to cash to satisfy these amounts.

LEGAL AND REGULATORY PROCEEDINGS

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

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

From 2011 to 2016, four separate complaints were filed with the FERC to challenge the base Return on Equity (ROE) under the ISO-NE Open Access Transmission Tariff (OATT). Complaint IV is still outstanding, Complaint I is refunded based on prior FERC order, while provisions have been recorded for the other two.

23. SUBSEQUENT EVENTS

Following regulatory approvals, on May 14, 2021, the Corporation completed the sale of its District Energy facility to a subsidiary of Atlantica for $27 million.

24. COMPARATIVE FIGURES

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

GLOSSARY OF TERMS

AECO	Alberta Energy Company
AC	ENMAX's Audit Committee
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income
ARO	Asset retirement obligation
Atlantica	Atlantica Sustainable Infrastructure PLC
AUC	Alberta Utilities Commission
BHD	Bangor Hydro District
Bill 14	Alberta Utility Payment Deferral Program Act
CAIDI	Customer average interruption duration index
CEWS	Canada Emergency Wage Subsidy
CIAC	Contributions in aid of construction
CNE	Comparable net earnings
CO_2	Carbon dioxide
COVID-19	Strain of the novel coronavirus
Adjusted EBIT	Earnings before interest and income taxes
Adjusted EBITDA	Earnings before interest, income tax and depreciation and amortization
ENMAX	ENMAX Corporation and its subsidiaries
FCF	Free Cash Flow
FERC	United States Federal Energy Regulatory Commission
GJ	Gigajoule
GWh	Gigawatt hour
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IEEE	The Institute of Electrical Electronics Engineers
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IOU	Investor-owned utilities
kW	Kilowatt
kWh	Kilowatt hour
LLR	Line Loss Rule
MD&A	Management's Discussion and Analysis
MPD	Maine Public District
MPUC	Maine Public Utilities Commission
MW	Megawatt
MWh	Megawatt hour
NEB	Net energy billing
NEPOOL	New England Power Pool
NMISA	Northern Maine Independent System Administrator
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
Shepard	Shepard Energy Centre
The Board	ENMAX's Board of Directors
The City	The City of Calgary
The Commission	Alberta Utilities Commission
The Corporation	ENMAX Corporation and its subsidiaries

ADDITIONAL INFORMATION

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

Please direct financial inquiries to:

Wayne O'Connor
President and Chief Executive Officer
403.514.3000

Preet Dhindsa
Executive Vice President and Chief Financial Officer
403.514.3000

Please direct media inquiries to:

Gina Sutherland
Senior Advisor, External Relations
403.689.6134



2020 Financial Review

ENMAX CORPORATION

CAUTION TO READER

This document contains statements about future events and financial and operating results of ENMAX Corporation and its subsidiaries (ENMAX or the Corporation) that are forward-looking. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements, as a number of factors could cause actual future results, conditions, actions or events to differ materially from financial and operating targets, expectations, estimates or intentions expressed in the forward-looking statements.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A, dated March 24, 2021, is a review of the results of operations of ENMAX Corporation and its subsidiaries (ENMAX or the Corporation) for the year ended December 31, 2020, compared with 2019, and of the Corporation's financial condition and future prospects. This discussion contains forward-looking information that is qualified by reference to and should be read in light of the Caution to Reader previously set out.

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

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

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Glossary of terms can be found on page 103 of the Consolidated Financial Statements.

BUSINESS OVERVIEW

ENMAX is a wholly owned subsidiary of The City of Calgary (The City), and is 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 to them today and tomorrow. ENMAX has a proud history of providing Albertans with electricity and through the acquisition of Versant Power looks to serve a greater North American base. ENMAX continues to explore ways to improve and provide progressive solutions for its customers.

As a result of significant electricity industry transformation both within and outside of Alberta, ENMAX adjusted its strategic direction in 2017 and continued this direction throughout 2020. ENMAX's strategy is to develop a business with strong regulated and contracted cash flows and diverse revenue streams within North America via services and customer focussed businesses built upon an efficient platform.

ENMAX has core operations through three main business segments, **ENMAX Power Delivery** (Power Delivery), **Versant Power**, and **ENMAX Competitive Energy** (Competitive Energy). Power Delivery includes the regulated transmission and distribution of electricity within The City of Calgary. Versant Power performs as a regulated electric transmission and distribution utility serving customers in northern and eastern Maine, USA. Competitive Energy includes the competitive generation and sale of electricity across Alberta as well as power project services and solutions.

- Power Delivery owns and operates electricity transmission and distribution assets in the Calgary service area. Power Delivery's objective is to safely and efficiently operate and maintain the high reliability of its transmission and distribution system while meeting Calgary's power delivery infrastructure needs. In addition to safe, reliable and efficient delivery, cost and capital management are key priorities. Other priorities include minimizing regulatory lag and updating critical technology as a platform for future initiatives. The need to replace aging infrastructure in Calgary provides a significant and predictable growth opportunity for ENMAX.
- Versant Power operates in the state of Maine, USA as a separate and distinct entity responsible for the electricity grid for its service territory. Versant Power's role includes planning for the needs of the system, restoring power when extreme weather causes damage to overhead lines, evaluating new technologies that can enable greater reliability, resiliency, and customer choice, and timing investments so that benefits for costumers exceeds costs.
- Competitive Energy carries out retail energy supply and related functions including the Calgary Regulated Rate Option (RRO) through various affiliated legal entities. Competitive Energy is an integrated business that involves generation of electricity and providing customers with electricity, natural gas, and distributed energy resource solutions, as well as engineering, procurement and construction services. This integration provides an advantage that allows ENMAX to serve the largest number of customers in Alberta.
- ENMAX Corporate and Eliminations (Corporate), which is responsible for providing shared services and financing to Power Deliver, Versant Power and Competitive Energy.

MARKET CONDITIONS

Alberta continues to experience economic uncertainty and challenges as the duration of the COVID-19 pandemic remains uncertain, and oil prices and capital spending remain relatively soft. Alberta's electricity demand destruction was most pronounced during the May to June 2020 period, experiencing a decline in demand of roughly 6 per cent. In the last half of 2020 demand has trended towards recovery, and beginning in the fourth quarter, demand had recovered to 2019 levels. Overall, electricity demand averaged 9,462 Megawatts (MW) for 2020, representing a decline of 2 per cent from the prior year's average demand of 9,695 MW. ENMAX's unique vertically integrated business model, including making, moving, and marketing electricity, benefits from demand growth through increases in generator revenue, retail sites, and distribution network size that meets the demands of Calgarians.

The impact of COVID-19 and oil market fluctuations resulted in softer power prices and spark spreads for 2020 compared to the prior year. The Alberta power market pool price settled at $46.53 per megawatt-hour (MWh) for 2020, representing a decrease of 16 per cent over the prior year's average of $55.28 per MWh. Spark spreads settled at $30.69 per MWh for 2020 compared to $42.67 per MWh the preceding year. ENMAX's hedging strategy secures significant margins before entering the year, offering protection from fluctuating power prices while maintaining some ability to capitalize on price increases.

Alberta natural gas prices averaged $2.11 per gigajoule (GJ) for 2020, representing a 25.6 percent increase compared to 2019's average natural gas price of $1.68 per GJ. Gas prices were higher and more stable as Nova Gas Transmission Ltd. system (NGTL) expansions have given producers additional access to both storage and export markets. ENMAX continues to evaluate direct pipeline connections to surrounding natural gas supply sources to create long-term safe, secure, and economical gas delivery to its generation portfolio.

Carbon pricing for large industries in Alberta, including electricity generation, falls under the Technology Innovation and Emissions Reduction (TIER) regulation. The carbon cost for 2021 will match the federal carbon cost of $40.00 per tonne of CO2 equivalent. Under TIER, all existing generating units, including coal, will be measured against a "good-as-best" intensity, which currently for ENMAX is Shepard Energy Centre. The federal government has announced its intention to increase carbon price to $170 per tonne of CO2 equivalent by 2030. This is expected to impact the costs of less-efficient thermal generation and incentivize more renewable generation development.

Increasing carbon costs have signaled the end of coal-fueled generation in Alberta. While many coal units are expected to convert to natural gas, the economics of fully converting may not be realized for some units. As a result, in the near-term, units such as Sundance 4 and Keephills 1 are expected to cease using coal and only operate using gas at significantly reduced capacities by 2022, which is expected to reduce overall capacity by 600 MW.

The last of the Power Purchase Agreements (PPAs) expired at the end of 2020. Offer control for both Heartland Generation (Sheerness 1 and 2) and Capital Power (Genesee 1 and 2) are back in the hands of their respective owners, who are now in control of pricing for these units.

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

ENMAX is continuing to evaluate the impact of these developments on its business and customers.

FINANCIAL PERFORMANCE

Management believes that a measure of operating performance is more meaningful if the impacts of specific items are excluded from the adjusted financial information. As a result, the table below presents ENMAX's adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA), adjusted earnings before interest and taxes (Adjusted EBIT), and comparable net earnings (CNE). These financial metrics exclude unrealized gains (losses) on commodities where settlement on derivatives will occur in a future period, foreign exchange gains (losses), Versant Power acquisition-related costs (see Significant Events section), net impairments, and historical line loss charges. Refer to the Non-IFRS Financial Measures section on page 16 for definitions and further descriptions of the financial measures.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Year ended December 31, *(millions of Canadian dollars)*	**2020**	**2019**
Total revenue	**2,626.2**	2,524.9
Adjusted EBITDA [1][2]		
Power Delivery	**252.6**	238.1
Versant Power	**101.4**	-
Competitive Energy	**216.4**	213.9
Corporate and Eliminations	**(1.4)**	(0.3)
Consolidated	**569.0**	451.7
Adjusted EBIT [1][2]		
Power Delivery	**122.9**	118.0
Versant Power	**61.8**	-
Competitive Energy	**83.6**	86.6
Corporate and Eliminations	**2.5**	3.7
Consolidated	**270.8**	208.3
Comparable net earnings [1][2][3]	**172.8**	160.6
Net earnings	**288.1**	156.2
Free cash flow (FCF) [1]	**(89.1)**	126.4
Capital expenditures [4]	**438.6**	443.9

[1] Non-IFRS financial measure. See discussion that follows in Non-IFRS Financial Measures section.

[2] Does not include:

- Realized and unrealized foreign exchange gains of $128.8 million (2019 - $21.8 million loss) for the year ended December 31, 2020.
- Unrealized electricity and gas mark-to-market for the year ended December 31, 2020 of $47.3 million gains (2019 - $106.7 million gains).
- Impairment reversal of $3.7 million (2019 - $nil) associated with assets held for sale, partially offset by impairment loss of $3.3 million for the year ended December 31, 2020
- Historical line loss provisions of $33.0 million (2019 - $nil) for the year ended December 31, 2020, including $7.4 million related to financing charges that are included in calculating comparable net earnings.
- Versant Power acquisition costs of $36.0 million (2019 - $35.1 million) for the year ended 2020, including $8.5 million related to finance charges that are included in calculating comparable net earnings.

[3] Does not include tax adjustments of $nil (2019 - $26.6 million).

[4] Capital expenditures excludes $1,392.6 million investment in the acquisition of Versant Power. See Significant Events section.

ENMAX's Adjusted EBIT increased by $62.5 million for the year ended December 31, 2020 as compared with the prior year. The primary drivers for the change in Adjusted EBIT are as follows:

- Power Delivery - The regulated business continues to grow through investment and an increase in customer sites. This is largely a result of continued growth in the Calgary service area and the need to replace The City's aging infrastructure. The increase in regulatory margins over 2019 resulted from the Alberta Utilities Commission's (AUC) approved 2020 revenue rates for both Distribution and Transmission systems, coupled with favourable decisions for a number of outstanding applications.
- Versant Power – Since the March 24, 2020 acquisition, Versant Power has contributed $61.8 million in EBIT.
- Competitive Energy – For the year ended December 31, 2020, Competitive Energy had lower Adjusted EBIT compared to the prior year primarily due to significantly lower spark spreads and higher allowance for uncollectable receivables due to the impact of COVID-19, partially offset by higher plant availability and changes in the price cap program.
- ENMAX Corporate and Eliminations – For the year ended December 31, 2020, Corporate and Eliminations incurred higher staffing and managed service costs.

ENMAX's net earnings for the year ended December 31, 2020 were $288.1 million as compared to $156.2 million in the prior year. A one-time tax adjustment was recorded in 2019, as a result of an Alberta Court of Appeal decision lowering 2019 net earnings.

Adjusting for events not related to normal operations as well as the unrealized gains on commodities and foreign exchange (gains) losses, ENMAX's comparable net earnings for the year December 31, 2020 increased by $12.2 million from the prior year. This favourable variance is driven by the additional operating results of Versant Power.

As at December 31, 2020, ENMAX's balance sheet remains healthy as the Corporation carefully manages debt to cash flow ratios as well as capital investment. The balance sheet is improved and is expected to continue to improve as Versant Power acquisition related debt is repaid (see Liquidity section). ENMAX's prudent balance sheet management has enabled the Corporation to continue to achieve growth and profitability in an uncertain economic environment.

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

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

SIGNIFICANT EVENTS

DISTRICT ENERGY CENTRE

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

CHIEF EXECUTIVE OFFICER ANNOUNCEMENT

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

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

VERSANT POWER ACQUISITION

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

As a result of the acquisition of BHE Holdings, Inc. the Corporation acquired all the outstanding common shares of Versant Power. The aggregate purchase price was approximately $1,392.6 million ($961.6 million USD) on closing, including the assumption of approximately $566.5 million ($391.2 million USD) of existing debt. The Corporation funded this transaction through a combination of cash, a two-year bank loan and issuance of private debentures.

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

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

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

GENESEE 4/5 GENERATION PROJECT DEPARTURE

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

COVID-19 PANDEMIC

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

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

ENMAX POWER DELIVERY BUSINESS AND UPDATE

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

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

Power Delivery submits applications to the AUC for approval to construct or replace certain facilities, and to set rates for providing electricity delivery services to its customers, among other things.

- On March 19, 2020, the AUC suspended the Generic Cost of Capital proceeding due to the volatility in financial markets created by the COVID-19 pandemic. In an effort to reduce uncertainty and maintain utility creditworthiness, the AUC determined that it would allow utilities the option of retaining their current equity ratio and return on equity (ROE) into 2021. On June 30, 2020, Power Delivery advised the AUC that it wished to maintain, on a final basis, its current cost of capital parameters into 2021 until a final decision in this proceeding can be issued. The AUC issued a decision on October 13, 2020, extending the currently approved 2020 rates of 8.5 per cent ROE and 37.0 per cent equity through 2021.
- On June 5, 2020, the AUC issued a Decision on Power Delivery's 2018-2020 Transmission General Tariff Application. The AUC approved a forecast 2018-2020 revenue requirement of $272.0 million. This positive decision represents an average annual increase of 11.0 per cent over the 2017 approved revenue requirement and reflects changes in ENMAX Power Corporation's (EPC) rate base and cost of service, which enables EPC to maintain and operate a safe, reliable transmission system.
- On August 28, 2020, the AUC issued a Decision on EPC's 2019 Distribution Phase II Application. The AUC approved EPC's cost allocation study, its proposal to set revenue to cost ratios for all rate classes, and plain language terms and conditions. This does not result in any further revenue, however it helps to appropriately administer costs across rate classes, improves customer experience, and ensures Power Delivery's business needs are met.
- On October 28, 2020, the AUC approved EPC's 2021 Interim Transmission Tariff Application. The Application was for $105.2 million (or 60.0 per cent of the increase from the existing tariff and the proposed 2021-2022 Transmission General Tariff Application). This is expected to result in an $8.6 million positive impact to cash flow in 2021 compared to 2020.

- On November 3, 2020, the AUC issued a Decision on the Anomaly Adjustment Application. This proceeding gave utilities an opportunity to re-apply for anomaly adjustments based upon new criteria issued by the AUC. The AUC approved EPC's application for an anomaly adjustment related to its Wires Retail Access Program (WRAP) IT project. This resulted in an additional $4.8 million in revenue for the Performance Based Regulation (PBR) (2018-2020) term which was recognized in 2020 and an additional $8.2 million of revenue for 2021 and 2022.
- On December 18, 2020, the AUC issued a decision approving 2021 PBR distribution rates on an interim basis, and distribution tariff terms and conditions for the period of January 1, 2020 to December 31, 2020. This decision is expected to increase operating margin by 7.9 per cent. This increase is driven by an AUC approved inflationary calculation, coupled with the favourable Anomaly Adjustment Decision received in November, which helped increase the amount of capital related revenue that ENMAX is approved to collect.

Power Delivery continues to pursue reductions in regulatory lag, focus on prudent capital expenditures and pursue operational and capital cost efficiencies.

KEY BUSINESS STATISTICS

	2020	**2019**
Distribution volumes in Gigawatt Hours (GWh)	**9,050**	9,332
System average interruption duration index (SAIDI) [(1)]	**0.47**	0.42
System average interruption frequency index (SAIFI) [(2)]	**0.54**	0.72

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

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

Total electricity delivered in GWh to the Calgary service area in 2020 was lower than the prior year largely due to the economic impacts of the COVID-19 pandemic. The restrictions implemented in response to COVID-19 have resulted in a decrease in electricity consumption for EPC's medium and large commercial customers. This decrease was partly offset by an increase in residential electricity consumption as significantly more people worked from home in 2020. Power Delivery continues to monitor the impacts of the COVID-19 pandemic on electricity delivered.

ENMAX has remained one of the most reliable transmission and distribution utilities in Canada when compared to the performance of other Canadian Electricity Association member utilities. SAIFI results in 2020 were better than 2019 due to a decrease in animal and unknown related cause codes. SAIDI results were worse than 2019 due to an increase in cable failures and public interference related cause incidents.

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

VERSANT POWER BUSINESS AND UPDATE

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

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

Versant Power earns revenue by charging customers for electricity delivered across its transmission and distribution facilities. These retail revenues are divided into separate transmission, distribution and stranded cost rates. Currently, approximately 47 per cent of the Versant Power's electric revenue is from distribution operations, 50 per cent is associated with local transmission operations, and 3 per cent relates to stranded cost recoveries and conversion charges. The rates for each element are established in distinct regulatory proceedings.

KEY BUSINESS STATISTICS

Year ended December 31,	**2020**	**2019**
Distribution volumes in Gigawatt Hours (GWh)	**1,938**	1,963
System average interruption duration index (SAIDI) [(1)(4)]	**5.03**	5.08
System average interruption frequency index (SAIFI) [(2)(4)]	**2.27**	1.96
Customer average interruption duration index (CAIDI) [(3)(4)]	**2.21**	5.58

(1) SAIDI equals the total duration of a sustained interruption per average customer during a predefined period of time. A sustained interruption has a duration greater than or equal to five minutes. The lower the SAIDI, the better the reliability.
(2) SAIFI equals how often the average customer experiences a sustained interruption over a predefined period of time. A sustained interruption has a duration greater than or equal to five minutes. The lower the SAIFI, the better the reliability.
(3) CAIDI equals the average hours of service interruption for customers who experience a service interruption. The lower the CAIDI, the better the reliability.
(4) The Institute of Electrical Electronics Engineers (IEEE) defines a 'sustained' outage as one that is five minutes or longer. This is a known distinction with Canadian utilities.

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

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

Versant Power experienced little change in SAIDI compared to 2019. In 2020, SAIFI was worse due to increased outages caused by weather, vegetation contact, customer accidents, and animal/bird contacts, while CAIDI improved year-over-year due to lower weather-related CAIDI.

In response to the COVID-19 pandemic, the MPUC directed all electric utilities not to engage in disconnection activity until further notice was received. This direction applied equally to residential and business customers. On November 1, 2020 the MPUC reinstated limited collection activity for all customers as well as disconnections for business customers only. However, due to the length and severity of these developments it is not possible to reliably estimate the impact the moratorium will have on the financial results and condition of Versant Power in future periods.

ENMAX COMPETITIVE ENERGY BUSINESS AND UPDATE

ENMAX Competitive Energy is an integrated business providing customers with electricity, natural gas, distributed energy resource solutions, as well as engineering, procurement and construction services. Competitive Energy's advantage is its ability to hedge low-cost generation assets through its retail business – the largest in Alberta by number of customers and energy consumed. The competitive retail business provides customers with fixed-price electricity linked to wind and gas-fueled generation assets, and provides opportunities to offer additional energy services, such as solar installations. As at December 31, 2020, Competitive Energy's capacity ownership interest was 1,509 MW of electricity generation: 1,289 MW from natural gas-fueled plants, 217 MW from wind power and 3 MW from combined heat and power (CHP) generation.

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

KEY BUSINESS STATISTICS

	2020	2019
Plant availability (%) [(1)]	**98.7**	93.9
Average flat pool price ($/MWh)	**46.53**	55.28
Spark spread ($) [(2)]	**30.69**	42.67

[(1)] Plant availability includes planned maintenance and forced outages.
[(2)] Based on market prices.

Plant availability was higher than the prior period due to a continued focus on safe and reliable operations. In addition, ENMAX benefited from a lighter outage schedule in 2020 having completed two major maintenance outages in the prior year.

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

Spark spread, which is the difference between the wholesale electricity price and the cost of natural gas to produce the electricity, represents the gross margin contribution of a gas-fuelled power plant from generating an unhedged unit of electricity. The decline from 2019 levels was driven by a lower average pool price (as described above) and an increase in the price of natural gas.

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

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

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

Open positions within the portfolio were impacted by volatility in the current market environment as electricity prices have significantly decreased combined with an increase in natural gas prices leading to lower expected spark spreads.

In response to the COVID-19 pandemic, the Government of Alberta passed Bill 14, providing a 90-day payment deferral for residential, farm and small business customers (see Significant Events section). Higher levels of bankruptcies were observed in 2020 and increased bad debt expense was recorded for the year ended December 31, 2020. Competitive Energy continues to actively manage credit and payments for large customers, while leveraging applicable and available credit facilities.

ENMAX FINANCIAL RESULTS

ADJUSTED EARNINGS BEFORE INTEREST AND INCOME TAXES (ADJUSTED EBIT) COMPARED WITH 2019

Year ended December 31, *(millions of Canadian dollars)*	**Power Delivery**	**Versant Power**	**Competitive Energy**	**Corporate**	**Consolidated**
Adjusted EBIT [1] for the year ended December 31, 2019	118.0	-	86.6	3.7	208.3
Increased (decreased) margins attributable to:					
Transmission and distribution	16.6	166.1	-	-	182.7
Electricity	-	-	13.0	(0.8)	12.2
Natural gas	-	-	1.1	-	1.1
Contractual services and other	0.7	7.1	(0.1)	0.7	8.4
Increased (decreased) expenses:					
Operations, maintenance & administration (OM&A) [2]	(2.8)	(71.8)	(11.5)	(1.0)	(87.1)
Depreciation and amortization	(9.6)	(39.6)	(5.5)	(0.1)	(54.8)
Adjusted EBIT [1] for the year ended December 31, 2020	**122.9**	**61.8**	**83.6**	**2.5**	**270.8**

[1] Adjusted EBIT is a non-IFRS measure. See Non-IFRS Financial Measures section.
[2] Normalized to exclude impact of intercompany transactions with no consolidated impact.

For the year ended December 31, 2020 Transmission and Distribution margins increased by $182.7 million or 55 per cent compared to 2019. The favourable variance was largely due to $166.1 million in additional margins from Versant Power, as well as an increase in transmission revenue driven by the AUC approved 2020 interim Transmission Compliance filing.

Electricity margins, excluding historical line loss provisions, for the year ended December 31, 2020 increased $12.2 million or 4 per cent compared to 2019, primarily due to higher plant availability combined with changes in the price cap program, partially offset by significantly lower spark spreads compared to 2019.

Natural gas margins for the year ended December 31, 2020 increased by $1.1 million or 2 per cent compared to 2019. The increase was primarily due to higher retail consumption volumes as a result of additional customers.

Contractual services and other margins for the year ended December 31, 2020 increased $8.4 million or 10 per cent with the prior year. The favourable variance was due increased activity with the acquisition of Versant Power, driven by the equity portion of Versant Power's cost of capital.

OM&A is characterized as other expenses recognized on the consolidated statement of earnings that excludes net impairments, foreign exchange gains (losses), Versant Power acquisition costs, and costs that are included in contractual service margins. For the year ended December 31, 2020, OM&A increased by $87.1 million or 24 per cent from the prior year. Operational costs were higher due to an additional $71.8 million in OM&A from Versant Power since the acquisition on March 24, 2020. Additionally, increased staffing costs and higher allowance for uncollectable receivables as a result of economic conditions in Alberta were recorded.

During 2020 the Corporation recorded $36.0 million in Versant Power acquisition related costs, of which $8.5 million were finance related charges. Acquisition costs are not included in adjusted EBIT.

Depreciation and amortization expense increased $54.8 million or 23 per cent compared to 2019. This increase was consistent with capital asset additions in the year, which includes the Versant Power assets acquired.

OTHER NET EARNINGS ITEMS

Finance charges for the year ended December 31, 2020 were $53.6 million or 67 per cent higher compared to the prior year. This is primarily driven by interest recorded on senior debt assumed and $8.5 million in net financing costs related to the Versant Power acquisition.

The calculation of the Corporation's current and deferred income taxes involves a degree of estimation and judgment. The carrying value of deferred income tax assets is reviewed at the end of each reporting period. The computation of the tax provision includes management's best estimate regarding the expectation of future operating results, interpretation of applicable tax regulations positions, allowances where uncertainty surrounding the realization of the tax benefit exists, and the settlement of various tax disputes.

The Corporation recorded a current and deferred income tax recovery of $28.1 million (2019 - $33.8 million expense) for the year ended December 31, 2020. The change in the income tax expense is primarily due to current year operating losses as well as acquisition related charges recognized in 2020.

OTHER COMPREHENSIVE INCOME AND SHAREHOLDER'S EQUITY

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

For the year ended December 31, 2020 OCI included total losses of $157.3 million compared with losses of $27.8 million in 2019. The OCI losses in 2020 primarily reflect the cumulative foreign currency translation impact on consolidation of foreign operations, and the unfavourable fair value changes in electricity and commodity positions, partially offset by the reclassification of gains on derivative instruments to net earnings, and remeasurement gains on post-employment benefits.

Accumulated other comprehensive loss is reflected in shareholder's equity along with retained earnings and share capital. Retained earnings for the period increased $234.1 million, largely from earnings during the year, partially offset by $54.0 million in dividends on common shares.

NON-IFRS FINANCIAL MEASURES

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

ADJUSTED EBITDA

Year ended December 31, *(millions of Canadian dollars)*	**2020**	**2019**
Net earnings (IFRS financial measure)	**288.1**	156.2
Add (deduct):		
Unrealized (gains) on commodities	**(47.3)**	(106.7)
Foreign exchange (gains) losses	**(128.8)**	21.8
Versant Power related acquisition costs (including finance charges) [1]	**36.0**	35.1
Impairment (reversal) charges	**(0.4)**	1.1
Historical line loss provisions (including finance charges) [2]	**33.0**	-
Net income tax (recovery) expense on unrealized (gains) on commodities, and foreign exchange (gains) losses, Versant Power acquisition related costs, impairment and historical line loss provisions	**(7.8)**	26.5
Tax adjustments	**-**	26.6
Comparable net earnings (non-IFRS financial measure)	**172.8**	160.6
Add (deduct):		
Depreciation and amortization (excludes regulatory deferral costs)	**298.2**	243.4
Finance charges (excludes Versant Power related acquisition costs)	**118.3**	67.0
Remaining income tax (recovery)	**(20.3)**	(19.3)
Adjusted EBITDA (non-IFRS financial measure)	**569.0**	451.7

[1] Comprised of $27.5 million in OM&A costs (of which $14.5 million are stipulated costs) and $8.5 million in net financing charges (of which $1.1 million are stipulated costs) for the year ended December 31, 2020.
[2] Comprised of $25.6 million in electricity costs and $7.4 million in net financing charges for the year ended December 31, 2020.

Management considers Adjusted EBITDA a useful measure of business performance, as it provides an indication of the cash flow results generated by primary business activities without consideration as to how those activities are financed and amortized, or how the results are taxed.

Adjusted EBITDA excludes the impact of unrealized (gains) on commodities, foreign exchange (gains) losses, Versant Power acquisition related costs, net impairments, and historical line loss provisions from the adjusted operating profit. Management believes that a measure of operating performance is more meaningful if these results, not related to normal operations, are excluded. Unrealized (gains) losses on commodities reflect the impact of changes in forward natural gas and power prices and the volume of the positions for these derivatives over a certain period of time. These unrealized (gains) 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 marked to market under IFRS.

ADJUSTED EBIT

Year ended December 31, *(millions of Canadian dollars)*	**2020**	**2019**
Net earnings (IFRS financial measure)	**288.1**	156.2
Add (deduct):		
Unrealized (gains) on commodities	**(47.3)**	(106.7)
Foreign exchange (gains) losses	**(128.8)**	21.8
Finance charges (excludes Emera Maine related acquisition costs)	**118.3**	67.0
Versant Power related acquisition costs (including finance charges) [1]	**36.0**	35.1
Impairment (reversal) charges	**(0.4)**	1.1
Historical line loss provisions (including financing charges) [2]	**33.0**	-
Income tax (recovery) expense	**(28.1)**	33.8
Adjusted EBIT (non-IFRS financial measure)	**270.8**	208.3

[1] Comprised of $27.5 million in OM&A costs (of which $14.5 million are stipulated costs) and $8.5 million in net financing charges (of which $1.1 million are stipulated costs) for the year ended December 31, 2020.
[2] Comprised of $25.6 million in electricity costs and $7.4 million in net financing charges for the year ended December 31, 2020.

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

FREE CASH FLOW

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

Year ended December 31, *(millions of Canadian dollars)*	**2020**	**2019**
Net cash provided by operating activities [1]	**535.5**	397.9
Capital expenditures funded from operations [2]	**(273.7)**	(271.5)
Versant Power acquisition funded from operations [3]	**(350.9)**	-
Free cash flow (non-IFRS financial measure)	**(89.1)**	126.4

[1] Refer to Liquidity and Capital Resources section.
[2] Includes cash provided to fund capital expenditures in Power Delivery that would otherwise be considered financing activities and excludes cash investment in the acquisition of Versant Power (See Significant Events section).
[3] Versant Power acquisition funds from operations include $1,392.6 million invested in the acquisition of Versant Power, reduced by incremental borrowings of $1,041.7 million for the acquisition.

Free cash flow for the year ended December 31, 2020 decreased by $215.5 million compared to 2019. The decrease in FCF was primarily driven by net funds used to acquire Versant Power, including regular subsequent repayments of credit facilities. This is partially offset by favourable cash flow provided by additional Versant Power operating activities.

FINANCIAL CONDITION

SIGNIFICANT CHANGES IN THE CORPORATION'S FINANCIAL CONDITION

As at December 31, *(millions of Canadian dollars, except % change)*	**2020**	**2019**	**$ Change**	**% Change**	**Explanation for Change**
ASSETS					
Cash and cash equivalents	**39.7**	1,079.9	(1,040.2)	(96.3)	Acquisition of Versant Power, refer to liquidity section.
Accounts receivable	**735.6**	689.4	46.2	6.7	Increase is mainly attributable to the timing of receipts.
Assets (liabilities) held for sale [(1)]	**27.1**	-	27.1	100.0	Sale of District Energy Centre expected to complete in 2021.
Property, plant and equipment (PP&E)	**5,773.3**	4,495.2	1,278.1	28.4	Acquisition of Versant Power.
Intangible assets	**290.2**	184.7	105.5	57.1	Acquisition of Versant Power.
Goodwill	**610.3**	-	610.3	100.0	Acquisition of Versant Power.
Financial assets (liabilities) [(1)]	**0.2**	(56.4)	56.6	100.4	Change in fair value of hedged and non-hedged derivatives.
Other assets (liabilities) [(1)]	**210.7**	82.5	128.2	155.4	Equity investments of Versant Power.
LIABILITIES AND SHAREHOLDER'S EQUITY					
Short-term financing	**165.9**	174.2	(8.3)	(4.8)	Refer to Liquidity section.
Accounts payable	**565.3**	516.9	48.4	9.4	Increase mainly attributable to recognition of historical line loss provisions.
Long-term debt [(1)]	**3,441.7**	2,622.0	819.7	31.3	Additional $566.5 million debt assumed on Versant Power acquisition, $250.0 million term facility and $164.9 million City Debenture acquired during Q2, partially offset by scheduled repayments of debt.
Lease liabilities [(1)]	**52.1**	60.9	(8.8)	(14.4)	Reclassification of leased assets held for sale.
Asset retirement obligation and other provisions	**148.5**	122.2	26.3	21.5	Fair value adjustment to asset retirement obligation and additional provision of Versant Power.

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

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

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

ENMAX's credit facility agreements and trust indenture include standard events of default and covenant provisions, whereby accelerated repayment and/or termination of the agreements may result if the Corporation were to default on payment or violate certain covenants. As at December 31, 2020, the Corporation was in compliance with all debt covenants and expects to remain in compliance.

ENMAX's total debt balance at December 31, 2020 was $3,607.6 million (December 31, 2019 - $2,796.2 million).

As at December 31, 2020, ENMAX has access to $740.0 million (December 31, 2019 - $490.0 million) in revolving credit facilities, of which $520.4 million (December 31, 2019 – $192.0 million) was available. The Corporation's credit facilities mature between 2022 and 2023 and are provided by national and regional lenders.

As at December 31, 2020, ENMAX has access to $360.0 million (December 31, 2019 - $360.0 million) in Letters of Credit facilities, of which $134.5 million (December 31, 2019 – $125.3 million) was available. The Corporation's credit facilities mature between 2022 and 2023 and are provided by national and regional lenders.

In March 2020, the Corporation entered into a $250.0 million, two-year syndicated credit facility in connection with the Versant Power acquisition. Consistent with ENMAX's commitment to repay acquisition related debt, $25.0 million of this facility was repaid on July 31, 2020, $20.0 million was repaid on September 15, 2020, and an additional $10.0 million was repaid on November 16, 2020.

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

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

On September 14, 2020, S&P issued a credit rating for Versant Power of BBB+. Cash and cash equivalents decreased to $39.7 million as at December 31, 2020 compared to $1,079.9 million at the same time last year due to the Versant Power acquisition. Short-term financing of $165.9 million at year end reflects a temporary use of credit facilities to address timing of expenditures.

CASH PROVIDED BY OPERATING ACTIVITIES

Cash provided by operating activities for the year ended December 31, 2020 is $535.5 million, compared to $397.9 million to 2019, due to additional operating cash flow provided by Versant Power operations.

INVESTING ACTIVITIES

The following table outlines investment in capital additions and other changes for the year ended December 31, 2020.

Year ended December 31,		
(millions of Canadian dollars)	**2020**	**2019**
Property, plant and equipment	367.8	388.2
Intangibles	43.1	28.3
Capital accruals	16.6	19.2
Capitalized interest	11.1	8.2
Acquisition of Versant Power	1,392.6	-
Total	**1,831.2**	443.9

During the year ended December 31, 2020 ENMAX continued to execute its strategic direction by acquiring Versant Power to grow regulated cash flows and create diverse revenue streams in North America.

FINANCING ACTIVITIES

During the year ended December 31, 2020 ENMAX made regularly scheduled debt repayments of $172.4 million, compared with $75.1 million in the same period in 2019.

On March 19, 2020 ENMAX declared a dividend of $54.0 million payable to The City in quarterly instalments throughout 2020. All quarterly instalments of this dividend were paid by the end of 2020. On March 24, 2021 a total dividend of $58.0 million was declared payable to The City in four quarterly instalments payable throughout 2021.

ENMAX has historically paid The City annual dividends of the greater of 30 per cent of the prior year's comparable net earnings, or $30.0 million. Dividends for a fiscal year are established in the first quarter of the same fiscal year. As per normal course, the payment and level of dividends is affected by such factors as financial performance and ENMAX's liquidity requirements.

RISK MANAGEMENT AND UNCERTAINTIES

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

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

ENMAX's overall risk control environment includes:

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

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

COVID-19 PANDEMIC RISK

In response to the COVID-19 pandemic, among other measures, the Government of Alberta introduced legislation to provide residential, farm and small business customers the option of deferring payment of utility bills for a three-month period. This period ended on June 18, 2020 (see Significant Events section). During this time, utilities could not disconnect customers for non-payment. Under Bill 14, the Government of Alberta and the Balancing Pool made funds available to ENMAX and other utility providers to reduce the cashflow impact of deferred customer payments. In Maine, among other measures, similar customer relief has been implemented with disconnection for non-payment being suspended until further notice.

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

MARKET RISK

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

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

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

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

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

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

For additional details on ENMAX's market risk exposures and sensitivities, refer to Note 9 in the Notes to the Consolidated Financial Statements.

OPERATIONAL RISK

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

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

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

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

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

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

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

ENVIRONMENTAL RISK

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

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

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

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

CLIMATE RISK

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

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

REGULATORY RISK

ENMAX operates in competitive and regulated sectors of the electricity and natural gas industries. It is subject to regulation by federal, provincial or state, and municipal regulatory and market authorities. Oversight of ENMAX's operations is provided by the Alberta Department of Energy, the AUC, the Market Surveillance Administration (MSA), Alberta Electric System Operator (AESO), the National Energy Board, the North American Electric Reliability Corporation, and the U.S. FERC and other agencies.

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

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

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

Versant Power operates as a cost-of-service utility, and oversight of operations is provided by the MPUC or FERC, and other agencies. Versant Power is subject to regulations established to ensure it meets the obligation to serve customers.

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

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

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

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

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

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

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

HUMAN RESOURCES RISK

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

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

TECHNOLOGICAL RISK

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

ENMAX has implemented a 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 oversight to apply appropriate control and management of technology risks. This ensures technology management decisions align with corporate strategic objectives and are compliant with legal and regulatory requirements.

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

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

LIQUIDITY RISK

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

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

ENMAX offers a defined benefit (DB) pension plan for qualifying employees. Contributions to the pension plan are based on periodic actuarial valuations, the most recent being completed for December 31, 2019. For accounting purposes, as at December 31, 2020 the pension plan had an accrued benefit liability of $78.2 million ($75.3 million at December 31, 2019). The actual amount of contributions required in the future will depend on future investment returns, changes in benefits and actuarial assumptions. Failure to effectively manage financial resources and related exposures could affect the business, results of operations, financial condition or prospects of the Corporation. To manage this risk, ENMAX engages expert investment managers and has investment policies and procedures in place to set out the investment framework of the funds, including permitted investments and various investment constraints. These policies and procedures are approved annually by the Safety and Human Resources Committee (SHRC) of the Board, which also monitors the performance of the pension plan. ENMAX's contribution to its pension plan satisfy, and are expected to continue to satisfy, minimum funding requirements.

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

For additional details on ENMAX's liquidity risk exposures, refer to Note 9 in the Notes to the Consolidated Financial Statements. For additional details on its pension plan, refer to Note 18 in the Notes to the Consolidated Financial Statements.

CREDIT RISK

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

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

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

DEVELOPMENT RISK

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

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

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

LEGAL RISK

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

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

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

CORPORATE STRUCTURE RISK

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

REPORTING/DISCLOSURE RISK

The application of critical accounting policies reflects complex judgments and estimates. These policies include industry-specific accounting applicable to regulated public utilities, to pensions and to derivative instruments. The 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.

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

INCOME TAX RISK

Prior to January 1, 2001, the 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* (ITA). 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 Regulation under the *Electric Utilities Act* ("PILOT") in conjunction with the deregulation of the Alberta energy market. The purpose of this regulation was to level the playing field between municipally owned tax-exempt entities and non-tax-exempt organizations participating in the competitive part of the electricity market, by requiring tax-exempt organizations to make a payment in lieu of federal and provincial income taxes. This payment was computed as the amount an entity would have paid if they did not maintain a tax-exempt status. This regulation required municipally owned retailers and municipally owned PPA holders to remit PILOT payments to the Balancing Pool, based on the retail and commodity components of their electricity operations.

The *Electric Utilities Act*, however, precludes municipally owned corporations competing in the electricity generation business from realizing a tax subsidy or financing advantage as a result of their association with the municipality. Accordingly, ENMAX holds generation assets in entities that do not qualify for the income tax exemptions noted above and are subject to federal and provincial income tax regimes.

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

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

The 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 consequence of audit examinations and other contingent tax liabilities. Considering the above, the tax risk of the Corporation is considered moderate to low in the one-year time frame.

STRATEGIC RISK

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ENMAX has publicly disclosed its environmental, social and governance (ESG) performance in alignment with the Global Reporting Initiative's (GRI) Standards for Sustainability Reporting and its accompanying Electric Utility Sector Supplement for 14 years and continuously strives to enhance the robustness of disclosure on ESG performance. The most recent GRI report can be found on the corporate website. In 2020 ENMAX undertook an enterprise-wide refreshment to its materiality assessment with senior leadership to confirm the focus near and long term of ENMAX's ESG framework reflecting opportunities and challenges that matter to both business operations and stakeholders. The following section exemplifies ENMAX's ongoing commitment to ESG performance monitoring and enhancement.

Since 2019, ENMAX has been recognized for its sustainable business practices through achievement of the Sustainable Electricity Company™ designation from the Canadian Electricity Association. This designation recognizes the importance member companies place on sustainability and ENMAX adheres to the Association's Sustainable Development Corporate Responsibility Policy.

ENMAX is committed to accelerating sustainable-energy sector technology solutions that will meet customer electricity needs today and in the future. ENMAX readily embarks on innovative research and demonstration pilot projects, such as a pilot project to research how innovative modifications to Calgary's highly specialized downtown electricity grid can enable two-way power flow and the opportunity for customers in urban centres to generate solar electricity and sell that power back to the grid; and a small-scale electric vehicle (EV) charging pilot to help to understand how Calgarians use EVs and the potential impact on the electricity system.

ENVIRONMENTAL

ENMAX believes in providing environmentally responsible energy solutions to the communities it serves and strives to continually improve its environmental performance. Examples include ENMAX's distributed solar products for residential, commercial and municipal customers. Based on ENMAX's asset portfolio, it is positioned to offer consumers choices and progressive technologies that will help increase revenues from renewable resources as the feasibility of this pathway continues to develop.

With the termination of all Power Purchase Agreements associated with coal-fired generation in 2017 ENMAX has reduced the intensity of its generation capacity by 60 per cent, and today, holds no coal-fired generation facilities in its portfolio. ENMAX further advanced its commitment to reduce emissions through an upgrade at the Shepard Energy Centre, adding 15MW to its total generation capacity without an increase in GHG. As well, in 2020 ENMAX proceeded with the installation of Canada's first hybrid electric gas turbine at Crossfield Energy Centre. Optimizing water use at the generation facilities is also part of ENMAX's environmental commitment. By design, Shepard Energy Centre uses reclaimed water exclusively, the first use of reclaimed water for power production in Alberta. This design feature prevents from having to draw nearly 6 million cubic meters of fresh water from the Bow River every year. ENMAX prioritizes continuous improvement within its operations and implemented engineering innovations that now reduce the plant's annual wastewater volume by approximately 25 per cent.

Environmental liabilities recorded in ENMAX's financial statements include GHG liabilities which relate to electricity generated from certain ENMAX-owned generation facilities. These items have been reflected as liabilities in the Consolidated Financial Statements as at December 31, 2020. ENMAX continues to actively monitor and comply with environmental regulations. ENMAX currently has no outstanding litigation for environmental matters. There are no other material environmental liabilities at this time.

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

SOCIAL

ENMAX continues to deliver a comprehensive community investment strategy targeting essential needs, well-being of the communities and neighbourhoods, as well as active employee engagement and opportunities for volunteering. In 2020, ENMAX partnered with a range of community agencies, investing over $2.8 million. ENMAX undergoes an annual third-party verification of its community investment commitments via the London Benchmarking Group Canada.

As the COVID-19 pandemic evolved, ENMAX remained deeply committed to ensuring continued assistance to communities and customers. Support for the community involved ENMAX proactively approaching long-standing agency partners to provide additional relief funding. ENMAX was also one of the founding donors to the COVID-19 Community Response Fund, a program implemented by The City of Calgary, the Calgary Emergency Management Agency, and the United Way of Calgary and Area in support of community agencies that work with vulnerable populations at increased risk due to the pandemic.

Albertans are not only community members, but many are also ENMAX customers. In response to the pandemic, ENMAX offered a COVID-19 customer relief program, recognizing the need to support and care for customers. The program included payment deferrals, increased flexibility for payment installment plans and suspended collection-related activities and disconnections for non-payment. As well, ENMAX adapted operations through implementing stringent health and safety protocols that protected employees and the public, and ensured that service levels to residential, commercial and industrial customers across Alberta were not impacted.

GOVERNANCE

ENMAX's Board of Directors and Executive Team are committed to strong and effective standards of corporate governance and ethical conduct. Although ENMAX is not required to publicly file an annual information circular, for over 10 years ENMAX has released an annual disclosure document regarding governance and executive compensation practices that is informed by the requirements applicable to public companies. ENMAX's most recent Annual Report on Governance and Compensation is available on the Corporate website.

ENMAX recognizes that having a majority of independent, highly qualified Board of Directors from diverse backgrounds is essential to effective decision-making. In 2020, ENMAX continued its commitment to strong governance through enhancements to its governance framework with its sole Shareholder, The City of Calgary. These changes included increases frequency of meetings with the Shareholder. For the year ended December 31, 2020: (i) all Directors were independent, other than the President and CEO; and (ii) 30 per cent of the Board of Directors were women.

ENMAX has in place a diversity policy which 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. 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 per cent Club Canada, an organization working towards having women represent 30 per cent of board members in Canada by 2022

As ENMAX continues to move forward in the advancement of its long-term strategy, the ongoing commitment to both the monitoring and enhancement of ESG performance remains a core element of the overall business strategy and embedded to the planning processes and practices across the organization.

INTEREST OF EXPERTS

INDEPENDENT AUDITOR

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

ACTUARY

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation and presentation of the accompanying consolidated financial statements of ENMAX Corporation are the responsibility of management and have been approved by the Board of Directors (the Board). In management's opinion, the consolidated financial statements have been prepared within reasonable limits of materiality in accordance with International Financial Reporting Standards (IFRS). The preparation of financial statements necessarily requires judgment and estimation when events affecting the current year depend on determinations to be made in the future. Management has exercised careful judgment where estimates were required, and these consolidated financial statements reflect all information available to March 24, 2021. Financial information presented elsewhere in this report is consistent with that in the consolidated financial statements.

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

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

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

On behalf of management,





Wayne O'Connor
President and Chief Executive Officer

Davin Kivisto
Interim Chief Financial Officer

March 24, 2021

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 statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of earnings, comprehensive income, changes in shareholder's equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2020 and 2019, 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
March 24, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at *(millions of Canadian dollars)*	**December 31, 2020**	**December 31, 2019**
ASSETS		
Cash and cash equivalents (Note 7)	**$ 39.7**	$ 1,079.9
Accounts receivable (Note 9)	**735.6**	689.4
Income taxes receivable (Note 10)	**10.6**	0.4
Current portion of financial assets (Note 9)	**100.0**	95.3
Other current assets (Note 12)	**71.9**	83.3
Assets held for sale (Note 13)	**38.4**	-
	996.2	1,948.3
Property, plant and equipment (Notes 14 and 16)	**5,773.3**	4,495.2
Intangible assets (Note 15)	**290.2**	184.7
Goodwill (Note 6)	**610.3**	-
Deferred income tax assets (Note 10)	**56.4**	35.9
Financial assets (Note 9)	**44.3**	35.7
Other long-term assets (Notes 9 and 12)	**227.0**	44.3
TOTAL ASSETS	**7,997.7**	6,744.1
REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES (Note 11)	**189.4**	31.2
TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES	**$ 8,187.1**	$ 6,775.3
LIABILITIES		
Short-term financing (Note 17)	**$ 165.9**	$ 174.2
Accounts payable and accrued liabilities	**565.3**	516.9
Income taxes payable (Note 10)	**-**	18.0
Current portion of long-term debt (Notes 9 and 17)	**73.6**	73.3
Current portion of financial liabilities (Note 9)	**97.7**	114.4
Current portion of deferred revenue (Note 19)	**6.5**	10.5
Current portion of lease liabilities (Note 16)	**5.4**	5.4
Other current liabilities (Note 12)	**71.5**	32.0
Liabilities held for sale (Note 13)	**11.3**	-
Current portion of asset retirement obligations and other provisions (Note 20)	**6.0**	0.9
	1,003.2	945.6
Long-term debt (Notes 17)	**3,368.1**	2,548.7
Deferred income tax liabilities (Note 10)	**267.7**	31.6
Post-employment benefits (Note 18)	**165.9**	90.2
Financial liabilities (Note 9)	**46.4**	73.0
Deferred revenue (Note 19)	**562.0**	555.1
Lease liabilities (Notes 16)	**46.7**	55.5
Other long-term liabilities (Note 12)	**16.7**	13.1
Asset retirement obligations and other provisions (Note 20)	**142.5**	121.3
TOTAL LIABILITIES	**5,619.2**	4,434.1
REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES (Note 11)	**151.4**	1.5
SHAREHOLDER'S EQUITY		
Share capital (Note 21)	**280.1**	280.1
Retained earnings	**2,326.2**	2,092.1
Accumulated other comprehensive loss (Note 22)	**(189.8)**	(32.5)
	2,416.5	2,339.7
TOTAL LIABILITIES, REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES AND SHAREHOLDER'S EQUITY	**$ 8,187.1**	$ 6,775.3

Commitments and contingencies (Note 31)
See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31, *(millions of Canadian dollars)*	**2020**	**2019**
REVENUE (Note 8)		
Transmission and distribution	**$ 940.3**	$ 744.0
Electricity	**1,105.4**	1,254.8
Natural gas	**282.9**	199.6
Local access fees	**132.2**	142.4
Contractual services	**128.3**	146.2
Contributions in aid of construction (CIAC) revenue (Note 19)	**20.4**	19.1
Other revenue (Note 23)	**16.7**	18.8
TOTAL REVENUE	**2,626.2**	2,524.9
OPERATING EXPENSES (Note 8)		
Transmission and distribution	**428.5**	367.6
Electricity and fuel purchases	**731.8**	808.4
Natural gas and delivery	**223.3**	141.1
Local access fees	**132.2**	142.4
Depreciation and amortization	**297.6**	241.8
Impairment (reversal) (Notes 8, 13, and 14)	**(0.4)**	1.1
Other expenses (Note 23)	**429.5**	504.6
TOTAL OPERATING EXPENSES	**2,242.5**	2,207.0
OPERATING PROFIT	**383.7**	317.9
Finance charges (Note 27)	**134.2**	80.6
NET EARNINGS BEFORE TAX	**249.5**	237.3
Current income tax (recovery) expense (Note 10)	**(8.9)**	30.2
Deferred income tax (recovery) expense (Note 10)	**(19.2)**	3.6
NET EARNINGS - BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES	**277.6**	203.5
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES (Notes 8 and 11)	**10.5**	(47.3)
NET EARNINGS	**$ 288.1**	$ 156.2

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31, *(millions of Canadian dollars)*		**2020**		**2019**
NET EARNINGS	**$**	**288.1**	$	156.2
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX				
Items that will not be reclassified subsequently to statement of earnings				
Remeasurement gains (losses) on retirement benefits (Note 18) [(1)]		**2.6**		(36.8)
Cumulative (losses) on translation adjustment		**(153.1)**		-
Items that will be reclassified subsequently to statement of earnings				
Unrealized (losses) gains on derivative instruments [(2)]		**(12.0)**		24.1
Reclassification of gains (losses) on derivative instruments to net earnings [(3)]		**5.2**		(15.1)
Other comprehensive loss net of income tax		**(157.3)**		(27.8)
TOTAL COMPREHENSIVE INCOME	**$**	**130.8**	$	128.4

(1) Net deferred income tax of $nil for the year ended December 31, 2020 (2019 - $0.3 million tax recovery).
(2) Net deferred income tax recovery of $5.4 million for the year ended December 31, 2020 (2019 - $9.3 million tax expense).
(3) Net deferred income tax recovery of $0.8 million for the year ended December 31, 2020 (2019 - $6.6 million tax expense).

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(millions of Canadian dollars)	Share Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
As at January 1, 2020	$ 280.1	$ 2,092.1	$ (32.5)	$ 2,339.7
Net earnings	-	288.1	-	288.1
Other comprehensive (loss), net of income tax	-	-	(157.3)	(157.3)
Total comprehensive income (loss)	280.1	2,380.2	(189.8)	2,470.5
Dividends (Note 26)	-	(54.0)	-	(54.0)
As at December 31, 2020	**$ 280.1**	**$ 2,326.2**	**$ (189.8)**	**$ 2,416.5**
As at January 1, 2019	$ 280.1	$ 1,985.9	$ (4.7)	$ 2,261.3
Net earnings	-	156.2	-	156.2
Other comprehensive (loss), net of income tax	-	-	(27.8)	(27.8)
Total comprehensive income (loss)	280.1	2,142.1	(32.5)	2,389.7
Dividends (Note 26)	-	(50.0)	-	(50.0)
As at December 31, 2019	$ 280.1	$ 2,092.1	$ (32.5)	$ 2,339.7

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31, *(millions of Canadian dollars)*		**2020**		**2019**
CASH (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES				
Net earnings	**$**	**288.1**	$	156.2
Reconciliation of net earnings to cash flow from operating:				
CIAC (Note 19)		**32.4**		29.6
CIAC revenue (Note 19)		**(20.4)**		(19.1)
Depreciation and amortization		**297.6**		241.8
Impairment (reversal) (Note 8, 13 and 14)		**(0.4)**		1.1
Finance charges		**134.2**		80.6
Income tax (recovery) expense (Note 10)		**(28.1)**		33.8
Change in unrealized market value of financial contracts		**(68.2)**		(87.1)
Post-employment benefits		**2.6**		0.3
Unrealized foreign exchange loss		**9.3**		-
Changes in non-cash working capital (Note 28)		**35.3**		20.5
Cash flow from operations		**682.4**		457.7
Interest paid [(1)]		**(133.4)**		(77.3)
Income taxes (paid) recovered		**(13.5)**		17.5
Net cash flow provided by operating activities		**535.5**		397.9
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangibles (Notes 14 and 15) [(1)]		**(438.6)**		(443.9)
Acquisition of Versant Power (Note 6)		**(1,392.6)**		-
Cash flow used in investing activities		**(1,831.2)**		(443.9)
FINANCING ACTIVITIES				
Repayment of short-term debt		**(3,013.5)**		(383.1)
Proceeds from short-term debt		**3,005.2**		539.3
Repayment of long-term debt		**(172.4)**		(75.1)
Proceeds from long-term debt		**495.1**		1,010.9
Repayment of lease liabilities		**(4.8)**		(5.1)
Dividend paid (Note 26)		**(54.0)**		(50.0)
Cash flow from financing activities		**255.6**		1,036.9
(Decrease) increase in cash and cash equivalents		**(1,040.1)**		990.9
Effective translation of foreign currency cash		**(0.1)**		-
Cash and cash equivalents, beginning of year		**1,079.9**		89.0
CASH AND CASH EQUIVALENTS, END OF YEAR	**$**	**39.7**	$	1,079.9
Cash and cash equivalents consist of:				
Cash	**$**	**27.9**	$	39.8
Restricted cash (Note 7)		**11.8**		1,040.1
	$	**39.7**	$	1,079.9

[(1)] Total interest paid during the year was $144.5 million (2019 - $85.5 million). Purchase of property, plant and equipment (PP&E) and intangibles includes $11.1 million of capitalized borrowing costs (2019 - $8.2 million).

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE BUSINESS

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

On March 24, 2020, the Corporation closed the acquisition of BHE Holdings, Inc., the parent company of Versant Power (formerly known as Emera Maine). The Corporation through its subsidiary, Versant Power, engages in transmission and distribution operations in the Bangor Hydro District (BHD) as well as the Maine Public District (MPD), in Maine, USA. Versant Power's regulated operations are subject to the regulatory authority of the Maine Public Utilities Commission (MPUC) and the Federal Energy Regulatory Commission (FERC). BHD is a member of the New England Power Pool (NEPOOL) while MPD is a member of the Northern Maine Independent System Administrator (NMISA).

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

2. BASIS OF PREPARATION

These 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 (IFRIC).

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 24, 2021.

BASIS OF MEASUREMENT

These consolidated financial statements have been prepared on the historical cost basis except for the revaluation of financial derivative instruments to fair value and to reflect asset impairment (if any).

FUNCTIONAL AND PRESENTATION CURRENCY

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to select appropriate accounting policies and make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as to disclose contingent assets and liabilities. These estimates and judgments involve matters that are inherently complex and uncertain. Judgments and estimates are continually evaluated and are based on historical experience and expectations of future events. Changes to accounting estimates are recognized prospectively. Management has made significant estimates in determining the fair value of the total assets acquired and liabilities assumed in the Versant Power acquisition.

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

SIGNIFICANT ACCOUNTING JUDGMENTS

Financial Statement Area	Accounting Policy	Judgment Areas
Associates	Note 4 (d)	Tested for recoverability when events and circumstances indicate a possible impairment
Property, plant and equipment	Note 4 (i)	Determination of components and useful lives
Long-lived assets and intangible assets impairment	Note 4 (m & 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

Financial Statement Area	Accounting Policy	Judgment Areas
Regulatory deferral accounts	Note 4 (e)	Estimates related to regulatory proceedings or decisions
Accounts receivable	Note 4 (f)	Assumptions as input to assess the expected loss rates
Fair value measurements and valuation	Note 4 (f)	Estimates of fair value for financial assets and liabilities
Property, plant and equipment	Note 4 (i)	Determination of components and useful lives
Long-lived assets and intangible assets impairment	Note 4 (m & n)	Assessment of impairment indicators and grouping of CGUs
Post-employment benefits	Note 4 (o)	Estimates of key assumptions used to calculate post-retirement benefits
Leases	Note 4 (p)	Assessment of contracts for lease arrangements
Asset retirement obligation	Note 4 (q)	Estimates of amount and timing of asset retirements
Provisions	Note 4 (r)	Determination of probability of outflow of resources
Revenue	Note 4 (s)	Contributions in Aid of Construction are contributions received for work performed under various statutory requirements, therefore is determined not to contain significant financing component; and Principal vs. Agent consideration for each revenue stream
Income taxes	Note 4 (v)	Interpretation of uncertain tax positions and application of tax regulations

4. SIGNIFICANT ACCOUNTING POLICIES

(a) CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and its subsidiaries: including Versant Power which is a separate and distinct standalone legal entity. All intercompany transactions, balances, and unrealized gains and losses from intercompany transactions are eliminated on consolidation, except as disclosed under Note 11 (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 fully consolidated from the date on which control is obtained by the Corporation 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 has the ability to use its power over the investee to affect returns. The assets of Versant Power are not available to the Corporation for use as collateral, and the assets and credit facilities of Versant Power are not available for use in settling the Corporation’s debts or other obligations.

(b) JOINT ARRANGEMENT

A joint arrangement is an arrangement in which two or more parties have joint control and must act together to direct the 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 judgments 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 the 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 a 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 judgment, and is assessed on a case-by-case basis. The cost of acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given and liabilities incurred or assumed. The consideration paid does not include the amounts related to the settlement of pre-existing relationships. The transaction costs incurred in connection with an acquisition are expensed as incurred, with the exception of 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 the fair value of the contingent liability is recorded in net earnings.

Goodwill is determined as the excess of the fair value of consideration paid over ENMAX's interest in the fair value of the identifiable net assets, liabilities and contingent liabilities of the acquired subsidiary, jointly controlled entity, or associate recognized at the date of acquisition. In conformity 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 CGU to which goodwill has been allocated to may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which goodwill relates. When the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized.

If ENMAX's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities assumed exceeds the cost of the consideration, such excess is recognized immediately in the Statements of Earnings. Expenditures on internally generated goodwill is expensed as incurred.

(d) ASSOCIATES

Associates are those entities over which the Company has significant influence, but not control or joint control, over the financial and operating policies. This is generally the case where the Company holds between 20 per cent and 50 per cent of the voting rights. Associates are accounted for under the equity method. Under this method, the Company's interests in associates are initially recognized at cost. The interests are subsequently adjusted to recognize the Company's share of post-acquisition profits or losses, movements in OCI and dividends or distributions received. The Company's interests in associates are tested for recoverability when events or circumstances indicate a possible impairment. An impairment loss is recognized in earnings when the carrying value of the Company'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 if there is objective evidence 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 statements of financial position. Net movements in regulatory deferral accounts is also presented on a separate line in the statements of earnings (Note 11).

(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. However, where the fair value differs on initial recognition from the transaction price and the fair value is not measured using entirely observable inputs, the instrument is recognized 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 9 for disclosures of the fair value of financial instruments. In the case of instruments not measured at fair value through profit or loss (FVTPL), incremental directly attributable transaction costs 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 the 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 of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. For such instruments, an embedded derivative is separated where the economic characteristics and risks of the embedded 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 included in this category are cash and cash equivalents, and current and long-term accounts receivables.
- **Fair value through other comprehensive income (FVOCI):** assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets of the Corporation included in this category are equity investments.
- **FVTPL:** assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through earnings. Financial assets of the Corporation included in this category are derivative instruments.

The financial liabilities of the Corporation are classified either as amortized cost or at FVTPL. Financial liabilities of the Corporation included under amortized cost are accounts payable, current and long-term debt and other current and other long-term liabilities. Financial liabilities of the Corporation included under FVTPL are derivative instruments.

Other financial liabilities include accounts payable and accrued liabilities, long-term debt, other current liabilities and other long-term liabilities. Financial instruments in this category are initially recorded at fair value, net of any transaction costs incurred, and subsequently carried at amortized cost using the effective interest method.

Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their 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.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 9. Movements in the hedging reserve in shareholder's equity are shown in Note 22. The full 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 and swap contracts as hedging instruments to manage the commodity price risk associated with its highly probable commodity sales and purchases. At the 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 accumulated other comprehensive income (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 quoted prices observable 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

The impairment provisions for accounts receivable disclosed in Note 9(b) are based on assumptions on expected loss rates. The Corporation uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

Estimation Uncertainty

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

Hedges

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

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

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

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

For cash flow hedges, effectiveness is measured based on comparing the cumulative change in the fair value of the hedged item with the cumulative change in the fair value of the hedging instrument in absolute terms. 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.

Changes in fair value of de-designated or discontinued hedges are recorded in earnings from the date of de-designation or discontinuation. The unrealized changes in fair value recorded prior to de-designation or discontinuation are reclassified from accumulated other comprehensive income to earnings when the relating 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 translation gains and losses resulting from the settlement of such transactions, and from the translation at balance sheet date exchange rates are recognized in the statements of earnings, except when deferred in equity as qualifying cash flow hedges.

Foreign operations

The 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. The income and expenses of foreign operations are translated into the reporting currency at exchange rates approximating the exchange rates at the transaction date. Foreign currency translation differences are recognized in OCI and are presented as equity.

(h) CASH AND CASH EQUIVALENTS

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

(i) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation and any impairment losses. Costs include 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 the future economic benefits associated with the items will flow to the Corporation and the costs can be measured reliably. Capital spares and inventory are included within plant, property and equipment. 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 of PP&E is recorded on a straight-line basis over the estimated useful life of the asset class at the following rates:

Asset Class	Depreciation Rates		
Transmission, distribution and substation	1.55%	to	10.11%
Generation facilities and equipment	1.44%	to	20.00%
Generation overhauls and inspections	9.09%	to	66.67%
Buildings and site development	1.16%	to	4.55%
Tools, systems and equipment	4.74%	to	25.00%
Vehicles	3.70%	to	8.00%

Construction in progress represents assets that are not yet available for use and therefore not subject to depreciation. Capital spares and inventory are not amortized until they are put into service.

For regulated PP&E, depreciation rates are derived from the estimated service life of the asset group and net salvage percentages. Depreciation rates are established by a depreciation review or study conducted by an independent expert and approved by the Regulatory Commission.

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 Judgment

Depreciation rates are developed based on useful lives derived from past experience and current facts, taking into account future expected usage and potential for technological obsolescence. Where significant parts of an item of PP&E have different useful lives in relation to the total cost of the item, they are accounted for as separate items of PP&E and are 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 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 underlying asset to which the contribution related. In addition to CIAC, the Corporation receives fixed capacity charges and warranty deposits on long-term contracts in the form of cash. Such contributions are recorded as deferred revenue when funds are received and recognized into revenue over the term of the underlying contract.

(k) GOVERNMENT GRANTS

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

(l) CAPITALIZATION OF BORROWING COSTS

Borrowing costs directly attributable to the construction of a qualifying asset are eligible for capitalization. Qualifying assets are assets for which a substantial period of time is required to prepare the asset for its intended use. The Corporation borrows funds to finance its capital construction projects. The borrowing costs are capitalized until construction is completed, at a rate based on the actual costs of debt used to finance the capital construction projects. Capitalized borrowing costs cannot exceed the actual cost incurred to borrow the funds.

(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		
Renewable energy certificates	10.00%		
Computer systems	2.81%	to	12.99%
Land easements, rights and lease options	1.73%	to	12.50%

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

(n) ASSET IMPAIRMENT

The 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, the recoverable amounts are estimated when an indicator of impairment exists. For goodwill and intangible assets with indefinite useful lives, or those that are not available for use, the recoverable amount is estimated at least once a year.

Testing for impairment is performed at the CGU level. The recoverable amount of a CGU is the greater of the fair value less costs of disposal and value in use (VIU). The VIU is calculated based on the net present value of cash flow projections incorporating estimates of annual revenues, expenses and capital expenditures to 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 gives consideration to 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, giving consideration to risks specific to the 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 statements of earnings.

Significant Judgment and Estimation Uncertainty

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

During the year, the Corporation recorded an impairment reversal of $3.7 million (2019 - $nil) relating to the definitive agreement to sell District Energy (Note 13). The sale is expected to close in 2021, subject to required approvals.

(o) POST-EMPLOYMENT BENEFITS

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

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

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

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 costs 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, taking into account 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 the 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-retirement benefits. Key assumptions include future return on plan assets, retirement age, mortality rates, discount rates, future health care costs, salary escalation rates and claims experiences.

(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 contains a lease. The Corporation recognizes an arrangement as a lease when it has the right to direct the use of the asset. The Corporation recognizes right-of-use (ROU) assets and corresponding lease liabilities on the consolidated statements of financial position for lease arrangements with a term of 12 months or longer. Leases of low-value assets are accounted for as an operating lease.

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

Significant Judgment

Lease liabilities and ROU assets require the use of judgment and estimates, which are applied in determining the term of a lease, appropriate discount rates, whether an arrangement contains a lease, 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 generation assets and the Corporation's share of jointly-operated generation assets.

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

Estimation Uncertainty

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

(r) PROVISIONS AND CONTINGENCIES

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

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

(s) REVENUE RECOGNITION

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

Electricity and gas

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

Performance obligations

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

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

Transaction price

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

Revenue recognition

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

Estimation Uncertainty

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

Transmission and distribution

Contracts with customers under transmission and distribution operations are ENMAX's agreement to provide transmission and distribution services to end customers through collaboration with electricity retailers. The customer for transmission service is the Alberta Electric System Operator (AESO), while the customers for the distribution service are electricity retailers.

Performance obligation

The transmission contract includes one performance obligation, which is a stand-ready obligation to provide transmission service for the period. This performance obligation is satisfied when the stand-ready obligation to provide transmission service has been performed each month. The distribution contract includes one performance obligation, which is to provide distribution services. This performance obligation is satisfied when the end customer receives electricity. ENMAX's agreement to provide transmission and distribution services to the customer are performance obligations that are satisfied over time as the customer is able to 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 Alberta Utilities Commission (AUC) 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 utilized to recognize revenue for the transmission contract is an input method, which is based on the passage of time as the stand-ready performance obligation is completed each period. The method utilized to recognize revenue for the distribution contract is an output method, which is based on actual volume of electricity distributed and actual number of customers serviced each period.

Estimation Uncertainty

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

Contractual services

Contracts 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 development of 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 at the end of 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, hence 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 the 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 labor 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.

(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 given equivalency to the federal output-based pricing system.

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.

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 intensity levels. 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 of Directors of the Corporation.

(v) INCOME TAXES

Income tax in Canada is determined on a legal entity basis. Certain 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"), unless the legal entities are exempt. The 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. Those exempt subsidiaries may instead have to estimate income tax based on the Payment in Lieu of Tax Regulation under the *Electric Utilities Act* ("PILOT"). Payments in satisfaction of PILOT are remitted to the Balancing Pool of Alberta. Any further reference to income tax recognizes the combined obligations under the Act and PILOT.

As a result of the acquisition of Versant Power in the current year, certain legal entities are taxable and subject to U.S. Federal and State of Maine corporate income tax regimes. For U.S. tax purposes, commonly controlled corporations are permitted to file a consolidated tax return.

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.

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

Deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, using the tax rates that are expected to apply in the period in which the deferred tax asset or liability is expected to be realized or settled, based on the laws that have been enacted or substantively enacted by the reporting date.

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, with an exception when the deferred tax asset arises from the initial recognition of assets or liabilities in a transaction (other than in a business combination) that affects neither accounting income nor taxable income.

A deferred tax liability is recognized for all taxable temporary differences, unless the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of other assets or liabilities in a transaction (other than in a business combination) that affects neither accounting income nor taxable income.

The Corporation recognizes deferred tax liabilities for the taxable temporary differences associated with investments in subsidiaries, and interests in joint arrangements, unless the Corporation is able to control the timing of the reversal of the temporary difference and it is probable the temporary difference will not reverse in the foreseeable future. The Corporation recognizes deferred tax assets for the deductible temporary differences arising from investments in subsidiaries, and interests in joint arrangements only under circumstances where the temporary differences are expected to reverse in the foreseeable future and there is sufficient taxable income available against which the temporary differences may be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation and its subsidiaries intend to settle their current tax assets and liabilities on a net basis.

Versant Power accounts for income taxes using the liability method and deferred tax assets and liabilities are determined under the same method as described above. Recoverability of these future tax deductions and credits is assessed by estimating future taxable income from all sources, including the future reversal of existing taxable temporary differences, taxable income in carry back years, available tax planning strategies, and estimated future taxable income. Under MPUC rate-making regulations, for temporary differences associated with MPUC jurisdictional electric plant assets, no State of Maine deferred income tax expense/benefits are recognized, and the tax effects of these temporary differences are flowed through current income tax expense/benefit. The effect of income tax positions is only recognized when it is more likely than not that they will be realized. If management subsequently determines that it is likely that some or all of a deferred income tax asset will not be realized, then a valuation allowance is recorded to report the balance at the amount expected to be realized. Interest and penalties associated with unrecognized tax benefits are classified as interest and non-operating expense, respectively.

Investment tax credits are recorded as a reduction to income tax expense in the current or future periods to the extent that realization of such benefit is more likely than not. Investment tax credits earned on regulated assets are deferred and amortized over the estimated service lives of the related properties.

Significant Judgment and Estimation Uncertainty

The calculation of the Corporation's total income tax expense involves a degree of estimation and judgment, and management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities or the Balancing Pool of Alberta. The calculation includes consideration of whether it is more likely than not for a contingent liability to be recognized in the financial statements.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of that deferred tax asset to be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

5. ACCOUNTING PRONOUNCEMENTS

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

IAS 1 *Presentation of Financial Statements*

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

IFRS 10 *Consolidated Financial Statements*

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

IAS 28 *Investments in Associates and Joint Ventures*

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

Regulatory Assets and Regulatory Liabilities

On January 28, 2021 the IASB issued an Exposure Draft on Regulated Assets and Regulated Liabilities which is expected to replace IFRS 14 *Regulatory Deferral Accounts*. The proposed new standard will give stakeholders better information about the financial performance of companies that are subject to rate regulation. This will possibly have an impact on ENMAX Power Delivery and Versant Power segments. The IASB have not set an implementation date for this new standard and comments on the exposure draft are due by June 30, 2021.

6. ACQUISITION

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

The aggregate purchase price was $1,392.6 million ($961.6 million USD) on closing, in addition to the assumption of approximately $566.5 million ($391.2 million USD) debt. The Corporation funded this transaction through a combination of cash, a two-year bank loan and issuance of private debentures.

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

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

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

(millions of Canadian dollars)	
Purchase Consideration	1,392.6
Fair value assigned to net assets:	
Current assets	59.5
Regulatory assets and deferred charges	157.5
Net investment in utility plant	1,306.9
Construction work in progress	50.3
Intangible assets	94.0
Investments in corporate joint ventures and other investments [(1)]	175.3
Current liabilities	(47.0)
Assumed long-term debt (including current portion)	(566.5)
Net deferred income taxes	(265.6)
Other regulatory liabilities	(176.2)
Accrued pension and postretirement benefit costs	(80.1)
Other regulatory and other long-term liabilities	(8.1)
Fair value of net assets acquired	**700.0**
Goodwill on acquisition	692.6
Foreign exchange translation	(82.3)
Goodwill as at December 31, 2020	**610.3**

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

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

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

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

During the year ended December 31, 2020, the Corporation recorded $36.0 million (December 31, 2019 - $35.1 million) in Versant Power acquisition related costs, of which $8.5 million (December 31, 2019 - $13.6 million) are related to net finance charges. Among the acquisition related costs there are $15.6 million (December 31, 2019 – $nil) in one-time stipulated costs, of which $1.1 million are related to finance charges.

7. RESTRICTED CASH

As at December 31, 2020, the Corporation had $11.8 million of restricted cash (December 31, 2019 - $1,040.1 million). This consists of $4.4 million (December 31, 2019 - $19.6 million) relating to margin posted with a financial institution, $3.4 million (December 31, 2019 – $nil) in deposits with a financial institution to meet certain financial assurance obligations, $1.3 million (December 31, 2019 - $nil) designated to be paid to the Balancing Pool and the Government of Alberta relating to the utility deferral program, $2.7 million (December 31, 2019 - $nil) related to funds held in escrow for assets held for sale (see Note 13), and $nil (December 31, 2019 - $1,020.5 million) related to funds held in escrow for the Versant Power acquisition (see Note 6).

8. SEGMENT INFORMATION

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

POWER DELIVERY

Power Delivery is an operating segment established to own and operate regulated electricity transmission and distribution assets in the Calgary service area through various legal entities and affiliated companies. Power Delivery's objective is to safely and efficiently operate and maintain the high reliability of its transmission and distribution system while meeting Calgary's power delivery infrastructure needs.

VERSANT POWER

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

COMPETITIVE ENERGY

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

CORPORATE AND ELIMINATIONS

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

SEGMENTED TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT BALANCES

As at *(millions of Canadian dollars)*	**December 31, 2020**	**December 31, 2019**
Power Delivery	**2,953.8**	2,802.3
Versant Power	**2,180.2**	-
Competitive Energy [(1)]	**2,737.4**	2,791.2
Corporate and eliminations	**126.3**	1,150.6
Total assets	**7,997.7**	6,744.1
Regulatory deferral account debit balances	**189.4**	31.2
Total assets and regulatory deferral account debit balances	**8,187.1**	6,775.3

[(1)] Includes $38.4 million in asset classified as held for sale (see Note 13).

COMPARATIVE SEGMENT INFORMATION

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

Segment information as at December 31, 2019 has been reclassified to conform with the current year's presentation. The presentation change had no impact on reported consolidated net earnings.

Year Ended December 31, 2020 *(millions of Canadian dollars)*	**Power Delivery**	**Versant Power**	**Competitive Energy**	**Corporate and Eliminations**	**Adjusted Consolidated Totals**	**Regulatory Deferral Movement**	**Other Presentation Reclass**	**Consolidated Totals**
REVENUE								
Transmission and distribution	717.2	212.4	-	-	929.6	10.7	-	940.3
Electricity	-	-	1,228.2	(122.9)	1,105.3	0.1	-	1,105.4
Natural gas	-	-	283.1	(0.2)	282.9	-	-	282.9
Local access fees	132.2	-	-	-	132.2	-	-	132.2
Other revenue	34.5	7.1	152.5	(4.9)	189.2	(23.8)	-	165.4
TOTAL REVENUE	883.9	219.5	1,663.8	(128.0)	2,639.2	(13.0)	-	2,626.2
OPERATING EXPENSES								
Transmission and distribution	368.2	46.3	-	-	414.5	14.0	-	428.5
Electricity and fuel purchases	-	-	875.0	(121.7)	753.3	0.2	(21.7)	731.8
Natural gas and delivery	-	-	223.1	0.2	223.3	-	-	223.3
Local access fees	132.2	-	-	-	132.2	-	-	132.2
Depreciation and amortization	129.7	39.6	132.8	(3.9)	298.2	(0.6)	-	297.6
Impairment (reversal) [1]	-	-	-	-	-	-	(0.4)	(0.4)
Other expenses	130.9	71.8	349.3	(5.1)	546.9	(16.1)	(101.3)	429.5
TOTAL OPERATING EXPENSES	761.0	157.7	1,580.2	(130.5)	2,368.4	(2.5)	(123.4)	2,242.5
OPERATING PROFIT	122.9	61.8	83.6	2.5	270.8	(10.5)	123.4	383.7
Unrealized (gain) on commodities					(47.3)	-	47.3	-
Foreign exchange (gain)					(128.8)	-	128.8	-
Versant Power acquisition costs [2]					27.5	-	(27.5)	-
Impairment (reversal) [1]					(0.4)	-	0.4	-
Historical line loss provisions [3]					25.6	-	(25.6)	-
Finance charges [4]					134.2	-	-	134.2
NET EARNINGS BEFORE TAX					260.0	(10.5)	-	249.5
Current income tax (recovery)					(8.9)	-	-	(8.9)
Deferred income tax (recovery)					(19.2)	-	-	(19.2)
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					288.1	(10.5)	-	277.6
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					-	10.5	-	10.5
NET EARNINGS					288.1	-	-	288.1

[1] During the year ended December 31, 2020, Competitive Energy segment recognized an impairment reversal of $3.7 million associated with assets and liabilities held for sale (see Note 13), partially offset by impairment losses of $3.3 million associated with certain property, plant and equipment.

[2] During the year ended December 31, 2020, ENMAX recognized other expenses related to the acquisition of Versant Power (see Note 6) of $27.5 million, of which $14.5 million are stipulated costs.

[3] During the year ended December 31, 2020, ENMAX recognized operating expenses related to historical line loss provisions of $25.6 million (see Note 31).

[4] During the year ended December 31, 2020, ENMAX recognized net finance charges related to the acquisition of Versant Power (see Note 6) of $8.5 million, of which $1.1 million are stipulated costs, and $7.4 million in net financing charges related to historical line loss provisions (see Note 31).

Year Ended December 31, 2019 *(millions of Canadian dollars)*	Power Delivery	Versant Power	Competitive Energy	Corporate and Eliminations	Adjusted Consolidated Totals	Regulatory Deferral Movement	Other Presentation Reclass	Consolidated Totals
REVENUE								
Transmission and distribution	734.0	-	-	-	734.0	10.0	-	744.0
Electricity	-	-	1,387.3	(132.4)	1,254.9	(0.1)	-	1,254.8
Natural gas	-	-	199.8	(0.2)	199.6	-	-	199.6
Local access fees	142.4	-	-	-	142.4	-	-	142.4
Other revenue	35.9	-	191.6	(5.5)	222.0	(37.9)	-	184.1
TOTAL REVENUE	912.3	-	1,778.7	(138.1)	2,552.9	(28.0)	-	2,524.9
OPERATING EXPENSES								
Transmission and distribution	401.6	-	-	-	401.6	(34.0)	-	367.6
Electricity and fuel purchases	-	-	1,047.1	(132.0)	915.1	-	(106.7)	808.4
Natural gas and delivery	-	-	140.9	0.2	141.1	-	-	141.1
Local access fees	142.4	-	-	-	142.4	-	-	142.4
Depreciation and amortization	120.1	-	127.3	(4.0)	243.4	(1.6)	-	241.8
Impairment [1]	-	-	-	-	-	-	1.1	1.1
Other expenses	130.2	-	376.8	(6.0)	501.0	(39.7)	43.3	504.6
TOTAL OPERATING EXPENSES	794.3	-	1,692.1	(141.8)	2,344.6	(75.3)	(62.3)	2,207.0
OPERATING PROFIT	118.0	-	86.6	3.7	208.3	47.3	62.3	317.9
Unrealized (gain) on commodities					(106.7)	-	106.7	-
Foreign exchange loss					21.8	-	(21.8)	-
Versant Power acquisition costs [2]					21.5	-	(21.5)	-
Impairment [1]					1.1	-	(1.1)	-
Finance charges					80.6	-	-	80.6
NET EARNINGS BEFORE TAX					190.0	47.3	-	237.3
Current income tax expense					30.2	-	-	30.2
Deferred income tax expense					3.6	-	-	3.6
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					156.2	47.3	-	203.5
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					-	(47.3)	-	(47.3)
NET EARNINGS					156.2	-	-	156.2

[1] During the year ended December 31, 2019, the ENMAX Competitive Energy segment recognized an impairment loss of $1.1 million associated with certain property, plant and equipment.

[2] During the year ended December 31, 2019, ENMAX recognized other expenses related to the acquisition of Versant Power (see Note 6) of $21.5 million.

REVENUE

Types of Customers and Sales Channel	Nature and significant payment terms
Transmission	ENMAX receives revenue from AESO specifically for the use of its transmission grid system.
Distribution	ENMAX receives revenue from electricity retailers specifically for the use of its electricity distribution system to deliver electricity to customers.
U.S. Operations	Through the acquisition of Versant Power, as at March 24, 2020, ENMAX began to receive revenues from residential, commercial, and industrial customers for use of its transmission and distribution grid system. Transmission rates are set by the FERC, while distribution rates are set by the MPUC.
Mass market	Mass Market is comprised of residential and small business customers who consume less than 250,000 kWh/year. These customers can be supplied electricity through competitive contracts, the Regulated Rate Option or default supplier rate which fluctuates monthly. Natural gas is always supplied under a competitive contract.
Commercial market	Commercial Market is business to business competitive contracting for electricity and/or natural gas. A small number of commercial customers who do not negotiate a contract are supplied electricity on a default supplier rate which fluctuates monthly.
City of Calgary local access fees	ENMAX receives revenue from electricity end users that is remitted to The City in lieu of property taxes.
Government and institutional	ENMAX receives revenue from governments and municipalities (counties, cities and towns), entities backed by the government, universities, colleges and school boards.
Non-government and non-institutional	ENMAX receives revenue from individual consumers to large corporations who in turn receive credit and terms based on their respective products and their credit history.

REVENUE – MAJOR CUSTOMERS AND SALES CHANNELS

(millions of Canadian dollars)	Transmission	Distribution	U.S. Operations	Mass Market	Commercial Market	City of Calgary Local Access Fees	Government and Institutional	Non-Government and Non-Institutional	Total
Year Ended December 31, 2020									
Transmission & distribution	101.6	626.3	212.4	-	-	-	-	-	**940.3**
Electricity									
Competitive Energy	-	-	-	285.3	741.0	-	-	-	**1,026.3**
Regulated	-	-	-	55.2	23.9	-	-	-	**79.1**
Natural gas	-	-	-	207.0	75.9	-	-	-	**282.9**
Local access fees	-	-	-	-	-	132.2	-	-	**132.2**
Contractual services	-	-	-	-	-	-	42.6	85.7	**128.3**
Other revenue & CIAC	-	-	7.1	-	-	-	-	30.0	**37.1**
TOTAL REVENUE	**101.6**	**626.3**	**219.5**	**547.5**	**840.8**	**132.2**	**42.6**	**115.7**	**2,626.2**

(millions of Canadian dollars)	Transmission	Distribution	U.S. Operations	Mass Market	Commercial Market	City of Calgary Local Access Fees	Government and Institutional	Non-Government and Non-Institutional	Total
Year Ended December 31, 2019									
Transmission & distribution	89.9	654.1	-	-	-	-	-	-	744.0
Electricity									
Competitive Energy	-	-	-	225.9	888.4	-	-	-	1,114.3
Regulated	-	-	-	111.5	29.0	-	-	-	140.5
Natural gas	-	-	-	148.7	50.9	-	-	-	199.6
Local access fees	-	-	-	-	-	142.4	-	-	142.4
Contractual services	-	-	-	-	-	-	54.6	91.6	146.2
Other revenue & CIAC	-	-	-	-	-	-	-	37.9	37.9
TOTAL REVENUE	89.9	654.1	-	486.1	968.3	142.4	54.6	129.5	2,524.9

9. FINANCIAL INSTRUMENTS, HEDGES AND RISK MANAGEMENT MARKET RISK

MARKET RISK

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

The sensitivities provided in each of the following risk discussions disclose how earnings and OCI would have been affected by changes in relevant 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 or future sales to customers are not mark-to-market, which creates an earnings mismatch. The sensitivities are hypothetical and should not be considered to be indicative of actual future results.

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

- The same fair value methodologies have been used as were used to obtain actual fair values in the fair values section of this note.
- Changes in the fair value of derivative instruments that are effective cash flow hedges are recorded in OCI.
- Changes in the fair value of derivative instruments that are not designated as hedges, that are fair value hedges or that are ineffective cash flow hedges are recorded in earnings.
- Foreign currency balances, principal and notional amounts are based on amounts as at December 31, 2020 and 2019.

COMMODITY PRICE RISK

The Corporation uses electricity and gas forward contracts to manage its exposure to certain market risks. Forward prices of natural gas and electricity fluctuations impact the fair value of these commodity derivatives. As at December 31, 2020, holding all other variables constant, an unrealized mark-to-market adjustment on outstanding gas forward contracts related to a 10 per cent increase or decrease in the forward price of natural gas would increase or decrease earnings by $67.9 million, respectively (2019 - $59.5 million) and result in no change in OCI (2019 - $nil). As at December 31, 2020, holding all other variables constant, an unrealized mark-to-market adjustment on outstanding electricity forward contracts related to a 10 per cent increase or decrease in the forward price of electricity would increase or decrease earnings by $14.1 million, respectively (2019 – $0.5 million) and increase or decrease OCI by $nil (2019 - $15.5 million). These gas and electricity forward contracts extend out to 2025, respectively.

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 the market interest rates.

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

Changes in the value of the Canadian dollar relative to the U.S. dollar could impact the Canadian dollar cost of natural gas, which affects the input cost of the Corporation's natural gas-fuelled generation capacity, as well as the cost to the Corporation of offering fixed price gas contracts to customers. The foreign exchange impact on these gas purchases is offset, when possible, by foreign exchange contracts. Foreign exchange exposure resulting from procurement contracts has also been mitigated by foreign exchange contracts. The Corporation also has exposure to the U.S. dollar as a result of 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, 2020, 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 $55.5 million (2019 – $122.6 million).

CREDIT RISK

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

FINANCIAL ASSETS

As at *(millions of Canadian dollars)*	**December 31, 2020**	**December 31, 2019**
Cash and cash equivalents (a)	**39.7**	1,079.9
Accounts receivable (b)	**735.6**	689.4
Current portion of financial assets (c)	**100.0**	95.3
Financial assets (c)	**44.3**	35.7
Long-term accounts receivable (b)	**32.4**	18.0

(a) Cash and Cash Equivalents

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

(b) Current and Long-Term Accounts Receivable

The majority of the Corporation's accounts receivable are exposed to credit risk. Exposure to credit risk occurs through competitive electricity and natural gas supply activities that serve residential, commercial and industrial customers. The risk represents the loss that may occur due to the non-payment of a customer's accounts receivable balance, as well as the loss that may be incurred from the resale of energy previously allocated to serve the customer. Given the high degree of volatility due to changes in economic conditions as well as the impact of the COVID-19 pandemic, the estimates and judgements made by management are subject to a higher degree of estimation uncertainty compared to previous years.

Charges to earnings as a result of credit losses for the Corporation for the year ended December 31, 2020 totalled $16.4 million (2019 - $16.7 million). Management monitors credit risk exposure and has implemented measures to mitigate losses. In specific situations, this includes, but is not limited to, a reduction of credit limits, requests for additional collateral or restrictions on new transaction terms.

During the year, the Government of Alberta introduced legislation to provide qualifying customers the option of deferring payment of utility bills for a three-month period. During this time, utilities could not disconnect customers for non-payment. The Government of Alberta and the Balancing Pool have made funds available to ENMAX and other utility providers to reduce the cash flow impact of deferred customer payments. Funds collected from customers in the deferral program must be remitted to the Balancing Pool. ENMAX continues to monitor further pronouncements from governments and regulators and will make adjustments as required.

AGING ANALYSIS OF TRADE RECEIVABLES PAST DUE

As at *(millions of Canadian dollars)*	**December 31, 2020**	**December 31, 2019**
1-30 days past due	**13.9**	17.9
31-60 days past due	**5.1**	3.6
61 days or more past due	**34.8**	32.5
Total past due	**53.8**	54.0

CHANGES IN EXPECTED CREDIT LOSSES (ECL)

As at *(millions of Canadian dollars)*	**December 31, 2020**	**December 31, 2019**
Provision at the beginning of the year	**23.9**	16.5
Increase to ECL	**16.4**	16.7
Recoveries	**(11.3)**	(9.3)
Provision at end of the year	**29.0**	23.9

The ECL provision is assessed by each business segment considering the unique factors of the business segment's current and long-term receivables. During the year ended December 31, 2020 the Corporation had recognized additional 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, 2020 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 to or due from counterparties for settled transactions and all other amounts owing but not yet due. The replacement cost of open positions represents unrealized gains, net of any unrealized losses, where the Corporation has a legally enforceable right of offset and intends to settle on a net basis. The Corporation monitors and manages the credit risk of wholesale operations through credit policies and procedures that include an established credit approval process, daily monitoring of counterparty credit limits, and the use of credit mitigation measures such as margin, collateral, letters of credit and/or prepayment arrangements.

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

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

LIQUIDITY RISK

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

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

CONTRACTUAL MATURITIES OF NON-DERIVATIVE FINANCIAL LIABILITIES

As at *(millions of Canadian dollars)*	**December 31, 2020**	**December 31, 2019**
Less than 1 year (includes accounts payable)	**988.2**	871.3
1–3 years	**931.3**	618.7
3–5 years	**803.2**	476.0
More than 5 years	**2,509.4**	2,159.8

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

CONTRACTUAL MATURITIES OF DERIVATIVE FINANCIAL LIABILITIES

As at *(millions of Canadian dollars)*	**December 31, 2020**	**December 31, 2019**
Less than 1 year	**97.7**	114.4
1–3 years	**34.8**	54.1
3–5 years	**11.7**	17.9
More than 5 years	**(0.1)**	1.0

VALUATION OF DERIVATIVE ASSETS AND LIABILITIES

Financial derivative instruments are recorded at fair value on the statement of financial position. As at December 31, 2020, the fair values of derivatives were as follows:

As at	**December 31, 2020**		**December 31, 2019**	
(millions of Canadian dollars)	**Hedge Instruments**	**Non-Hedge Derivatives**	**Hedge Instruments**	**Non-Hedge Derivatives**
Assets				
Current	**3.5**	**96.5**	23.8	71.5
Non-current	**4.1**	**40.2**	7.7	28.0
Liabilities				
Current	**5.1**	**92.6**	12.2	102.2
Non-current	**-**	**46.4**	5.2	67.8

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

During 2019, the Corporation designated a cash flow hedging relationship to mitigate a proportion of the foreign exchange risk relating to the purchase price of Versant Power, which was denominated in U.S. dollars. On March 24, 2020, the Corporation settled these forward contracts and recognized $105.2 million in foreign exchange gains.

For non-hedge derivatives, there were unrealized gains of $68.2 million for the year ended December 31, 2020 (2019 - $87.1 million gain), primarily recorded in electricity and fuel purchases. The anticipated non-hedge derivatives are expected to settle in 2021 through to 2031. The mark-to-market adjustments do not consider the impact of any interrelationship among the factors such as the underlying position and the optionality of the Corporation's integrated business. Generation capacity or future sales to customers are not 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 price, as appropriate, in active markets at reporting dates. In the absence of an active market, the Corporation determines fair value by using valuation techniques that refer to observable market data or estimated market prices. Fair values determined using valuation models require the use of assumptions about the amount and timing of estimated future cash flows and discount rates. In making these assumptions, the Corporation gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III), as applicable.

Level Determination and Classifications

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

Level I

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

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

The fair values are determined using significant unobservable data or inputs.

In certain circumstances, the Corporation enters into 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, 2020 *(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	**107.1**	**34.7**	**2.4**	**144.2**
Foreign currency forward contracts	**-**	**0.1**	**-**	**0.1**
Financial assets total	**107.1**	**34.8**	**2.4**	**144.3**
Financial liabilities measured at fair value:				
Energy trading forward contracts	**(89.1)**	**(47.5)**	**(6.1)**	**(142.7)**
Foreign currency forward contracts	**-**	**(1.4)**	**-**	**(1.4)**
Financial liabilities total	**(89.1)**	**(48.9)**	**(6.1)**	**(144.1)**
Net derivative assets (liabilities)	**18.0**	**(14.1)**	**(3.7)**	**0.2**

[1] Market-observable data are not available. Fair values are determined using valuation techniques.

As at December 31, 2019 *(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	**70.3**	**58.5**	**2.2**	**131.0**
Financial assets total	**70.3**	**58.5**	**2.2**	**131.0**
Financial liabilities measured at fair value:				
Energy trading forward contracts	**(61.9)**	**(89.7)**	**(10.0)**	**(161.6)**
Foreign currency forward contracts	**-**	**(25.8)**	**-**	**(25.8)**
Financial liabilities total	**(61.9)**	**(115.5)**	**(10.0)**	**(187.4)**
Net derivative (liabilities) assets	**8.4**	**(57.0)**	**(7.8)**	**(56.4)**

[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 dollars)	Hedges
Net derivative assets as at January 1, 2019	(28.8)
Changes attributable to:	
Commodity price changes	9.3
New contracts entered	0.3
Transfers in/out of Level III	11.4
Net derivative (liabilities) as at December 31, 2019	(7.8)
Changes attributable to [1]:	
Commodity price changes	**1.3**
New contracts entered	**(0.1)**
Transfers in/out of Level III	**2.9**
Net derivative (liabilities) as at December 31, 2020	**(3.7)**

[1] Total changes recognized in OCI of $1.0 million in fair value losses, and in pre-tax earnings of $5.1 million in fair value gains.

NON-DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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

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

CARRYING AMOUNTS AND FAIR VALUES OF LONG-TERM DEBT

As at	December 31, 2020		December 31, 2019	
(millions of Canadian dollars)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Long-term debt [1] consisting of:				
Debentures, with remaining terms of:				
Less than 5 years	**33.4**	**34.2**	44.1	44.7
5–10 years	**34.4**	**38.4**	27.6	29.5
10–15 years	**308.7**	**372.2**	216.3	247.8
15–20 years	**566.4**	**642.3**	575.2	625.4
20–25 years	**429.1**	**459.2**	420.2	432.5
General and refunding mortgage bonds [2]				
8.98% series	**27.4**	**28.1**	-	-
Private debentures				
Series 3 (3.81%)	**197.1**	**219.0**	196.4	207.6
Series 4 (3.84%)	**294.1**	**340.3**	293.4	310.7
Series 5 (2.92%)	**299.2**	**309.3**	298.8	303.4
Series 6 (3.33%)	**298.8**	**325.6**	298.5	305.3
Series 7 (3.88%)	**248.7**	**283.8**	248.6	256.8
Senior notes [2]				
Unsecured note (3.61%)	**79.2**	**81.1**	-	-
Unsecured note (4.34%)	**131.4**	**163.8**	-	-
Unsecured note (4.36%)	**57.7**	**74.1**	-	-
Unsecured note (4.71%)	**60.8**	**78.1**	-	-
Unsecured note (3.79%)	**62.3**	**81.0**	-	-
Unsecured note (2.80%)	**38.3**	**39.2**	-	-
Unsecured note (2.80%)	**76.6**	**78.2**	-	-
Non-revolving term facility [3]	**195.0**	**195.0**	-	-
Promissory note	**2.6**	**2.8**	2.9	3.1
Debt instrument [2]	**0.5**	**0.5**	-	-
	3,441.7	**3,846.2**	2,622.0	2,766.8

[1] Includes current portion of $73.6 million (December 31, 2019 – $73.3 million). Maturity dates range from March 2021 to December 2049.

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

a. $30.0 million USD of General and Refunding mortgage bonds maturing 2020 with a coupon rate of 10.25 per cent. Repaid on June 15, 2020.
b. $20.0 million USD of General and Refunding mortgage bonds maturing 2022 with a coupon rate of 8.89 per cent.
c. $70.0 million USD of Senior unsecured notes maturing 2022 with a coupon rate of 3.61 per cent.
d. $110.0 million USD of Senior unsecured notes maturing 2044 with a coupon rate of 4.34 per cent.
e. $50.0 million USD of Senior unsecured notes maturing 2047 with a coupon rate of 4.36 per cent.
f. $50.0 million USD of Senior unsecured notes maturing 2048 with a coupon rate of 4.71 per cent.
g. $60.0 million USD of Senior unsecured notes maturing 2049 with a coupon rate of 3.79 per cent.
h. Revolving credit facility maturing 2023 with a variable rate. $nil balance as at December 31, 2020.
i. Debt instrument with 7.00 per cent cumulative rate.

[3] $195.0 million non-revolving 2-year term facility with an interest rate of 2.09 per cent as at December 31, 2020.

As at December 31, 2020, ENMAX had $nil commercial paper (December 31, 2019 - $53.0 million, fair value of $53.0 million with an average interest rate of 2.15 per cent) and had drawn $165.9 million on existing credit facilities with an average rate of 0.47 per cent (December 31, 2019 - $121.2 million at 2.04 per cent).

Financial Assets and Financial 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, 2020		December 31, 2019	
(millions of Canadian dollars)	Accounts Receivable	Accounts Payable and Accrued Liabilities	Accounts Receivable	Accounts Payable and Accrued Liabilities
Gross amounts recognized	**-**	**(72.2)**	-	(70.3)
Gross amounts set-off	**-**	**36.2**	-	32.9
Net amounts as presented in the Consolidated Statement of Financial Position	**-**	**(36.0)**	-	(37.4)

10. INCOME TAXES

Year ended December 31, *(millions of Canadian dollars)*	**2020**	**2019**
Current income tax (recovery) expense		
(Recovery) expense for current year	**(10.9)**	6.5
Adjustment in respect of prior years	**1.3**	-
Other	**0.7**	23.7
Total current income tax (recovery) expense	**(8.9)**	30.2
Deferred income tax (recovery) expense		
Origination and reversal of temporary differences	**(19.8)**	0.5
Adjustment in respect of prior years	**-**	(1.2)
Other	**0.6**	4.3
Total deferred income tax (recovery) expense	**(19.2)**	3.6
Total income tax (recovery) expense	**(28.1)**	33.8

THE RECONCILIATION OF STATUTORY AND EFFECTIVE INCOME TAX EXPENSE

Year ended December 31, *(millions of Canadian dollars)*	**2020**	**2019**
Net earnings before tax	**249.5**	237.3
Income not subject to tax	**(363.0)**	(230.2)
	(113.5)	7.1
Federal and provincial tax rates	**24.0%**	26.5%
Expected income tax (recovery) expense	**(27.2)**	1.9
Non-deductible expense	**(2.1)**	0.6
Adjustment for deferred tax reversal and other estimate revisions	**1.2**	31.3
Total income tax (recovery) expense	**(28.1)**	33.8

The changes in deferred income tax assets and liabilities during the years ended December 31, 2020 and 2019 were as follows:

(millions of Canadian dollars)	January 1, 2020	Business Combination	Recognized In Net Income	Recognized In Other Comprehensive Income	Recognized Directly in Equity	December 31, 2020
Deferred income tax assets						
Property, plant and equipment	(17.1)	-	8.2	-	-	**(8.9)**
Loss carried forward	24.2	-	3.9	-	-	**28.1**
Unused capital losses	0.3	-	-	-	-	**0.3**
Unrealized derivatives	11.5	-	(9.2)	-	-	**2.3**
Other comprehensive income	(4.9)	-	-	4.7	-	**(0.2)**
Other	21.9	-	12.9	-	-	**34.8**
	35.9	-	15.8	4.7	-	**56.4**
Deferred income tax liabilities						
Property, plant and equipment	46.4	274.1	(0.9)	-	(32.4)	**287.2**
Loss carried forward	(9.8)	-	(6.1)	-	-	**(15.9)**
Unrealized derivatives	(0.4)	-	0.4	-	-	**-**
Business combination	-	42.3	-	-	(7.7)	**34.6**
Other	(4.6)	(50.8)	(0.3)	-	17.5	**(38.2)**
	31.6	265.6	(6.9)	-	(22.6)	**267.7**
Net deferred tax (liabilities) assets	4.3	(265.6)	22.7	4.7	22.6	**(211.3)**

(millions of Canadian dollars)	January 1, 2019	Business Combination	Recognized In Net Income	Recognized In Other Comprehensive Income	Recognized Directly in Equity	December 31, 2019
Deferred income tax assets						
Property, plant and equipment	(31.7)	-	14.6	-	-	(17.1)
Loss carried forward	42.0	-	(17.8)	-	-	24.2
Unused capital losses	-	-	0.3	-	-	0.3
Unrealized derivatives	41.8	-	(30.3)	-	-	11.5
Other comprehensive income	(2.5)	-	-	(2.4)	-	(4.9)
Other	2.6	-	19.3	-	-	21.9
	52.2	-	(13.9)	(2.4)	-	35.9
Deferred income tax liabilities						
Property, plant and equipment	96.7	-	(50.3)	-	-	46.4
Loss carried forward	(14.1)	-	4.3	-	-	(9.8)
Unrealized derivatives	(0.7)	-	0.3	-	-	(0.4)
Other comprehensive income	(0.1)	-	-	0.1	-	-
Other	(24.5)	-	19.9	-	-	(4.6)
	57.3	-	(25.8)	0.1	-	31.6
Net deferred tax assets (liabilities)	(5.1)	-	11.9	(2.5)	-	4.3

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

Year ended December 31, *(millions of Canadian dollars)*	2020	2019
Non-capital loss	**17.3**	15.8
Property, plant and equipment	**62.5**	62.5
Contingent liabilities	**17.5**	19.0
	97.3	97.3

The changes in income taxes receivable and income taxes payable during the years ended December 31, 2020 and 2019 were as follows:

(millions of Canadian dollars)	**Income Taxes Receivable**	**Income Taxes Payable**	**Net Position**
January 1, 2019	45.6	(0.1)	45.5
Prior period adjustments	(31.1)	(3.7)	(34.8)
Installment and refunds	0.1	(22.0)	(21.9)
Current year provision	-	(6.4)	(6.4)
Other	(14.2)	14.2	-
December 31, 2019	0.4	(18.0)	(17.6)
Prior period adjustments	(0.3)	-	(0.3)
Instalments and refunds	19.3	-	19.3
Current year provision	10.7	-	10.7
Other	(19.5)	18.0	(1.5)
December 31, 2020	**10.6**	**-**	**10.6**

As at December 31, 2020, the Corporation has non-capital loss carry-forwards that can be used to offset taxes in future years. These non-capital loss carry-forwards expire as follows:

NON-CAPITAL LOSS CARRY FORWARD

(millions of dollars)	**2020**
2030	0.2
2031	1.3
2032	0.9
2033	1.0
2034	2.9
2035	13.2
2036	16.9
2037	13.9
2038	9.8
2039	33.4
2040	101.5

11. REGULATORY DEFERRAL ACCOUNT BALANCES

NATURE AND ECONOMIC EFFECT OF RATE REGULATION

ENMAX Transmission and ENMAX Distribution (the Divisions) are divisions of ENMAX Power Delivery. The Divisions are regulated operations established to carry out all electrical transmission and distribution service functions. 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*.

With respect to Distribution, the 2018-2022 Distribution Access Service (DAS) rates are subject to the Performance Based Regulation (PBR) mechanism. In December 2019, the AUC approved 2020 formula-based rates on an interim basis for the period commencing January 1, 2020.

Transmission division rates are set based on an AUC approved revenue requirement and are regulated under a traditional cost-of-service framework. On August 6, 2020, the AUC approved the revenue requirements as filed in the 2018-2020 General Tariff Application.

ENMAX U.S. Operations

ENMAX through its wholly owned subsidiary Versant Power, has distribution and transmission operations in the state of Maine, USA. Versant Power's distribution and stranded cost recoveries are regulated by the MPUC while its transmission operations are regulated by the FERC. Rates for these operations are established in distinct regulatory proceedings. Tax benefits arising from U.S. tax reforms were reflected in distribution and transmission rates effective July 1, 2018, while other components being deferred are to be addressed in future regulatory proceedings.

Versant Power's distribution service operates under a traditional cost of service regulatory structure and distribution rates are set by the MPUC. Versant Power's transmission operations are split between two districts: BHD and MPD. BHD's transmission rates are regulated by the FERC and set annually on June 1, based on a formula that utilizes prior year actual transmission investment and forecasted transmission investment. BHD's bulk transmission assets are managed by ISO-New England (ISO-NE) as part of a region-wide pool of assets. MPD's transmission rates are regulated by the FERC and are set annually on June 1 for wholesale and July 1 for retail customers, based on a formula that utilizes prior year actual transmission investments and expenses.

REGULATORY BALANCES

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

As at *(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					
January 1, 2020	21.0	6.6	3.6	-	31.2
Versant Power balance acquired	-	-	-	157.5	157.5
Balances arising in the period [1]	203.3	5.8	17.8	6.8	233.7
Recovery (reversal) [2]	(207.2)	(0.5)	(6.7)	-	(214.4)
Foreign exchange translation	-	-	-	(18.6)	(18.6)
December 31, 2020	**17.1**	**11.9**	**14.7**	**145.7**	**189.4**
Expected recovery/reversal period	3 Months	25 Years	15 Months		
January 1, 2019	62.8	10.8	8.4	-	82.0
Balances arising in the period [1]	175.9	(2.6)	6.7	-	180.0
Recovery (reversal) [2]	(217.7)	(1.6)	(11.5)	-	(230.8)
December 31, 2019	21.0	6.6	3.6	-	31.2
Expected recovery/reversal period	3 Months	25 Years	12 Months		

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

As at *(millions of Canadian dollars)*	Accounts Payable (a)	Other Regulatory Credits (d)	U.S. Operations (e)	Total Regulatory Deferral Account Credit Balances
Regulatory deferral account credit balances				
January 1, 2020	-	1.5	-	1.5
Versant Power balance acquired	-	-	176.2	176.2
Balances arising in the period [1]	-	4.0	(7.5)	(3.5)
Recovery (reversal) [2]	-	(2.0)	-	(2.0)
Foreign exchange translation	-	-	(20.8)	(20.8)
December 31, 2020	**-**	**3.5**	**147.9**	**151.4**
Expected recovery/reversal period		18 Months		
January 1, 2019	-	5.0	-	5.0
Balances arising in the period [1]	-	1.2	-	1.2
Recovery (reversal) [2]	-	(4.7)	-	(4.7)
December 31, 2019	-	1.5	-	1.5
Expected recovery/reversal period		18 Months		

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

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

(a) Accounts receivable and payable

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

(b) Inter-company profit

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

(c) Other regulatory debits

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

(d) Other regulatory credits

Other regulatory credits primarily relate to items that will be refunded to customers through future rates.

For certain regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties including those inherent in rate-setting regulatory processes. There is a risk that the regulator may disallow a portion of certain costs incurred in the current period for recovery through future rates or disagree with the proposed recovery period.

(e) U.S. Operations

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

As at *(millions of Canadian dollars)*	**December 31, 2020**
Regulatory assets	
Deferred income tax asset	**56.3**
Pension and post-retirement medical plan	**48.1**
Storm reserve	**10.0**
Stranded cost recovery	**3.6**
Other	**27.7**
	145.7
Current	**20.2**
Long-term	**125.5**
Total regulatory assets	**145.7**
Regulatory liabilities	
Deferred income tax liabilities	**135.7**
FERC transmission liability	**6.1**
Maine Yankee Department of Energy proceeds	**2.4**
Stranded cost	**-**
Other	**3.7**
	147.9
Current	**2.9**
Long-term	**145.0**
Total regulatory liabilities	**147.9**

Unfunded Deferred Income Tax Asset and Liability

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

Pension and post-retirement medical plan

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

Storm reserves

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

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

In November 2019 and April 2020, Versant Power experienced three major storms in its service territories, with approximately 61,000 and 87,000 of the Company's customers experiencing power outages at the peak, respectively. Due to the volume of power outages, numerous outside resources were utilized to assist with the restoration of electrical service. Total incremental distribution costs associated with service restoration were $2.3 million USD and $4.5 million USD, respectively, and Versant Power recorded these amounts as regulatory assets on its Consolidated Balance Sheets as at December 31, 2020. Given the significance of the storm related costs and the regulatory precedent set for rate recovery with similar events, a filing with the MPUC was made in mid-2020 seeking approval for recovery of these costs. Versant Power expects a resolution to this filing within 2021.

Stranded cost recoveries

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

Other

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

12. OTHER ASSETS AND LIABILITIES

As at *(millions of Canadian dollars)*	December 31, 2020	December 31, 2019
Other current assets		
Prepaid expenses	**20.7**	17.8
Collateral paid	**9.7**	18.4
Deferred asset	**0.5**	0.5
Emission offsets	**37.2**	39.9
Other	**3.8**	6.7
	71.9	83.3
Other long-term assets		
Prepaid expenses	**9.2**	6.1
Long-term accounts receivable	**32.4**	18.0
Deferred asset	**6.5**	5.5
Equity investments	**145.9**	-
Other	**33.0**	14.7
	227.0	44.3
Other current liabilities		
Deposits	**41.4**	25.0
Other	**30.1**	7.0
	71.5	32.0
Other long-term liabilities		
Other	**16.7**	13.1
	16.7	13.1

13. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On November 6, 2020, the Corporation announced it had entered into a definitive agreement to sell its District Energy facility to a subsidiary of Atlantica Sustainable Infrastructure PLC (Atlantica) for $27.0 million. ENMAX has classified the assets and liabilities included in this transaction as held for sale as at December 31, 2020. These assets and liabilities are reported in the Competitive Energy segment.

The carrying amount of the facility is expected to be recovered principally through the sale transaction. The facility's assets and liabilities are classified as held for sale and are measured at the lower of carrying value and fair value less cost to sell. Upon reclassification the Corporation recognized $38.4 million in assets held for sale, $11.3 million in liabilities held for sale, and $3.7 million reversal of impairment charges recognized in prior years.

Assets held for sale are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributed to the liabilities of a disposal group classified as held for sale continue to be recognized.

The sale is expected to close in 2021, subject to required approvals.

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

(millions of Canadian dollars)	Transmission, Distribution and Substation Equipment	Generation Facilities and Equipment	Buildings and Site Development	Tools, Systems and Equipment	Land	Capital Spares and Other	Vehicles	Work in Progress	Government Grants	Total
Cost										
As at January 1, 2019	2,444.5	2,277.5	475.6	87.3	49.3	48.5	41.8	113.7	(20.0)	5,518.2
Additions	-	36.7	17.6	0.1	-	3.4	10.1	390.1	-	458.0
Transfers	196.6	31.8	13.8	11.3	-	-	6.1	(259.6)	-	-
Disposals	(7.1)	(17.9)	(8.3)	(3.3)	-	-	(5.9)	(7.3)	-	(49.8)
Changes to asset retirement costs	-	14.5	-	-	-	-	-	-	-	14.5
Impairment	-	-	-	-	-	-	-	(1.1)	-	(1.1)
As at December 31, 2019	2,634.0	2,342.6	498.7	95.4	49.3	51.9	52.1	235.8	(20.0)	5,939.8
Versant Power acquisition	1,144.7	0.5	56.1	21.5	33.4	10.2	40.5	48.4	-	1,355.3
Additions	73.3	4.6	4.0	6.0	-	(0.5)	14.8	296.4	-	398.6
Transfers	298.5	7.6	69.5	8.3	-	(0.1)	3.9	(387.2)	-	0.5
Assets held for sale	-	(85.8)	(36.9)	(0.1)	-	(0.3)	-	(2.6)	20.0	(105.7)
Disposals	(14.5)	(21.3)	(7.6)	(20.2)	-	-	(7.8)	(5.9)	-	(77.3)
Adjustments	-	-	-	-	-	-	-	(13.8)	-	(13.8)
Changes to asset retirement costs	-	20.4	-	-	-	-	-	-	-	20.4
(Impairment) reversal	-	-	(0.6)	-	-	-	-	(2.6)	-	(3.2)
Foreign exchange translation	(139.4)	(0.1)	(6.4)	(2.6)	(3.9)	(1.2)	(5.0)	(6.2)	-	(164.8)
As at December 31, 2020	**3,996.6**	**2,268.5**	**576.8**	**108.3**	**78.8**	**60.0**	**98.5**	**162.3**	**-**	**7,349.8**
Accumulated Depreciation										
As at January 1, 2019	(346.2)	(772.8)	(105.1)	(43.3)	-	-	(9.8)	-	12.9	(1,264.3)
Depreciation	(94.5)	(98.6)	(16.0)	(8.1)	-	-	(5.3)	-	0.4	(222.1)
Disposals	13.3	16.7	3.5	3.3	-	-	5.0	-	-	41.8
As at December 31, 2019	(427.4)	(854.7)	(117.6)	(48.1)	-	-	(10.1)	-	13.3	(1,444.6)
Depreciation	(130.1)	(105.1)	(18.7)	(12.4)	-	-	(7.7)	-	0.3	(273.7)
Assets held for sale	-	51.1	28.7	0.1	-	-	-	-	(12.6)	67.3
Disposals	20.7	14.7	7.6	20.2	0.2	-	6.8	-	-	70.2
(Impairment) reversal	-	3.6	0.8	-	-	-	-	-	(0.9)	3.5
Adjustments	-	-	-	(0.1)	-	-	-	-	-	(0.1)
Foreign exchange translation	1.1	-	(0.4)	0.1	-	-	0.1	-	-	0.9
As at December 31, 2020	**(535.7)**	**(890.4)**	**(99.6)**	**(40.2)**	**0.2**	**-**	**(10.9)**	**-**	**0.1**	**(1,576.5)**
Net book value										
As at December 31, 2019	2,206.6	1,487.9	381.1	47.3	49.3	51.9	42.0	235.8	(6.7)	4,495.2
As at December 31, 2020	**3,460.9**	**1,378.1**	**477.2**	**68.1**	**79.0**	**60.0**	**87.6**	**162.3**	**0.1**	**5,773.3**

Real property, including land and buildings, with a carrying amount of $556.2 million as at December 31, 2020 (December 31, 2019 - $430.4 million), was subject to a right of first refusal to purchase held by The City.

For the year ended December 31, 2020, capitalized borrowing costs amounted to $11.1 million (2019 - $8.2 million), with capitalization rates ranging from 3.18 per cent to 4.14 per cent (2019 - 3.15 to 3.91 per cent). Interest is capitalized based on the actual cost of debt used to finance the capital construction projects. Interest rates ranged from 1.90 per cent to 5.02 per cent (2019 – 1.95 to 5.02 per cent).

During the year ended December 31, 2020, ENMAX recognized impairment losses of $3.4 million (2019 - $1.1 million) associated with certain property, plant and equipment (prior to the project being completed and included in one of ENMAX's CGU's). ENMAX has recognized an impairment reversal of $3.7 million associated with assets held for sale (see Note 13) during the year ended December 31, 2020 (2019 – $nil).

These balances include the Corporations ROU assets, and are further discussed in Note 16.

15. INTANGIBLE ASSETS

(millions of Canadian dollars)	Computer Systems	Renewable Energy Certificates and Water Licenses	Land Easements, Rights and Lease Options	Work in Progress	Total
Cost					
As at January 1, 2019	248.4	12.4	33.9	9.1	303.8
Additions	-	-	-	28.3	28.3
Transfers	18.5	-	-	(18.5)	-
As at December 31, 2019	266.9	12.4	33.9	18.9	332.1
Versant Power acquisition	43.4	-	50.6	2.1	96.1
Additions	4.2	-	0.4	41.6	46.2
Transfers	24.5	-	4.3	(28.7)	0.1
Disposals	(13.6)	-	-	-	(13.6)
Foreign exchange translation	(7.9)	-	(7.0)	(0.7)	(15.6)
As at December 31, 2020	**317.5**	**12.4**	**82.2**	**33.2**	**445.3**
Accumulated amortization					
As at January 1, 2019	(106.0)	(12.3)	(7.7)	-	(126.0)
Amortization	(20.1)	-	(1.3)	-	(21.4)
As at December 31, 2019	(126.1)	(12.3)	(9.0)	-	(147.4)
Amortization	(23.4)	-	(1.8)	-	(25.2)
Disposals	13.6	-	-	-	13.6
Foreign exchange translation	2.8	-	1.1	-	3.9
As at December 31, 2020	**(133.1)**	**(12.3)**	**(9.7)**	**-**	**(155.1)**
Net book value					
As at December 31, 2019	140.8	0.1	24.9	18.9	184.7
As at December 31, 2020	**184.4**	**0.1**	**72.5**	**33.2**	**290.2**

16. LEASES

ENMAX leases several assets categorized as: generation facilities and equipment, buildings and site development, land, tools, systems and equipment and vehicles. The average term remaining on the leases are 3.7 years.

Right-of-use assets

The changes in the net book value for the Corporation's right-of-use assets during the year were as follows:

(millions of Canadian dollars)	Generation Facilities and Equipment	Buildings and Site Development	Land	Tools, Systems and Equipment	Vehicles	Total
Cost						
As at January 1, 2019	5.1	-	-	-	-	5.1
Opening balance adjustment IFRS 16	27.9	13.3	8.8	0.1	7.7	57.8
Net changes	(0.1)	0.1	-	-	1.9	1.9
As at December 31, 2019	32.9	13.4	8.8	0.1	9.6	64.8
Net changes	-	0.4	0.5	0.1	(0.2)	0.8
Assets held for sale	(5.1)	-	-	-	-	(5.1)
As at December 31, 2020	**27.8**	**13.8**	**9.3**	**0.2**	**9.4**	**60.5**
Accumulated Depreciation						
As at January 1, 2019	(1.7)	-	-	-	-	(1.7)
Net changes	(1.2)	(1.2)	(0.3)	(0.1)	(2.6)	(5.4)
As at December 31, 2019	(2.9)	(1.2)	(0.3)	(0.1)	(2.6)	(7.1)
Net changes	(1.2)	(2.0)	(0.2)	(0.1)	(1.8)	(5.3)
Assets held for sale	2.0	-	-	-	-	2.0
As at December 31, 2020	**(2.1)**	**(3.2)**	**(0.5)**	**(0.2)**	**(4.4)**	**(10.4)**
Net Book Value						
As at December 31, 2019	30.0	12.2	8.5	-	7.0	57.7
As at December 31, 2020	**25.7**	**10.6**	**8.8**	**-**	**5.0**	**50.1**

Amounts recognized in profit and loss

(millions of Canadian dollars)	December 31, 2020	December 31, 2019
Depreciation expense	**5.3**	6.0
Lease expense on short-term leases	**0.8**	0.3
Interest expense on lease liabilities	**2.5**	2.4
Amounts expensed in profit and loss	**8.6**	8.7

Lease payments

The required lease payments at December 31, 2020, are as follows:

As at December 31, *(millions of Canadian dollars)*	**2020**
Less than 1 year	**7.9**
1–5 years	**20.1**
More than 5 years	**50.7**

The total cash outflow during the year for leases amounts to $8.9 million. ENMAX does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored through ENMAX's treasury function.

Generation Facilities and Equipment

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

Buildings and Site Development

ENMAX has entered into building leases to house various operations. As at December 31, 2020 the leases that were capitalized have 3 to 27 years remaining.

Land

Land surrounding several of ENMAX's generating facilities is leased to allow for the installation of substation and water reservoirs. The contracted lengths and terms of payments of the leases vary. As at December 31, 2020 ENMAX expects all land leases to be renewed until the end of the useful life of each respective generating facility.

Tools, Systems and Equipment

ENMAX has entered into a lease for various copiers and printers at its facilities. The lease term is for one year. At adoption, it could not be reasonably determined if this lease would be renewed.

Vehicles

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

17. LONG-TERM DEBT

As at *(millions of Canadian dollars)*	**December 31, 2020**	**Weighted Average Interest Rates**	**December 31, 2019**	**Weighted Average Interest Rates**
City debentures [1] with remaining terms of:				
Less than 5 years	**33.4**	**2.38%**	44.1	3.19%
5 – 10 years	**34.4**	**3.74%**	27.6	3.79%
10 – 15 years	**308.7**	**4.49%**	216.3	4.62%
15 – 20 years	**566.4**	**3.35%**	575.2	3.63%
20 – 25 years	**429.1**	**2.77%**	420.2	2.95%
General and refunding mortgage bonds	**27.4**	**8.98%**	-	-
Private debentures [1]	**1,337.9**	**3.52%**	1,335.7	3.52%
Senior notes [1]	**506.3**	**3.86%**	-	-
Non-revolving term facility	**195.0**	**2.09%**		
Promissory note	**2.6**	**5.00%**	2.9	5.00%
Debt instrument	**0.5**	**7.00%**	-	-
	3,441.7		2,622.0	
Less: current portion	**(73.6)**		(73.3)	
	3,368.1		2,548.7	

[1] Unsecured debentures. See Note 9 for further detail.

CITY DEBENTURES

Debentures were initially issued by The City on behalf of the CES, pursuant to City bylaw authorizations prior to January 1, 1998. Pursuant to the master agreement between the Corporation and The City, the debentures were included in the assumed liabilities upon transfer of substantially all the assets and liabilities of the CES from The City to the Corporation at January 1, 1998. In accordance with a debt management service level agreement between the Corporation and The City, The City continues to administer the new and existing debentures on behalf of the Corporation. During 2020, the Corporation borrowed an additional $164.9 million from The City.

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

GENERAL AND REFUNDING MORTGAGE BONDS

As part of the March 24, 2020 acquisition, the Corporation assumed the general and refunding mortgage bonds. The Corporation had $27.4 million of mortgage bonds outstanding as at December 31, 2020, maturing in 2022. The bond was initially issued with a 30-year maturity in 1992 and is secured by substantially all of Versant Power's plant and property. The Corporation has not issued additional mortgage debt since 1995, when it issued a 10-year mortgage note that has since matured.

PRIVATE DEBENTURES

On October 15, 2019, ENMAX completed the issuance of Series 5, 6 and 7 unsecured private debentures for a total of $850.0 million. The Series 5 debentures of $300.0 million have a 3-year term and bear interest at 2.92 per cent, the Series 6 debentures of $300.0 million have a 5-year term and bear interest at 3.33 per cent, and the Series 7 debentures of $250.0 million have a 10-year term and bear interest at 3.88 per cent.

SENIOR NOTES

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

PROMISSORY NOTE

The promissory note was issued in the fourth quarter of 2006 and represents an amortizing loan from the Board of Trustees of Westwind School Division No. 74, acting as agent for the Wind Participation Consortium (WPC), which is comprised of three school divisions. The 20-year note, in the amount of $6.3 million with interest at a fixed rate of 5.00 per cent is repayable in monthly instalments. The Corporation provided a fixed charge over two wind turbines located at Taber, Alberta, as security for the loan. Concurrent with execution of the loan, WPC executed a 20-year electricity services agreement with ENMAX Competitive Energy.

PRINCIPAL REPAYMENTS

The required repayments of principal on the long-term debt at December 31, 2020, are as follows:

REQUIRED REPAYMENTS OF PRINCIPAL

As at December 31, *(millions of Canadian dollars)*	**2020**
Less than 1 year	**73.6**
1–3 years	**736.8**
3–5 years	**634.6**
More than 5 years	**1,996.7**

SHORT TERM FINANCING

As at December 31, 2020 ENMAX had $165.9 million (December 31, 2019 - $174.2 million) of commercial paper and bankers acceptances outstanding. The interest rate averaged 0.47 per cent (2019 – 2.08 per cent); management expects this balance to be repaid within a year.

18. POST-EMPLOYMENT BENEFITS

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

The Canadian DB provisions provide a pension 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.

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

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

In Canada the Corporation sponsors a supplemental pension plan providing an additional DC or DB pension to members whose benefits are limited by maximum pension rules under the *Canadian Income Tax Act* (ITA). The supplemental pension plan benefits do not automatically increase. In addition, the Corporation provides employees with post-retirement 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.

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

Total cash payments for employee future benefits for the year ended December 31, 2020, consisting of cash contributed by the Corporation under the DB and DC provisions of the registered pension plan and cash payments directly to beneficiaries of the Corporation's unfunded other benefit plans, were $28.2 million (2019 - $22.4 million).

For the year ended December 31, 2020, the total expense for the DC provisions of the plan is $12.8 million (2019 - $10.3 million).

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

	December 31, 2020			December 31, 2019		
(millions of Canadian dollars)	**Pension Benefit Plan**	**Other Benefit Plan**	**Total**	**Pension Benefit Plan**	**Other Benefit Plan**	**Total**
Change in defined benefit obligation:						
Balance, beginning of year	**398.3**	**14.6**	**412.9**	336.1	11.6	347.7
Versant Power acquisition	**240.7**	**55.5**	**296.2**	-	-	-
Current service cost	**17.7**	**1.6**	**19.3**	11.2	0.9	12.1
Interest cost	**17.3**	**1.7**	**19.0**	12.2	0.4	12.6
Employee contributions	**3.7**	**-**	**3.7**	3.5	-	3.5
Actuarial losses (gains)	**32.2**	**5.5**	**37.7**	61.0	2.4	63.4
Benefits paid	**(29.6)**	**(2.0)**	**(31.6)**	(25.7)	(0.7)	(26.4)
Foreign exchange translation	**(29.8)**	**(6.8)**	**(36.6)**	-	-	-
Defined benefit obligation, end of year	**650.5**	**70.1**	**720.6**	398.3	14.6	412.9
Change in plan assets:						
Fair value, beginning of year	**322.7**	**-**	**322.7**	296.9	-	296.9
Versant Power acquisition	**177.3**	**6.4**	**183.7**	-	-	-
Interest income	**9.6**	**-**	**9.6**	11.0	-	11.0
Return on plan assets, excluding amounts included in interest expense	**74.9**	**1.6**	**76.5**	25.7	-	25.7
Employer contributions	**9.9**	**1.6**	**11.5**	10.1	-	10.1
Employee contributions	**3.7**	**-**	**3.7**	3.5	-	3.5
Benefits paid	**(25.8)**	**(1.6)**	**(27.4)**	(24.2)	-	(24.2)
Non-investment expenses	**(0.6)**	**-**	**(0.6)**	(0.3)	-	(0.3)
Foreign exchange translation	**(24.2)**	**(0.8)**	**(25.0)**			
Plan assets at fair value, end of year	**547.5**	**7.2**	**554.7**	322.7	-	322.7
Funded status-plan deficit						
Accrued benefit (liability)	**(103.0)**	**(62.9)**	**(165.9)**	(75.6)	(14.6)	(90.2)

DEFINED BENEFIT COST – STATEMENT OF EARNINGS

	December 31, 2020			December 31, 2019		
(millions of Canadian dollars)	**Pension Benefit Plan**	**Other Benefit Plan**	**Total**	**Pension Benefit Plan**	**Other Benefit Plan**	**Total**
Current service costs	**17.7**	**1.6**	**19.3**	11.3	0.8	12.1
Net interest on net benefit liability	**7.7**	**1.7**	**9.4**	1.2	0.4	1.6
Admin costs	**0.6**	**-**	**0.6**	0.3	-	0.3
Net benefit plan expense	**26.0**	**3.3**	**29.3**	12.8	1.2	14.0

DEFINED BENEFIT COST – STATEMENT OF COMPREHENSIVE INCOME

	December 31, 2020			December 31, 2019		
(millions of Canadian dollars)	**Pension Benefit Plan**	**Other Benefit Plan**	**Total**	**Pension Benefit Plan**	**Other Benefit Plan**	**Total**
Return on plan assets (greater) less than discount rate	**(7.4)**	**-**	**(7.4)**	(25.7)	-	(25.7)
Actuarial (gains) losses						
Experience adjustments	**(9.0)**	**(0.5)**	**(9.5)**	10.6	(0.2)	10.4
Changes in assumptions [1]	**13.0**	**1.3**	**14.3**	50.1	2.7	52.8
Re-measurement effects recognized in OCI [2]	**(3.4)**	**0.8**	**(2.6)**	35.0	2.5	37.5

[1] See changes in assumptions – Note 18(a).
[2] A prior period adjustment for $0.4 million was recognized in 2019 related to the last actuarial valuation – Note 18(b).

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

As at	December 31, 2020				December 31, 2019			
(millions of Canadian dollars)	**Quoted**	**Un-quoted**	**Total**	**In %**	**Quoted**	**Un-quoted**	**Total**	**In %**
Equity securities			**324.7**	**58.5%**			214.6	66.5%
Canadian equity funds	**109.5**	**-**			142.0	-		
Foreign equity funds	**215.2**	**-**			72.6	-		
Fixed-income securities			**200.2**	**36.1%**			79.7	24.7%
Canadian fixed-income funds	**81.3**	**-**			79.7	-		
Foreign fixed-income funds	**118.9**	**-**			-	-		
Canadian real estate investments	**-**	**27.0**	**27.0**	**4.9%**	-	27.2	27.2	8.4%
Cash and cash equivalents	**-**	**2.8**	**2.8**	**0.5%**	-	0.9	0.9	0.3%
Non-investment asset	**-**	**-**	**-**	**0.0%**	-	0.3	0.3	0.1%
Total plan assets	**524.9**	**29.8**	**554.7**	**100.0%**	294.3	28.4	322.7	100.0%

(a) Assumptions

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

	December 31, 2020		December 31, 2019	
	Pension Benefit Plan	Other Benefit Plan	Pension Benefit Plan	Other Benefit Plan
Defined benefit obligation:				
Discount rate	**2.04% - 2.75%**	**2.25% - 2.37%**	3.00%	3.00%
Inflation rate	**1.80%**	**n/a**	1.80%	n/a
Rate of compensation increase	**2.8% - 3.0%**	**2.80%**	2.80%	2.80%
Health care cost trend rate for next year [(1)]	**n/a**	**6.50% - 7.75%**	n/a	6.50%
Net benefit plan expense:				
Discount rate	**3.0% - 3.38**	**3.0% - 3.36%**	3.75%	3.50%
Inflation rate	**1.80%**	**n/a**	1.80%	n/a
Rate of compensation increase	**2.8% - 3.0%**	**2.80%**	2.80%	2.80%
Health care cost trend rate for next year [(2)]	**n/a**	**7.00% - 8.0%**	n/a	7.00%

[(1)] 2020 Post and pre-65 rates: decreasing gradually to 4.5% by 2034 and remaining at that level thereafter for the U.S. and decreasing gradually to 5.0% in 2026 for Canada (2019 – decreasing gradually to 5.0% in 2026).
[(2)] 2020 Post and pre-65 rates: decreasing gradually to 4.5% by 2034 and remaining at that level thereafter for the U.S. and decreasing gradually to 5.0% in 2026 for Canada (2019 – decreasing gradually to 5.0% in 2026).

For the Canadian plan the per capita cost of covered dental benefits was assumed to increase by 4.5 per cent per year (2019 – 4.5 per cent).

The 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

	December 31, 2020		
(millions of Canadian dollars)	**Change in assumption**	**Increase**	**Decrease**
Impact on Pension Benefit Plan DBO			
Discount rate	**1%**	**(100.1)**	**112.6**
Rate of compensation increase	**1%**	**15.2**	**(15.0)**
Inflation rate	**1%**	**35.8**	**(32.7)**
Life expectancy	**1 year**	**18.2**	**(18.4)**
Impact on Other Benefit Plan DBO			
Discount rate	**1%**	**(7.2)**	**8.8**
Rate of compensation increase	**1%**	**0.8**	**(0.7)**
Health care cost trend rate	**1%**	**7.4**	**(6.2)**
Life expectancy	**1 year**	**1.2**	**(1.5)**

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

(b) Maturity analysis

An actuarial valuation was performed as of December 31, 2019. The aggregate solvency deficit in the Corporation's funded pension plans amounted to $3.8 million. The Corporation will make special payments for past service of $0.6 million annually to fund the defined pension benefits plans' deficit over 10 years. Current agreed service contributions are 9.81 per cent of pensionable salaries and continue to be made in the normal course. Total expected contributions to post-employment benefit plans for the year ending December 31, 2021 (including the past service contributions) are $12.2 million.

The weighted average duration of the defined benefit obligation for the pension benefit plan and the other benefit plan is from 13.4 years to 18.3 years and 11.5 years to 11.6 years respectively (2019 – 15.2 years and 10.9 years).

Expected maturity analysis of undiscounted pension and other benefit plans:

	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Defined pension benefit plan	28.8	60.3	63.9	170.8	**323.8**
Other benefit plans	3.9	8.5	8.8	21.6	**42.8**
At December 31, 2020	**32.7**	**68.8**	**72.7**	**192.4**	**366.6**

(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 a 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. Based on the 2019 pension valuation, the Canadian DB Provisions are 126.4 per cent funded on a going-concern basis and 98.8 per cent on a solvency basis. The U.S. pension plans have funding ratios between 103.6 per cent and 113.3 per cent. The funding ratio is monitored on an ongoing basis**.**

Investment risk

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

19. DEFERRED REVENUE

(millions of Canadian dollars)	CIAC	Other	Liabilities Classified as Held for Sale	Total
As at December 31, 2019	544.1	21.5	-	565.6
Net additions	32.0	7.5	(7.3)	32.2
Movements to PP&E	0.4	-	-	0.4
Recognized as revenue	(20.4)	(9.3)	-	(29.7)
As at December 31, 2020	556.1	19.7	(7.3)	568.5
Less: current portion	-	(6.9)	0.4	(6.5)
	556.1	**12.8**	**(6.9)**	**562.0**

20. ASSET RETIREMENT OBLIGATIONS AND OTHER PROVISIONS

(millions of Canadian dollars)	Asset Retirement Obligations	Onerous Contracts and Other	Total
As at January 1, 2019	89.1	18.6	107.7
Additions	14.5	-	14.5
Settled in the year	-	(2.0)	(2.0)
Accretion expense	2.0	-	2.0
As at December 31, 2019	105.6	16.6	122.2
Additions	20.4	22.8	43.2
Settled in the year	-	(16.4)	(16.4)
Accretion expense	1.5	-	1.5
Foreign exchange translation	-	(2.0)	(2.0)
As at December 31, 2020	127.5	21.0	148.5
Less: current portion	-	(6.0)	(6.0)
	127.5	**15.0**	**142.5**

Asset Retirement Obligations

The Corporation has estimated the net present value of the decommissioning liabilities associated with the assets of Competitive Energy based on a total undiscounted future liability of $195.1 million (December 31, 2019 - $195.1 million) calculated using an inflation rate of 2 per cent (December 31, 2019 - 2 per cent). These payments are expected to be made between 2039 and 2071. The Corporation calculated the present value of the obligations using discount rates ranging from 0.98 per cent to 1.29 per cent (December 31, 2019 - between 1.75 per cent and 1.79 per cent) to reflect the market assessment of the time value of money.

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

Onerous contracts and Other

The Corporation decreased its onerous contracts and other provision by $1.2 million (December 31, 2019 - $2.0 million) due to settlement and to reflect changes in the expected timing and amounts of certain longer-term onerous contracts. Associated with the acquisition costs on March 24, 2020 there were stipulation costs incurred of $22.7 million (December 31, 2019 - $nil). These costs are expected to settle in 2021.

21. 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, 2019 and 2020:		
Issued on incorporation	1	-
Issued on transfer of net assets from CES	1	278.2
Issued on transfer of billing and customer care assets from The City in 2001	1	1.9
Balance, December 31, 2019 and 2020	**3**	**280.1**

22. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

As at *(millions of Canadian dollars)*	December 31, 2020	December 31, 2019
Net unrealized gains on derivatives designated as cash flow hedges, including deferred income tax expense of $1.0 million (December 31, 2019 - expense of $5.7 million)	**1.5**	8.3
Net actuarial losses on defined benefit plans, including deferred income tax recovery of $0.8 million (December 31, 2019 - recovery of $0.7 million)	**(38.2)**	(40.8)
Cumulative translation adjustment	**(153.2)**	-
Accumulated other comprehensive losses, including deferred income tax expense of $0.2 million (December 31, 2019 - expense of $5.0 million)	**(189.9)**	(32.5)

23. OTHER REVENUE AND EXPENSES

OTHER REVENUE

Year ended December 31, *(millions of Canadian dollars)*	2020	2019
Interest and penalty revenue	**4.8**	8.4
Miscellaneous	**11.9**	10.4
	16.7	18.8

OTHER EXPENSES

Year ended December 31, *(millions of Canadian dollars)*	2020	2019
Contractual services cost	**75.0**	100.7
Staff costs	**236.5**	188.0
Consulting costs	**23.5**	32.6
Advertising and promotion	**9.0**	10.3
Administrative and office expenses	**83.6**	86.5
Operating costs	**72.1**	39.1
Building and property costs	**44.6**	24.6
Other costs	**14.0**	1.0
Foreign exchange (gains) losses	**(128.8)**	21.8
	429.5	504.6

24. JOINT ARRANGEMENTS

Significant joint operations included in the consolidated financial statements at December 31, 2020 are listed below.

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

25. INTEREST IN ASSOCIATES

The following entities have been included in the consolidated financial statements using the equity method:

	Operating	% Ownership		Carrying values	
Name of Entity	Jurisdiction	2020	2019	2020	2019
Maine Yankee Atomic Power Company [1]	USA	12.0%	-	0.4	-
Maine Electric Power Company, Inc. [2]	USA	21.7%	-	140.6	-

[1] Maine Yankee Atomic Power Company (Maine Yankee) owned and, prior to its permanent closure in 1997, operated an 880 MW nuclear power generating plant in Wiscasset, Maine. The Corporation is obligated to pay its pro-rata share of Maine Yankee's decommissioning costs.

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

Summarized financial information

(millions of Canadian dollars)	2020	2019	2020	2019
Current assets	**6.5**	-	**26.0**	-
Non-current assets	**271.2**	-	**177.1**	-
Current liabilities	**3.0**	-	**19.6**	-
Non-current liabilities	**271.4**	-	**16.7**	-
Net assets (100%)	**3.3**	-	**166.8**	-
Corporation's share of net assets	**0.4**	-	**36.2**	-
Revenues	**-**	-	**6.2**	-
Net earnings (loss)	**-**	-	**3.3**	-
Other comprehensive income (loss)	**-**	-	**-**	-
Total comprehensive income (loss)	**-**	-	**-**	-
Dividends received from associate	**-**	-	**-**	-

26. DIVIDENDS

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

27. FINANCE CHARGES

Year ended December 31, *(millions of Canadian dollars)*	**2020**	**2019**
Accretion expense	**1.5**	2.0
Interest expense – pension	**5.1**	1.6
Interest on long-term debt	**117.3**	73.6
Interest on finance leases	**2.5**	2.4
Short-term interest and other financing charges	**18.9**	9.2
Less: capitalized borrowing costs	**(11.1)**	(8.2)
	134.2	80.6

28. CHANGES IN NON-CASH WORKING CAPITAL

Year ended December 31, *(millions of Canadian dollars)*	**2020**	**2019**
Accounts receivable	**3.0**	27.0
Regulatory deferral account debit balances	**(18.7)**	52.5
Other assets	**(14.0)**	18.4
Accounts payable and accrued liabilities	**59.5**	(77.4)
Regulatory deferral account credit balances	**(5.5)**	(3.5)
Other liabilities	**15.4**	5.8
Deferred revenue (non-CIAC)	**(2.6)**	(0.3)
Provisions	**(1.8)**	(2.0)
Changes in non-cash working capital	**35.3**	20.5

29. RELATED PARTY TRANSACTIONS

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

STATEMENTS OF EARNINGS

Year ended December 31, *(millions of Canadian dollars)*	**2020**	**2019**
Revenue [1]	**135.3**	151.4
Local access fees and other expenses [2]	**138.0**	149.2

[1] The significant components include contract sales of electricity, construction of infrastructure, provision of non-regulated power distribution services, and billing and customer care services relating to The City's utilities departments.
[2] This cost is passed through the Corporation directly to transmission and distribution customers.

STATEMENTS OF FINANCIAL POSITION

As at December 31, *(millions of Canadian dollars)*	**2020**	**2019**
Accounts receivable	**23.4**	32.4
Property, plant and equipment [1]	**3.1**	3.2
Accounts payable and accrued liabilities	**12.0**	13.7
Long-term debt [2]	**1,372.0**	1,283.3
Other long-term liabilities [3]	**5.9**	6.2

[1] Assets under lease classified as assets held for sale.
[2] Interest and principal payments for the year ended December 31, 2020 were $46.9 million (2019 - $45.4 million) and $76.3 million (2019 - $74.5 million) respectively. In addition, for the year ended December 31, 2020, the Corporation paid a management fee of $3.6 million (2019 - $3.1 million) to The City.
[3] Finance lease obligation.

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

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

Compensation of key management

The Corporation's key management personnel are members of the Board of Directors and the executive management team. Key management personnel have the authority and the responsibility for planning, directing and controlling the activities of the Corporation. Several personnel changes and reorganization in the executive management team during 2020 resulted in certain non-recurring charges in the year.

The 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)*	**2020**	**2019**
Salaries and other short-term employee benefits	**6.9**	5.6
Other long-term benefits	**2.6**	2.4
Retirement and post-employment benefits	**1.4**	0.6
Termination benefits	**2.0**	-
	12.9	8.6

30. SUBSIDIARIES

Material subsidiaries, each of which is wholly owned, either directly or indirectly, by the Corporation as at December 31, 2020 are shown below:

Material Subsidiaries	Principal Activity
Canadian Operations	
Calgary Energy Centre No. 2 Inc.	Operator and contracting entity for the CEC 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 Balzac LP	Limited Partnership of the Balzac power plant.
ENMAX Bonnybrook Inc.	Operator and contracting entity for the Bonnybrook project.
ENMAX Cavalier GP Inc.	General Partner (on behalf of the LP) for the Cavalier natural gas power plant.
ENMAX Cavalier LP	Limited Partnership of the Cavalier power plant.
ENMAX Edmonton District Energy Corp.	Entity used for individual combined heat and power (CHP) unit project for DE Edmonton. This entity has not been used in some time as the DE Edmonton project has been terminated.
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. Ownership: ENMAX Generation
ENMAX Generation Holdings Corporation	Holding corporation for the Balzac, Cavalier and Genesee plants.
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 Genesee LP	Limited partnership of Genesee G 4/5 power plant.
ENMAX Independent Energy Solutions Inc.	Entity holds the CHP unit for the district energy facility, and operates the CHP unit at the Stoney transit facility.
ENMAX Kettles Hill Inc.	Operator of Kettles Hill wind energy farm.
ENMAX Power Corporation	(EPC) is the regulated wires company. Owns, operates, and maintains electricity transmission and distribution generally in The City of Calgary. Handles services related to the Regulated Rate Option and retailer billing.
ENMAX Power Services Corporation	Provides competitive engineering, procurement, construction and maintenance services for EPC and other utilities. Builds and maintains Calgary's Light Rail Transit system, maintains city streetlights and provides utility trenching to Alberta developers.
ENMAX PPA Management Inc.	Contracting entity for management of all Power Purchase Arrangements.
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. Operations	
2181206 Alberta Ltd.	Canadian holding company (for U.S. operations only) [1]
3456, Inc.	United States holding company [2]
BHE Holding Inc.	United States holding company
Bangor Fiber Company, Inc.	Bangor Fiber was created to hold rights associated with fiber optic cable, which it leases to Versant Power and other companies.
Bangor Line Company	Bangor Line was created for electrical transmission and distribution, operation and maintenance. It conducts no business.
Bangor Var Co., Inc.	Bangor Var Co., Inc. was created to hold a partnership interest in a static var compensator (SVC) facility in Chester, Maine. See Chester SVC Partnership.
Chester SVC Partnership	Partnership formed by Versant Power and Central Maine Power Company (CMP) through CMP's subsidiary NORVARCO to build and own an SVC facility in Chester, Maine.
East Branch Improvement Company	East Branch was created for the construction and operation of hydro-electric dams along the Penobscot River.
The 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.
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 an 860 MW nuclear power plant in Wiscasset, Maine. In 1997, the facility ceased operations and the decommissioning process began. Operations currently limited to storage site for spent fuel.
Versant Power	Versant Power is a public utility based in Bangor, Maine USA that is engaged in the transmission and distribution of electricity.

[1] Subsequent to year-end, the Corporation changed the name of 2181206 Alberta Ltd. to ENMAX Utility Holdco Inc.
[2] Subsequent to year-end, the Corporation changed the name of 3456, Inc. to ENMAX US Holdco Inc.

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

31. COMMITMENTS AND CONTINGENCIES

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

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

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

(millions of Canadian dollars)	
2021	**267.3**
2022	**45.8**
2023	**42.6**
2024	**33.3**
2025	**30.1**
Thereafter	**380.7**

HISTORICAL TRANSMISSION LINE LOSS PROVISION

ENMAX has participated in various proceedings regarding the AESO's Line Loss Rule (LLR). The LLR establishes the loss factors that form the basis for certain transmission charges paid by Alberta generators, including ENMAX. The LLR Proceeding 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 the AUC's decisions, the AESO is required to settle adjustments for these historic amounts using three settlement periods, comprising of one three-year period and two four-year periods.

Settlement of the first period, applicable to the years 2016, 2015, and 2014, occurred in December 2020. While some ENMAX entities provided payments to the AESO, ENMAX was a net recipient of credits and received an overall credit for those specific years.

It is currently expected that settlement of the second period, applicable to the years 2013, 2012, 2011 and 2010, will occur on March 1, 2021 and that settlement of the third period, applicable to the years 2009, 2008, 2007 and 2006 will occur on May 31, 2021.

The AUC's decisions do not require the AESO to consider commercial agreement terms and service transfer circumstances when the 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 recorded payables and receivables in its 2020 consolidated financial statements related to the second and third settlement periods. These amounts are expected to settle in 2021. The total of the three settlement periods resulted in a reduction of net earnings before tax of approximately $33.0 million.

ENMAX has sufficient access to cash to satisfy this amount.

LEGAL AND REGULATORY PROCEEDINGS

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

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

From 2011 to 2016, four separate complaints were filed with the FERC to challenge the base Return on Equity (ROE) under the ISO-NE Open Access Transmission Tariff (OATT). Complaint IV is still outstanding, Complaint one is refunded based on prior FERC order, while provisions have been recorded for the other two.

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

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

On November 21, 2019, as revised May 21, 2020, the FERC issued an order affecting transmission ROEs in the Midcontinent ISO (MISO) region that alters the Commission's methodology for analyzing the base return on equity component of a jurisdictional public utility's rates. Although the methodology was applied to MISO, it is expected to be used in the pending ISO-NE cases. No date for a decision has been made yet, but the FERC is expected to rule on these outstanding ISO-NE cases in 2021. Additionally, both the MISO case, and a decision in the ISO-NE cases, will be subject to further appeal rights, and if appealed, a final decision would be unlikely to occur before Q4 2021. No reserves have been made with respect to all the remaining pending complaints as it is not possible to determine the impact at this time.

COVID-19 PANDEMIC

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

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

ENVIRONMENTAL

Provincial regulations aimed at reducing the levels of greenhouse gas (GHG) emissions took effect July 2007 and were subsequently updated in June 2015 for the years 2016 through 2019. The Alberta government proposed new legislation with regards to greenhouse gas emissions in June of 2019, effective January 1, 2020. In 2019 the Canadian Federal Government accepted these proposals as meeting the equivalent standards under the Pan-Canadian Framework.

For the year ended December 31, 2020, the consolidated financial statements include a charge to earnings in the amount of $5.5 million (2019 - $6.3 million) included in costs of electricity services provided, relating to estimated compliance costs under the provincial GHG regulations for ENMAX Competitive Energy's interests in natural gas-fueled generation facilities through its owned assets. Compliance payments are due to the Province of Alberta, directly or via plant owners, by June 30 of the year following the compliance year.

LETTERS OF CREDIT

In the normal course of operations, letters of credit are issued to facilitate the extension of sufficient credit for counterparties having credit exposure to the Corporation or its subsidiaries. The Corporation uses unsecured credit facilities to fund general operating requirements and to provide liquidity support for commercial paper and commodity marketing programs. As at December 31, 2020 the Corporation had issued letters of credit amounting to $279.1 million (December 31, 2019 - $358.3 million).

As at	**December 31, 2020**		**December 31, 2019**	
(millions of Canadian dollars)	**Available**	**Used**	**Available**	**Used**
Unsecured credit facilities				
Bilateral operating facilities	**600.0**	**279.0**	600.0	358.3
Syndicated credit facilities	**250.0**	**0.1**	250.0	53.0
	850.0	**279.1**	850.0	411.3

32. SUBSEQUENT EVENTS

DIVIDENDS

On March 24, 2021, the Corporation declared a total dividend of $58.0 million payable to The City in quarterly instalments during 2021.

33. COMPARATIVE FIGURES

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

GLOSSARY OF TERMS

AESO	Alberta Electric System Operator
AC	ENMAX's Audit Committee
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income
ARO	Asset retirement obligation
Atlantica	Atlantica Sustainable Infrastructure PLC
AUC	Alberta Utilities Commission
BHD	Bangor Hydro District
Bill 14	Alberta Utility Payment Deferral Program
Canadian GAAS	Canadian generally accepted auditing standards
CAPM	
CAIDI	Customer average interruption duration index
CEA	Canadian Electricity Association
CES	Calgary Electric System
CGUs	Cash-Generation Units
CHP	Combined Heat and Power
CIAC	Contributions in aid of construction
CMP	Central Maine Power Company
CNE	Comparable net earnings
Competitive Energy	ENMAX Competitive Energy
Corporate	ENMAX Corporate and Eliminations
COVID-19	Strain of the novel coronavirus
CRMC	Commodity Risk Management Committee
CUPE	The Canadian Union of Public Employees
DAS	Distribution Access Service
DB	Defined benefit
DBO	Defined benefit obligation
DC	Defined contribution
Adjusted EBIT	Earnings before interest and income taxes
Adjusted EBITDA	Earnings before interest, Earnings before interest, income tax and depreciation and amortization
ECL	Expected Credit Losses
EMCOS	Eastern Massachusetts Consumer Owned Systems
ENMAX	ENMAX Corporation and its subsidiaries
EPC	ENMAX Power Corporation
ERM	Enterprise Risk Management
ESG	Environmental, social governance
EV	Electric vehicle
FCF	Free Cash Flow
FERC	United States Federal Energy Regulatory Commission
FVTPL	Fair Value Through Profit or Loss
FVOCI	Fair Value Through Other Comprehensive Income
FX	Foreign exchange
GHG	Greenhouse gas
GJ	Gigajoule
GRI	Global Reporting Initiative's
GWh	Gigawatt hour
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBEW	The International Brotherhood of Electrical Workers
IEEE	The Institute of Electrical Electronics Engineers
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISO-NE	ISO-New England
ITA	Income Tax Act
kWh	Kilowatt hour
LLR	Line Loss Rule
MD&A	Management's Discussion and Analysis
MEPCo	Maine Electric Power Company
MISO	Midcontinent ISO
MPD	Maine Public District
MPUC	Maine Public Utilities Commission
MSA	Market Surveillance Administrator
MW	Megawatt
MWh	Megawatt hour
NEPOOL	New England Power Pool

NGTL	Nova Gas Transmission Ltd.
NMISA	Northern Maine Independent System Administrator
OATT	Open Access Transmission Tariff
OCI	Other comprehensive income
OM&A	Operations, maintenance and administration
PBR	Performance Based Regulation
PILOT	Payment in lieu of tax
Power Delivery	ENMAX Power Delivery
PPA	Power purchase arrangement
PP&E	Property, plant and equipment
RMC	Risk Management Committee
ROE	Return on Equity
ROU	Right-of-use
RRO	Regulated Rate Option
SAIDI	System average interruption duration index
SAIFI	System average interruption frequency index
Shepard	Shepard Energy Centre
SHRC	Safety and Human Resources Committee
SIPP	Statement of Investment Policies and Procedures
SVP	Static var compensator
TIER	Technology Innovation and Emissions Reduction
The Board	ENMAX's Board of Directors
The City	The City of Calgary
The Corporation	ENMAX Corporation and its subsidiaries
The Divisions	ENMAX Transmission and ENMAX Distribution
The JVA	Genesee 4/5 Joint Venture Agreement
The Notice	Notice of departure from the Genesee 4/5 generation project
U.S. GAAP	United States Generally Accepted Accounting Principles
VIU	Value in use
WACC	Weighted average cost of capital
WPC	Wind Participation Consortium
WRAP	Wires Retail Access Program

ADDITIONAL INFORMATION

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

Please direct financial inquiries to:

Wayne O'Connor
President and Chief Executive Officer
403.514.3000

Davin Kivisto
Interim Chief Financial Officer
403.514.3000

Please direct media inquiries to:

Gina Sutherland
Senior Advisor, External Relations
403.689.6134

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2020 ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

ENMAX





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Message from Wayne

At ENMAX, we recognize that access to safe, reliable, clean and affordable electricity is critical to the lives and livelihoods of those we serve, and that we are responsible for ensuring we carry out our operations in ways that place priority on the needs of our customers, communities and the environment.

On behalf of ENMAX, I am pleased to present our 2020 Environmental, Social and Governance (ESG) Report. Our report represents the next milestone in our sustainability practices, reflecting a combined effort of the ENMAX team and our vision for our future.

We are proud of ENMAX's strong history of environmental, social and governance leadership, and I want to thank our team and leaders, past and present, who worked hard to make that happen. As we move forward, we build on this legacy as we advance our sustainability efforts in ways that benefit those we serve and the environment in which we operate. I also want to recognize the ENMAX team for the remarkable safety, dedication and resiliency they demonstrated over this past year while continuing to prepare for the opportunities and challenges ahead in a changing world.

We are pleased to share with you an overview of our ESG performance in 2020 and provide an outlook on the long-term goals and objectives we have set for ourselves. We have taken a holistic view towards how we approach sustainable value through striving to achieve a lower carbon future, advancing electrification, seeking to invest in resiliency and innovation, enabling a talented, diverse and inclusive team, and doing our part to enable continued acccess to safe, reliable and affordable energy for years to come. Our goals and objectives reflect our commitments, and I look forward to reporting on the progress we will continue to make in the years ahead.

Thank you for your engagement. Be well and stay safe.



Wayne O'Connor
President and Chief Executive Officer



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About ENMAX

The ENMAX Group of Companies is a leading provider of electricity services, products and solutions. We are headquartered in Calgary, Alberta, with operations across Alberta and Maine. Through our subsidiaries, ENMAX Power Corporation and Versant Power, we own and operate transmission and distribution utilities that safely and reliably deliver electricity to all Calgary homes and businesses, and customers in northern and eastern Maine. Through ENMAX Energy Corporation, ENMAX owns and operates power generation facilities and offers a range of innovative electricity and natural gas products and services to residential, commercial and industrial customers across Alberta.

Creating Shareholder Value

We seek to deliver a stable, predictable and growing dividend, enhance long-term value and provide:

- Industry leadership and corporate citizenship
- Safe, reliable products, goods and services
- High standards of efficiency and customer service
- Alignment with The City of Calgary economic, environmental and social goals

Our Mission

We power the potential of people, businesses and communities by safely and responsibly providing electricity and energy services in ways that matter to them today and tomorrow.

Our Values

Safety
Nobody gets hurt

Integrity
Do what's right with courage and conviction

Accountability
Own it

Service
Act with others in mind

Teamwork
Together, we are better and stronger

Agility
Adapt and act

Innovation
Aim high and create possibilities

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Key Statistics

We operate across the electricity value chain.

$569 million
in EBITDA* in 2020

~$8 billion
in total assets in 2020

$58 million
dividend declared to The City of Calgary in 2021

ENMAX Energy

Power Generation

1,509 MW
generation capacity

86% and **14%**
natural gas and wind

Energy Retail Services

~690,000
residential, commercial and industrial customers

>40
municipalities

Provides
- Electricity
- Natural gas
- Solar power

ENMAX Power

Transmission & Distribution

1,089 km²
service territory in and around Calgary

322 km
of transmission lines

9,429 km
of distribution lines

Versant Power

Transmission & Distribution

26,900 km²
service territory in northern and eastern Maine

2,044 km
of transmission lines

9,900 km
of distribution lines

~160,000
customers

ALBERTA | CALGARY | MAINE

* *Earnings Before Interest, Taxes, Depreciation, and Amortization*

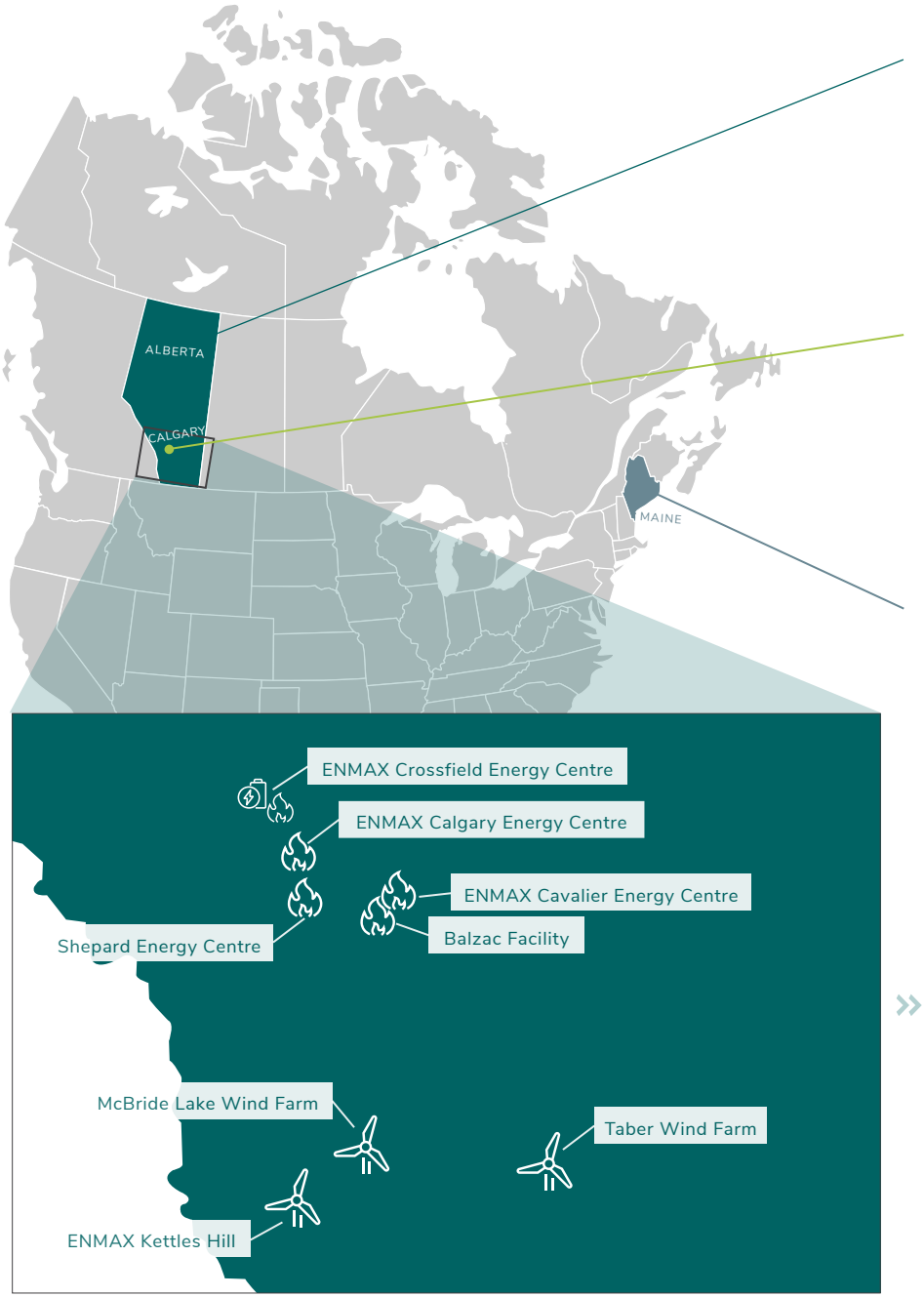
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Where we operate

Significant acquisitions, divestitures and leadership changes in 2020

2020 was a significant year for ENMAX and its businesses. While navigating COVID-19 with the health and safety of our team paramount, we realized exceptional safety results in both Alberta and Maine, as well as strong operational and financial performance for the year. Our organization's most significant developments included:

- In March 2020, ENMAX successfully completed the acquisition of Versant Power, a regulated electricity transmission and distribution company operating in the State of Maine. This transaction aligns with our focus on the strategic growth of our regulated transmission and distribution asset base to create stable and growing value to our Shareholder, The City of Calgary.
- In May 2020, ENMAX announced Wayne O'Connor as ENMAX's new President and CEO, following the retirement of Gianna Manes as President and CEO following her eight-year leadership of ENMAX.
- In November 2020, ENMAX consolidated its Alberta businesses in response to changing customer requirements and a challenging economic environment in Alberta, while also announcing the proposed sale of the District Energy Centre (a central heat and hot water service facility in downtown Calgary, Alberta) as part of its ongoing focus on its core electricity business.



ENMAX Energy

Competitive power generation and energy retail business, providing electricity, natural gas and customer care services in Alberta.

ENMAX Power

Regulated wires business that owns, operates and maintains the transmission and distribution system in and around Calgary.

Versant Power

Regulated wires business that provides electricity and customer care services to residential, commercial and industrial customers in Maine.

» **5** natural gas power plants (4 operated, 1 non-operated)

3 wind power generation facilities (1 non-operated)

1 battery storage (operated)

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About this report

This report communicates the environmental, social and governance (ESG) initiatives and key metrics that demonstrate ENMAX's progress to date and our commitment to continual advancement.

- The terms ENMAX, our, we, us and the organization refer to the ENMAX Group of Companies, unless otherwise noted.
- For the purposes of this report, we provide data only for our companies in Alberta (ENMAX Corporation, ENMAX Power, ENMAX Energy) through tables and graphed data, which, unless otherwise noted, excludes Versant Power. Having finalized the acquisition of Versant Power in March 2020, we continue in our efforts to integrate our overall data, reporting and performance management systems which will enable further consolidation of our ESG reporting next year.
- When data is available for Versant Power, it is provided separately and noted accordingly.
- Qualitative information about the operations and achievements of Versant Power is provided throughout the report and noted explicitly with "Versant Power" or "in Maine". Additionally, we provide the same ESG information about Versant Power in a supplement on page 60 to meet the needs of Maine stakeholders.
- Unless otherwise indicated, this report covers data and qualitative information for the year ended December 31, 2020. When available, historical data is provided for four years.
- For our companies in Alberta, we report environmental and social performance for all assets over which we have operational control, which means we report 100 per cent of data related to environment, human resources, safety and business practices for assets we operate. The only exception to this principle is in accounting for greenhouse gas (GHG) emissions, which we report based on financial ownership (see next point).
- We report GHG emissions in alignment with the Greenhouse Gas Protocol, developed by the World Resources Institute and the World Business Counsel for Sustainable Development, and account for our GHG emissions based on financial ownership (equity share approach). Note that in previous sustainability reports, we had reported 100 per cent of the GHG emissions from facilities that we operated. Reporting under the equity approach means that we include ENMAX's proportional share of the emissions from our Shepard Energy Centre, 50 per cent from our Balzac facility, and GHG emissions associated with structured power agreements such as Energy Service Agreements in which ENMAX is responsible for carbon compliance obligations. Following this principle, our 2015 baseline includes GHG emissions related to our Power Purchase Agreements (PPAs). Prior years' metrics have been restated under the equity share approach.
- Unless noted, data does not cover third-party service providers.
- Unless noted, financial data is in Canadian dollars, and environmental data is in metric units.
- The ENMAX Board of Directors has oversight of ENMAX's ESG strategy and reporting.
- The accuracy of this report is of significant importance to our company. Senior management, our internal auditors and relevant staff have reviewed key information and believe it is an accurate representation of our performance. In some instances, estimates are made based on best-available information and records at the time of writing.

Aligning with ESG reporting standards

We cross-reference our disclosures in this report to the following recognized standards:

SASB page 72
(Sustainability Accounting Standards Board)

TCFD page 74
(Task Force on Climate-related Financial Disclosures)

In addition to this report, our 2020 GRI Report references the GRI Sustainability Reporting Standards.

Read our caution regarding forward-looking statements on page 75.

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Determining what to report: materiality assessment

In 2020, subject matter experts across the organization participated in an extensive materiality assessment to determine which ESG-related issues were most relevant to ENMAX. The results of the assessment were reviewed and confirmed by the executive team and Board of Directors. Our assessment of ESG-related issues was guided by standards set out under the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD). It was also informed by best practices in sustainability reporting within the electricity industry. Our priorities were additionally informed by external stakeholder engagement with key customers, our Shareholder (The City of Calgary), providers of capital and employees.

In completing this assessment, we identified 10 material topics (tier 1 and tier 2), which are summarized in the next chart. We then used our materiality assessment results to determine areas of organizational commitment and advancement, objectives and targets for those deemed most critical in support of our long-term growth strategy, business planning and decision-making processes.

	ESG material topics	Levels of reporting
TIER 1	• GHG emissions and energy transition • Grid resiliency and reliability • Diversity and inclusion • Energy affordability • Employee/contractor safety • Public safety • Corporate governance	These are our ESG priority topics. We provide metrics, description of programs and extensive qualitative information for these topics since they are crucial to our business success and of high interest to our stakeholders. Although all these topics are critical, we have set objectives and targets for topics on which we believe we can make the most meaningful progress.
TIER 2	• Employee development • Cybersecurity/data privacy • Economic impact	We provide a fulsome and balanced discussion of these topics that combines metrics and qualitative discussion.
TIER 3	• Physical impacts of climate • Air quality • Water • Occupational health • Responsible procurement • Unions • Customer satisfaction • Public policy • Spills/releases	We include these topics in the report with limited qualitative discussion and data, if readily available.

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Our approach to ESG

At ENMAX, we are proud of our strong history of achievements in ESG practices and performance. As an essential service organization, we are grounded in the belief that our business success is fundamentally linked to how well we manage the environmental impacts of our operations, create an engaging and inclusive workplace, meaningfully contribute to our communities, and uphold strong standards of governance and transparency.

We are committed to the highest level of accountability to our Shareholder (The City of Calgary), customers, employees and all Calgary citizens. As part of that commitment, we have publicly disclosed our ESG performance in alignment with Global Reporting Initiative (GRI) Standards for 14 years, publishing an extensive range of environment, safety, social and governance indicators each year.

In efforts to continually evolve the robustness of our sustainability commitments and communications, in 2021, we have enhanced our ESG reporting. As a component of this process, we undertook a review of our ESG practices, engaged with key stakeholders and identified a series of forward-focused sustainability objectives and commitments. To provide transparency to our stakeholders, this report presents our ESG practices and performance and sets out ENMAX's vision to further advance, and build on, our strong commitment to sustainable business practices across an evolving landscape and industry.

As we move forward, we remain committed to monitoring and enhancing our ESG performance. ESG considerations have been integrated within our strategic direction and into our business planning processes, practices and reporting. As we advance under our ESG framework, this annual report will serve as a vehicle through which we will report on our progress in future years.

Our ESG targets

The disclosure of our ESG commitments, objectives and targets in 2021 represents the next stage of our evolution as a responsible corporate citizen and as a future-oriented energy provider. Our ESG practices and targets are also aimed at providing reliable and affordable power to our customers through the energy transition and ensuring our business practices align with their evolving expectations.

Our approach to setting targets included conducting workshops with subject matter experts, followed by extensive evaluation and approval by our executive team and Board of Directors. This process allowed us to achieve clarity across the organization on our vision for each specific area of ESG focus, as well as specific actions and targets that can help us demonstrate accountability over time. Each year, as we disclose our ESG performance and activities, we will report our progress on our targets (see next page for details).

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	VISION	FOCUS	TARGETS[1]
Greenhouse gas emissions and the energy transition	As a solutions-driven and future-oriented essential electricity service provider, ENMAX aims to actively contribute to a cleaner energy future by committing to achieve net-zero scope 1 and scope 2 GHG emissions by 2050.	Contribute to a cleaner energy future by reducing the emissions associated with our business footprint.	• As a milestone towards achieving our net-zero vision, we plan to reduce or offset **70%** of our scope 1 and scope 2 GHG emissions by 2030 from a 2015 baseline. Our three-part approach includes our plan to: • Electrify **35%** of our mobile fleet by 2025 towards our aspirational goal of electrifying **100%** of our mobile fleet by 2030; • Offset **100%** of our building GHG emissions (scope 1 and scope 2) from 2021 onwards; and • Reduce or offset GHG emissions associated with our power generation portfolio by continuing to invest in efficiency improvements and new technologies.
Reliability and innovation	As we seek to advance a cleaner energy future and enable the future needs of customers, ENMAX will evolve our grid to meet changing expectations.	Prepare for and enable the opportunities presented by decarbonization, electrification and the adoption of distributed energy resources.	• ENMAX Power plans to invest **$60** million to enable a more resilient grid by 2030 while maintaining its reliability levels.
Diversity, inclusion & belonging	ENMAX aims to attract and retain a workforce that is reflective of our community and create an environment where everyone has a sense of belonging.	Meaningfully embed diversity, inclusion and belonging into our people and business practices to drive how we attract, retain, and grow team members and engage our customers and communities.	• Complete a third-party assessment of our HR policies to identify additional opportunities to remove bias and promote equal access to opportunities in 2021. • **100%** of senior leaders (director and above) to complete inclusive leadership competency training in 2021, and all other leaders to complete the training in 2022. • Complete an assessment of our customer and vendor practices by 2023 to identify further opportunities to advance inclusive customer experiences and vendor management processes.
Energy affordability	ENMAX's goal is to eliminate barriers for vulnerable customers that may impact or inhibit access to safe, reliable and affordable energy.	Support vulnerable customers through programs, resources and partnerships.	• Spend at least **30%** of our community investment budget each year on activities and organizations that support customers at the various stages of the energy affordability lifecycle. By 2025, increase the proportion of spending in this area to **40%**. • Deliver **1,000** energy saving kits to Albertans by 2022. • By 2025, conduct **four** pilot projects to test programs or solutions that work towards removing barriers to energy access and affordability.

1 *Our current ESG targets cover only our assets and operations in Alberta. In the next few years, we will work with Versant Power to fully incorporate our operations in Maine into our targets.*

ENVIRONMENT

At ENMAX, we are committed to advancing a cleaner energy future for the benefit of our customers, communities and our Shareholder, The City of Calgary. Environmental protection and stewardship are integral components of our strategy that are embedded across all aspects of our business.

We endeavour to provide environmentally responsible energy solutions to the communities we serve by continuously reducing our GHG emissions, managing air quality, delivering reliable power, evolving the grid to meet customer needs, mitigating climate-related physical impacts and optimizing our water use.



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GHG emissions across our business

As a provider of essential electricity services, we are deeply committed to delivering safe, reliable and responsible energy. 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 our strategy and business focus. This commitment is demonstrated through examining and continuously reducing our GHG emissions.

The vast majority of our GHG emissions are generated from our power generation facilities. Our primary source of GHG emissions is natural gas combustion at our gas-fuelled power generation plants, followed by a smaller proportion originating from natural gas and electricity consumption at our corporate and operational buildings together with diesel fuel combustion within our mobile fleet.

Power generation

Today, ENMAX Energy owns one of the most efficient generation portfolios in Alberta, with 86 per cent of its generation capacity coming from natural gas and 14 per cent from wind energy. Our natural gas-fuelled power generation facilities have the lowest GHG intensity in Alberta at 0.39 tonnes of carbon dioxide (CO_2) per megawatt hour (MWh). These natural gas-fuelled generation facilities also enable the integration of intermittent renewable assets into the Alberta grid by providing a backstop to the variability of the wind and solar generation.

Over the past decade, we have achieved significant emissions reductions through the following:

- Transitioning our power generation portfolio
- Improving efficiency at our natural gas power generation facilities

GHG emissions (scope 1 and scope 2) contributions by each business	2020
1 Power generation	99.5%
2 Operational and corporate buildings	0.3%
3 Mobile fleet	0.2%

[Note: These numbers are approximate and will be recalculated with final data.]



OUR RENEWABLE ENERGY INVESTMENTS

14 per cent of our generation portfolio is renewable power from wind. Our early investments in wind power continue to provide value in lowering the emissions intensity of our generation fleet.

- Taber (81 MW) - In operation since 2007, the Taber wind farm is 100 per cent owned and operated by ENMAX
- Kettles Hill (63 MW) - Acquired in 2008, Kettles Hill is 100 per cent owned and operated by ENMAX
- McBride Lake (73 MW) - First on stream in 2003, ENMAX holds a 50 per cent ownership of this facility through a joint venture and purchases 100 per cent of the output for our customers

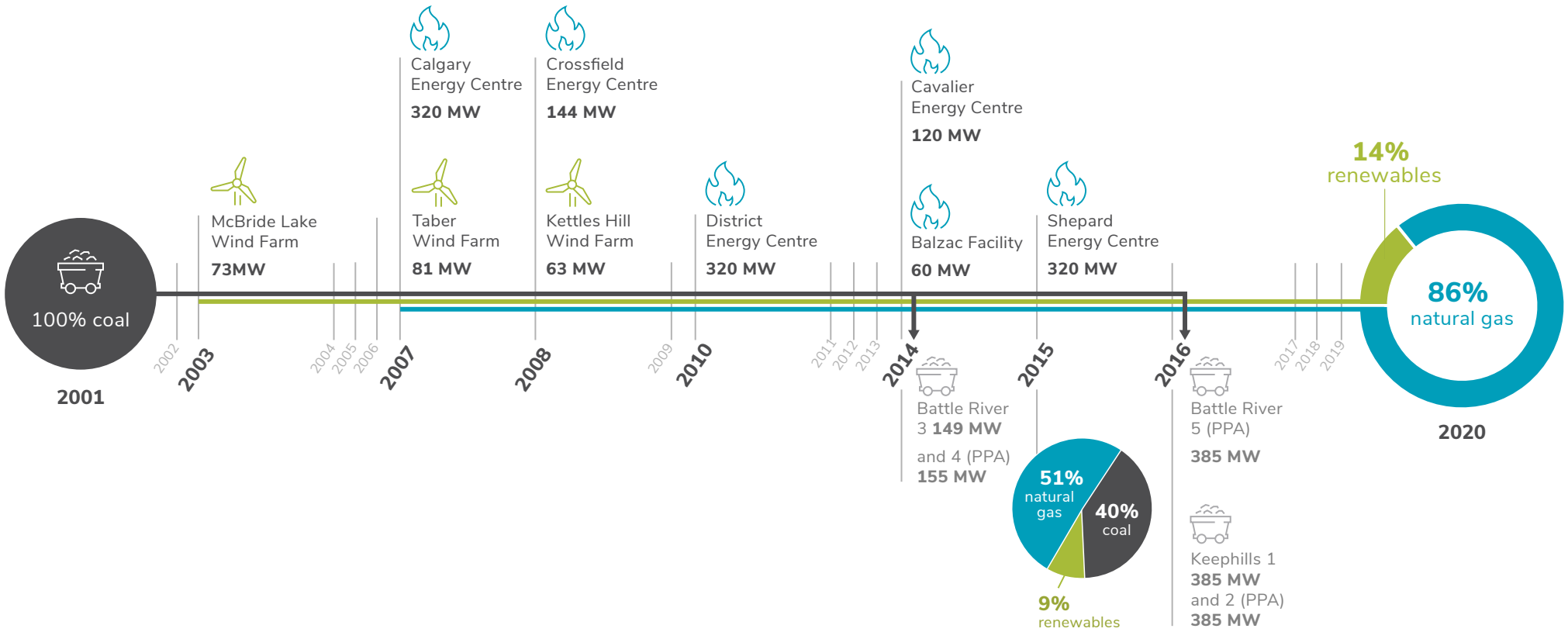
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Transitioning our power generation portfolio

In 2001, 100 per cent of our generation capacity was coal-fired. With the termination of all PPAs associated with coal-fired generation by 2016, we materially reduced the GHG intensity of our generation capacity by 65 per cent when compared to our 2015 baseline.

Today, we hold no coal-fired generation facilities in our portfolio, and our power generation facilities are a combination of modern natural gas-fuelled power generation facilities and wind facilities. Our largest power generation facility, Shepard Energy Centre, is the most efficient natural gas-fuelled combined-cycle generation facility operating in Canada today, as measured by tonnes of CO_2 per MWh.

The Evolution of our Generation Portfolio



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Improving efficiency at our natural gas power generation facilities

While natural gas is considered one of the lowest carbon emitting fossil fuel options available for power generation, we are proactively working to find efficiencies and incremental improvements that further reduce our GHG emissions intensity.

Turbine upgrades

As part of our ongoing efforts to improve operational efficiencies, we upgrade our turbines to increase power capacity while reducing emissions intensity. In 2019, we completed a turbine upgrade at Shepard Energy Centre that added 15 megawatts (MW) of generation capacity. This upgrade reduced the GHG intensity of an already modern and efficient facility. Similar upgrades are planned for the second turbine at our Shepard Energy Centre in 2021 and at our Calgary Energy Centre in 2022.

Inlet air heater upgrade

In 2020, we upgraded the inlet air heaters at the Shepard Energy Centre. This upgrade significantly reduced the amount of steam required to operate the heating system, which improved the efficiency of steam use for power generation. Specialized heaters stop gas turbine inlet icing and keep the air channels (that bring air into the gas turbines) clear. The upgrade has provided two key benefits. First, the new heaters no longer accumulate ice during cold humid conditions, allowing the plant to operate at optimal performance at a wide range of temperatures. Second, the improved heat transfer reduces the use of steam for heating and improves the overall efficiency of the steam cycle.

The recent upgrades to our Shepard Energy Centre are estimated to have avoided the generation of 87,000 tonnes of CO_2 in 2020.

Partners in emissions reduction innovation

Our Shepard Energy Centre is also home to the Alberta Carbon Conversion Technology Centre (ACCTC), which uses exhaust gas from the facility to enable research and innovation focused on finding ways to reduce and repurpose emissions. CarbonCure Technologies Inc., who tested their technology at the ACCTC, was recently declared one of two grand prize winners in the NRG COSIA Carbon XPRIZE competition, a global technology challenge to convert CO_2 emissions into usable products.



STANDBY POWER GENERATION AT NEAR-ZERO EMISSIONS

Our Crossfield Energy Centre is designed to contribute to meeting demand on Alberta's electrical grid during high consumption periods. As a peaking facility, Crossfield operates only an estimated five to 20 per cent of the time. However, this facility is critical for serving Albertans and meeting peak customer demand – typically in the daytime and seasonally when temperatures are high or low.

We have installed a battery storage system at Crossfield Energy Centre, which turned the facility's existing natural gas turbine into Canada's first hybrid electric gas turbine. Without the battery system, the natural gas turbine at Crossfield cannot offer standby power without continuously staying online at low levels. With the installation of a 10 MW lithium-ion battery, we will be able to offer this standby power generation without having to burn natural gas. When this power is required, the battery will provide the initial supply while the turbine ramps up to meet the demand. The battery is charged with natural gas generation, but the combination optimizes the system and results in a significant reduction of GHG emissions.

The project entered commercial operation on May 8, 2021. This project is estimated to directly reduce 45,000 tonnes of GHG emissions from the grid per year from 2020 to 2025. In 2019, we were the recipients of project funding from Emissions Reductions Alberta (EEA).

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Operational and corporate buildings

ENMAX currently owns or leases six office and operational buildings in Alberta and 40 substations. As part of our commitment to reducing our emissions footprint, we have invested in:

Real estate consolidation

We increased the density at our company headquarters (ENMAX Place) from hosting 1,100 workstations in 2015 to 1,400 workstations in early 2020. During that same multi-year period, we also reduced the number of Alberta office and operations locations from 10 to six.

Facilities energy efficiency

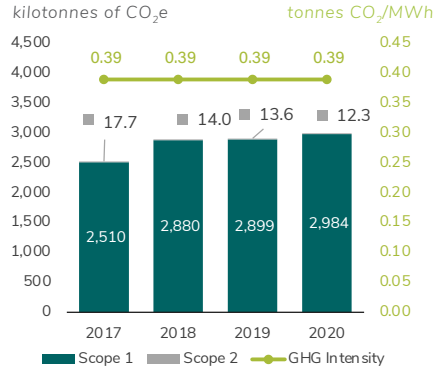
We continually look for opportunities to improve energy efficiency, which in turn helps facilitate GHG emissions reductions from our corporate facilities. In the last four years, we converted all interior lighting to motion sensor LEDs at ENMAX Place and also replaced heating, ventilation and air conditioning units with more efficient units. We also continually promote behavioural changes, such as regular reminders to promptly close the shop doors at our service centres, which helps to reduce heating needs (and associated emissions).

Substations

ENMAX Power assets include 40 substations. The purpose of a substation is to "step down" high-voltage electricity from the transmission system to lower-voltage electricity, so it can be easily supplied to local homes and businesses with lower-voltage distribution lines. Substation emissions are predominantly derived from natural gas consumption, electricity use and sulfur hexafluoride (SF_6) releases. SF_6 is a gas used as an electrical insulator in high-voltage switchgear. Since SF_6 is a powerful GHG, ENMAX Power closely monitors and reports all SF_6 releases and has stringent SF_6 management practices in place. Since 81 per cent of ENMAX Power substations have breakers with SF_6, this gas is monitored by automated alarms and investigated by crews immediately. Any gas loss is documented as part of our regular inspection and reporting process. Additionally, we proactively replace seals to lower the probability of SF_6 leaks from equipment and closely follow industry research to explore alternatives to SF_6 gas.

Versant Power assets include 117 substations. Only 35 per cent of those substations have breakers with SF_6. Versant Power maintains strict control measures to closely manage SF_6 gas releases from its substations and replaces breakers when possible.

GHG emissions (equity)



While our emissions intensity remains unchanged over the past four years, our absolute emissions have increased by 19 per cent since 2017. Absolute GHG emissions are directly correlated with the degree of utilization of our assets and our natural gas facilities have very high utilization rates.

Notes:

- *This data excludes Versant Power.*
- *In 2020, we changed the method of consolidation of our GHG emissions. In our sustainability reports over the last five years, we reported 100 per cent of the GHG emissions from facilities we operated regardless of financial ownership (operational control approach under the GHG Protocol). We have now switched to the equity approach to better reflect financial risks and rewards. Our target baseline (2015) and all data in this chart has been restated using the equity approach.*
- *Our GHG emissions are composed predominantly of CO_2. While we include SF_6 in our GHG emissions, it represents less than one per cent of our scope 1 emissions.*
- *Emissions from our substations include all SF_6 releases but only a portion of electricity and natural gas combustion, since not all substations are directly metered.*

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Mobile fleet

ENMAX operates across the electricity value chain by generating, delivering and selling electricity services and products. We have more than 9,000 kilometres (km) of transmission and distribution lines, several substations and control centres, and crews of employees in Alberta who maintain and repair the electric grid. To support this work, we have a mobile fleet of 348 vehicles in Alberta. Of this fleet, 39 per cent of vehicles are light duty, 39 per cent medium duty and 23 per cent heavy duty. To reduce the emissions associated from our Alberta mobile fleet, we have implemented:



Fuel efficiency improvements

Since emissions are directly correlated with gas and diesel fuel consumption, we focus on improving fuel efficiency. We are working to reduce GHG emissions from our fleet through several initiatives, including:

- Company-wide adherence to our mobile fleet anti-idling policy and anti-speeding policy;
- Making our fleet vehicles more fuel efficient as they are replaced; and
- Using Geotab monitoring software to control idling, optimize routes and help change driving habits to reduce fuel consumption.

Fleet Electrification Pilot project

We are currently carrying out a pilot to test electric vehicle (EV) technology on two medium-duty trucks (under 10,000 lbs) within our fleet. This demonstration project is the first of its kind in Canada and could reduce diesel fuel consumption by an estimated 4,300 litres of diesel per vehicle annually. The project plans to test truck capacity and performance in all weather conditions and track the performance and usage of the battery and charging infrastructure to determine overall viability. We received funding from EEA to complete this project. This is one of our first steps in our steadfast commitment to the advancement of fleet electrification (see our targets on page 10).

The primary source of Versant Power's GHG emissions is gas and diesel combustion from its mobile fleet. The company's fleet includes 140 smaller-class vehicles and approximately 120 medium- and heavy-duty vehicles. In recent years, Versant Power has added two EVs and two EV charging stations to its mobile fleet assets.



International EV concept vehicle. Prototype may not be exactly as shown.

TESTING TWO MEDIUM-DUTY ELECTRIC TRUCKS

ENMAX Power is currently in the initial stages of a demonstration project to test two medium-duty fully electric trucks—the first project of its kind in Canada.

During the pilot, we plan to test truck capacity and performance in all weather conditions and track the performance and usage of the battery and charging infrastructure to determine overall viability.

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Looking forward: GHG emissions

Vision

As a solutions-driven and future-oriented essential electricity service provider, ENMAX aims to actively contribute to a cleaner energy future by committing to achieving net-zero scope 1 and scope 2 GHG emissions by 2050.

Focus

Contribute to a cleaner energy future by reducing the emissions associated with our business footprint.

Targets

As a milestone towards achieving our net-zero vision, we plan to reduce or offset **70%** of our scope 1 and scope 2 GHG emissions by 2030 from a 2015 baseline. Our three-part approach includes our plan to:

- Electrify **35%** of our mobile fleet by 2025 towards our aspirational goal of electrifying **100%** of our mobile fleet by 2030;
- Offset **100%** of our building GHG emissions (scope 1 and scope 2) from 2021 onwards; and
- Reduce or offset GHG emissions associated with our power generation portfolio by continuing to invest in efficiency improvements and new technologies.



Our approach

ENMAX is committed to achieving net-zero scope 1 and scope 2 GHG emissions by 2050. As milestones towards our vision, we have established 2030 interim targets that provide ambitious, yet achievable, guideposts on our journey. Our commitment encompasses our operational and corporate buildings, vehicle fleet (348 vehicles at the end of 2021) and our electricity generation portfolio in Alberta. Over the next year, as part of our continued assessment and exploration of this area, we plan to assess the appropriateness and applicability of similar targets in Maine as we advance towards our shared vision of a cleaner energy future. We also recognize the degree of collaboration required to advance the electricity grid for the benefit of customers and will continue to actively partner with policymakers and regulators in these areas.

Our focus areas for our plans to reduce our GHG emissions include:

1. Power generation

Reduce and offset our emissions through a combination of technology advancements, innovation, and capital replacement over time

2. Buildings

Offset emissions from our building to provide a net-zero carbon electricity source for our building and for our electric fleet

3. Mobile fleet

Invest in asset replacement and charging infrastructure towards full fleet electrification by 2030. Continue to actively engage with suppliers, other utilities and vehicle manufacturers to support the development of the specialized EVs needed to meet our goals.

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We are committed to reducing our GHG emissions, which have increased over the last four years with the high level of demand required from our facilities. While we continue to operate our current fleet of efficient power generation assets with a high degree of availability and run-time, we recognize that this increases their environmental impact and have therefore set emissions reduction targets.

Next steps

In 2021, we have established our baseline, data gathering guidelines and analysis for the development of our target and actions plans. The next steps toward our GHG emissions reduction targets are:

For our power generation

- Complete turbine upgrades at our Shepard Energy Centre in 2021 and at our Calgary Energy Centre in 2022;
- Operate the Crossfield hybrid electric gas turbine battery in the ancillary services market; and
- Evaluate the implementation of new technologies that align with our business strategy and future plans.

For our buildings

- Develop and action an emissions offset strategy that balances economic and environmental cost and benefits.

For our mobile fleet

- Proceed with the orderly replacement of vehicles with electric counterparts as they reach end-of-life (within vehicle availability constraints);
- Prepare for the deployment of two medium-duty electric trucks in 2022; and
- Develop a fleet electrification plan that includes both asset replacement and charging infrastructure investment.







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Customer emissions

ENMAX commitments and actions are geared towards contributing meaningfully to the transition to a cleaner energy future. As part of our essential role in the energy transition, we are committed to reducing our own impacts in conjunction with our customers over time. In our interactions with customers, we will continue to assist them to better understand and manage their energy use by offering informative tools and programs that enable informed decisions regarding energy consumption and by supporting renewable energy solutions that meet their needs and expectations across all jurisdictions where we operate.

Energy use

Since 2017, ENMAX Energy has offered My Energy IQ™, a free tool that provides information and reports that enable customers to make informed decisions and better manage their energy use. All residential and most small business ENMAX Energy customers have convenient online access to the My Energy IQ™ tools, reports and insights as part of their ENMAX Energy online account. My Energy IQ™ enables customers to see how their home compares to similar homes nearby, build a customized savings plan, receive tips tailored to their home, see bill comparisons and historical use charts, learn what consumes the most energy in their home and how weather impacts consumption. ENMAX is amongst the first utilities in Alberta to offer a program like My Energy IQ™ and empower customers to take more control over their energy use.

Electricity or natural gas green add-on

ENMAX Energy also offers "green add-on" selections for customers to pay an additional variable fee (the amount is chosen by the customer). This fee goes towards the purchase of certified Renewable Energy Certificates or offers that support renewable energy initiatives and fully or partially offset the GHG emissions associated with their electricity or natural gas consumption.

Lower carbon emissions heating

Versant Power is helping its customers reduce their emissions by promoting cleaner energy options. The company encourages customers to switch from using fossil fuels for home heating to using electric heat pumps. Since Maine's grid sources about 75 per cent of its electricity from renewable sources such as offshore wind, solar, hydroelectric and biomass, switching to heat pumps results in lower emissions.

Renewable energy opportunities for customers

As renewable generation continues to expand in Alberta, solar remains the largest source of total installed micro-generation capacity at over 89 MW as at the end of 2020, and ENMAX Energy continues to maintain our position as one of Alberta's leading solar retailers with over 36 MW installed. Since 2009, our solar opportunities have been enabling customers across the province to select any number of solar modules for their home or business to meet up to 100 per cent of their annual electricity needs.

On a much larger scale, customers in municipalities across Alberta have partnered with ENMAX for their solar needs, including 18 MW of installed solar at 58 locations such as Calgary's Shepard Solar Park, Bearspaw Water Treatment Plant and Southland Leisure Centre to name just a few. Over the past two years alone, ENMAX has enabled the completion of Canada's largest municipal rooftop solar installation in Airdrie, Alberta, a 1.55 MW system providing renewable energy to their Genesis Place Recreation Centre, and helped the town of Raymond become a solar-powered net-zero community.

In 2020, we also saw exponential growth in solar development across the state of Maine[2]. Versant Power adapted business processes and resources within its service territory to meet the growing interest and customer expectations. Versant Power is currently supporting nearly 150 distributed generation projects through their development stages—from application, engineering studies, design and construction to establishing intricate billing. This endeavour involves integrating these renewable projects safely and efficiently within Maine's existing grid and is an important part of advancing ENMAX and Versant Power's shared vision of a cleaner energy future.

2 *Solar Energy Industries Association (2020). Accessed on May 2021. https://www.seia.org/state-solar-policy/maine-solar*

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Delivering energy for a cleaner future

As an operator of safe and reliable transmission and distribution electricity systems, we are committed to advancing technology solutions that will meet customer electricity needs today and into the future. The electricity grid of the future must deliver power reliably, enable the transition to diverse energy sources and support broader social electrification, while also withstanding increasingly severe weather events and adapting to changing customer expectations.

Over the past few years, we have advanced our ability to predict, detect and respond to outages and are integrating and planning for a series of innovative technology solutions to ensure our grid is prepared for and enables the future.

Delivering power reliably

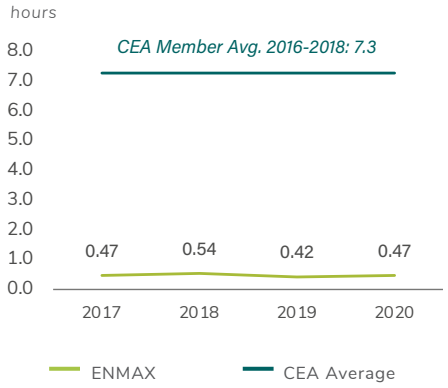
Nearly every aspect of our modern lives relies on electricity. ENMAX is committed to deliver power safely and to a high degree of reliability. To provide customers with the critical and dependable energy they need, we manage a complex system of infrastructure, equipment and software.

In Alberta, we operate under Alberta Reliability Standards. These standards are the requirements followed by the Alberta Electric System Operator and all electricity market participants in the province to maintain high reliability within the Alberta interconnected electric system. We deliver reliability levels that are top quartile in Canada (see data from the Canadian Electricity Association (CEA)[3] in the sidebar).

In Maine, Versant Power tracks and reports industry standard reliability metrics on a monthly and annual basis and has targeted improvement goals each year. In order to meet increased customer expectations regarding power reliability, Versant Power currently invests more than $70 million USD annually (approximately $87 million CAD) to maintain and improve its distribution system. Read about Versant Power's vegetation management program on page 24.

3 https://electricity.ca/wp-content/uploads/2019/11/SE_Report_WEB_2019.pdf

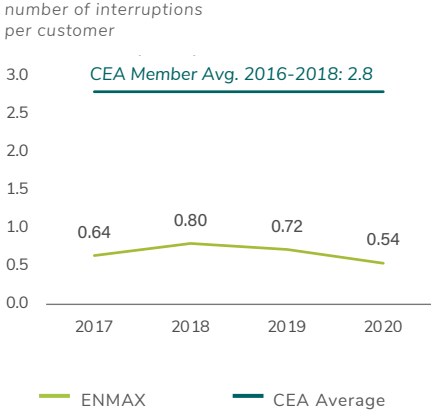
System average interruption duration index (SAIDI)



SAIDI reflects the cumulative duration (in hours) of sustained repair outages experienced by the average customer in a year. Our customers experience, on average, less than 30 minutes of power interruption during one year, while customers of CEA member companies experience, on average, seven hours of outages per year.

Note: This data excludes Versant Power.

System average interruption frequency index (SAIFI)



SAIFI reflects the number of power outages lasting longer than five minutes experienced by the average customer in a year. On average, our customers experience less than one outage per year.

Note: This data excludes Versant Power.

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Strong reliability is linked to building sufficient capacity across the system, but also to our ability to prevent, withstand and recover rapidly from system disruptions. In Calgary, we are strengthening the reliability of our system through:

Replacing aging assets

Each year, certain assets undergo major maintenance or replacement as part of our Capital Asset Replacement Program. This program helps our assets run optimally and minimizes the occurrence of outages. Assets are prioritized based on condition and other risks. Read about our Substation No. 1 replacement project in the sidebar.

Planning for load capacity

To support reliable service to customers, we use load capacity planning to identify the existing constraints and upcoming demands on the Calgary electricity system (loads) and to verify that redundancies are in place. In 2019, our system and customer planning teams developed a load forecasting model to support the introduction of an interactive Load Capacity Map to help communicate the estimated available capacity throughout our distribution system. Using the map, customers can search for an address to quickly identify the system's available capacity.

Restoring outages faster using automated outage restoration

Despite our best efforts, some of our customers experience power outages. To substantially reduce the duration of outages and the number of customers affected, approximately 48 per cent of Calgary's non-downtown distribution system uses a technology called Distribution Automation. This system has saved an estimated 30 million minutes of outage time over the past 10 years. Distribution Automation is self-healing and uses SCADA (supervisory control and data acquisition) systems to detect a fault, automatically isolate it and rapidly restore the system.

Predicting cable failures

Underground cable failures are the highest contributor to both total customer outage minutes and to the frequency of outages in our Calgary system. To proactively identify buried cables at high risk of failure, we developed the Predictive Failure Program, which uses a machine learning model with access to more than 1.5 million data points. The model helps improve and maintain grid reliability and optimizes spending while reducing these types of outages. The program was a 2020 EEI Edison Awards Nominee and was recognized (in conjunction with our Load Capacity Map) in the Canadian Electricity Association's Centre of Excellence for Innovation.

Managing and communicating outages

In 2019, we installed an Outage Management System. This system predicts the origin of an outage in order to efficiently dispatch a service person to the location for restoration. The system also automatically identifies and posts outage information for customers on an integrated website map and via Twitter. If a customer chooses, they can have outage information sent to them using emails, text or phone calls via the ENMAX Outage App. The Calgary Outage Portal Map shows planned and unplanned outages occurring real-time and within the last 24 hours.



MAJOR PROJECT: REPLACING SUBSTATION NO. 1

ENMAX Substation No. 1 was built in 1912 to power streetlights and the streetcar rail system in the downtown Calgary area. For more than 100 years, we have expanded and upgraded this substation to meet load growth requirements. With all these upgrades, this substation is able to provide power to approximately 45 per cent of the downtown Calgary area.

At the beginning of 2021, we received Alberta Utilities Commission (AUC) approval to begin construction of the new substation to:

- support the reliable supply of electricity to The City of Calgary;
- maintain the reliability and integrity of our transmission system; and
- mitigate maintenance and operational safety concerns for workers related to the aging equipment in the existing substation.

The project is anticipated to start construction in Q3 2021 and be completed by the end of 2024. At an investment of approximately $207 million, this project supports the reliability and modernization of our grid. Further details can be found here.

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Adjusting the grid to meet customer needs

Traditionally, electricity has been centrally generated at large power plants and distributed by a small number of power companies. Rising customer interest in local small-scale power generation installations such as solar photovoltaic, micro wind, and storage has created new challenges for safe and reliable grid integration. We are meeting these challenges by:

1 Unlocking the potential of two-way power flow

Secondary networks are intricate grid areas, such as downtown Calgary, that have not historically been able to support two-way power flow. Two-way power flow is required for customers who want to generate their own renewable electricity and send extra power back into Calgary's grid for others to use. Announced in 2018, our Secondary Network Export Project is developing technology that would enable two-way power flow on our secondary networks. It is the first project of its kind in Canada. In 2020, the first phase of testing of this multi-year project was completed. In the next phase, the first on-site customer implementation is scheduled and includes the installation of solar equipment at Cadillac Fairview Chinook Mall in summer 2021. This technology, if proven successful, will enable future small-scale renewable power generation in urban settings, ultimately lowering GHG emissions and removing barriers for customers to adopt renewable energy.

2 Understanding the grid's hosting capacity

Over the years, our customers have shared their increasing desire to have more control over how and when they generate or consume power. Our interactive Hosting Capacity Map allows customers to search locations and determine the system's capacity to accommodate their planned power generation system. The map also helps us anticipate the effect of customer-owned generation on the grid.

3 Preparing for transportation electrification

In 2019, we launched Charge Up, a small-scale EV charging pilot to help us understand how Calgarians use EVs and the potential impact on our electricity system. As part of the pilot, we are helping to offset the cost of Level 2 EV chargers for a limited number of eligible homes and businesses in Calgary. In 2020, the pilot team enrolled participants and facilitated residential charger installations, with the installation of public chargers expected in 2021. The data from the chargers is expected to help us understand the potential grid impacts of EV charging, so we can adjust accordingly.

4 Enabling customers' renewable power generation

ENMAX is supporting residential and commercial customers in renewable power generation offering both lease and purchase options. In Alberta, ENMAX is a leading provider of solar installation services across the province and installed 5.6 MW of solar energy for customers in 2020. Read about solar projects in Alberta and Maine on page 19.

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Looking forward: Reliability and innovation

Vision

As we seek to advance a cleaner energy future and enable the future needs of customers, ENMAX will evolve our grid to meet changing expectations.

Focus

Prepare for and enable the opportunities presented by decarbonization, electrification and the adoption of distributed energy resources.

Targets

- ENMAX Power plans to invest $60 million to enable a more resilient grid by 2030 while maintaining its reliability levels.

Our approach

We believe the rapid pace of technological advancement and change in our industry means conventional approaches to investment and asset replacement will evolve. We are proactively increasing our investments in innovative technology and solutions for our Alberta transmission and distribution grid with a commitment to invest $60 million to enable a more resilient grid by 2030. Our enhanced focus on innovation will enable us to stay ahead of changing customer expectations, while maintaining organizational competitiveness in this evolving environment. We define innovation as the systems, processes or technologies to be tested prior to full-scale deployment. We invest in innovation to serve our customers by making the grid more flexible, supporting lower carbon generation and/or adjusting to future customer needs. As part of the innovation process, we actively look for technology solutions and other opportunities that may reduce the costs of delivering electricity to our customers or provide them with additional service options. These technology investments are geared towards enabling the opportunities presented by electrification, decarbonization and the adoption of distributed energy resources. As we deliver a more flexible grid, we plan to continue balancing the interests of our customers and maintaining our reliability levels (as measured by SAIDI and SAIFI). We will also continue to actively partner with policymakers and regulators in these areas to advance common goals for the benefit of customers.

Next steps

Some of our upcoming investments in innovation technology and solutions include:

- Advanced metering infrastructure (AMI) pilot to prove new technology solutions that create flexibility as we evolve the grid. AMI is an integrated system of smart meters, communications networks and data management systems that enables two-way communication between utilities and customers.
- Phase 2 of our EV smart charging pilot which will move past data collection and inform the development of appropriate tactics to influence EV charging behaviour and, therefore, reduce grid impacts associated with EV adoption.
- Distribution-connected battery storage to test out specific use cases in order to understand customer and utility benefits that can be realized by integrating battery storage.

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Mitigating climate-related physical risks

The ENMAX group of companies operates in two distinct regions with different types and levels of climate-related physical risks. ENMAX Power operates in Calgary, Alberta and the surrounding community, which are landlocked urban areas. Versant Power operates in Maine, the most forested state in the United States, with 90 per cent of its land being tree covered. The management of climate-related physical risks varies according to the unique needs of each region.

Our key climate-related physical risks in Alberta include:

Flood

After the 2013 Calgary flood, we updated our internal mapping to include flood inundation zones and evacuation zones (provided annually by The City of Calgary). Our flood maps indicate our circuitry, meters, the number of customers affected per zone and in what order. This allows us to search and determine the equipment that would be first impacted by any overland flooding and adjust our response plans accordingly. In addition, ENMAX maintains a flood action plan that is reviewed annually. ENMAX continues to engage closely with Calgary Emergency Management Agency (CEMA) partners to maintain alignment with these valuable partners.

Extreme weather events

Our operations control center proactively monitors and prepares for a variety of weather events that Environment Canada is identifying as a "Watch" or "Warning" such as strong winds, heavy rain, severe hail, tornadoes and heavy snowfalls. We categorize these using the Incident Command System's incident level definitions (1, 2 and 3) and escalate our communications and response accordingly. We are currently developing a storm analytics tool using Canadian weather data to help predict system impact for outages that may arise during extreme weather events.

Our key climate-related physical risks in Maine include:

Tree and vegetation management

On average at Versant Power, two out of three power outages are caused by trees. The trees in Maine can typically grow 25 to 30 metres tall, while the average power pole reaches 10 to 14 metres, which means that trees can easily fall on powerlines. This is why, each year, Versant Power covers more than 3,000 km trimming trees and working with landowners to remove trees identified as threats to the reliability of the system. To proactively address the issue, about 10 per cent of the operational budget is spent on vegetation management.

Extreme weather events

With storms becoming more frequent and severe, extreme weather events pose a key physical risk to the system. These weather events can include heavy winds, rain, ice and heavy snowfalls, and can make the risks of tree falls even greater. In 2020, ENMAX worked with Versant Power to develop a storm analytics tool to help predict the outage patterns that could arise after certain types of extreme weather events. The tool visually mapped six years of Versant Power outage data and interlaced it with historical weather data for Maine. While the tool is still in early stages, it may provide promising insights for system analysis and reliability.



WEATHER ANALYTICS

In 2020, ENMAX worked with Versant Power to develop a storm analytics tool to help predict the outage patterns that could arise after certain types of extreme weather events. The tool visually mapped six years of Versant Power outage data and interlaced it with historical weather data for Maine. While the tool is still in early stages, it may provide promising insights for system analysis and reliability.

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Emergency and crisis management

We use the internationally recognized Incident Command System (ICS) to manage our emergency response. ICS is a standardized command and control system used to manage emergency incidents. We maintain a regularly reviewed Incident Management Plan, which contains all emergency response plans and protocols.

Reliable power generation and delivery depends, in part, on maintaining the resiliency of both our generation facilities and our transmission and distribution assets. Emergency preparedness is tailored by our power generation and transmission and distribution teams.

Power generation

Emergency preparedness at ENMAX Energy means ensuring that our generation facility control centre, field, and power plant employees are equipped to respond safely, while maintaining compliance to all legislative requirements with respect to the continued operation of the Alberta Interconnected Electrical System. Our employees receive emergency response training as part of their operational training and during regular emergency exercises.

Due to the COVID-19 pandemic, we made significant changes to our emergency response program, including modifying our large emergency response exercises. A combination of full-scale/virtual tabletop exercises was conducted at the Shepard Energy Centre. The Calgary Energy Centre and Cavalier Energy Centre conducted virtual tabletop exercises.

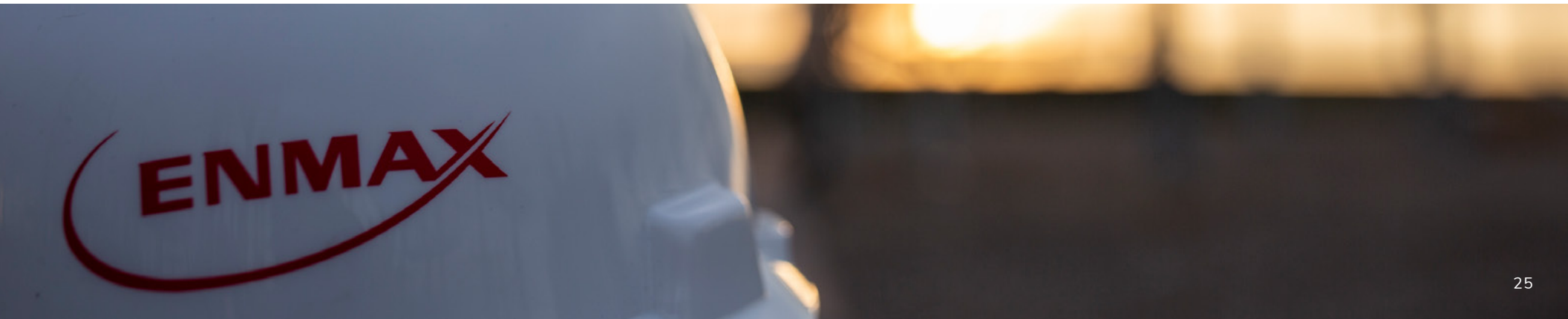
Additionally, the Pandemic Response Plan was updated and incorporated into the emergency management program. Pandemic-type exercises and responses will become part of our scenarios to be tested.

Transmission and distribution

ENMAX Power is a partner member of CEMA, which plans and coordinates emergency services and resources during major emergencies and disasters in Calgary. We participate in all their drills, exercises and preparedness planning, along with our neighbouring utilities. This collaboration supports public and staff safety, minimizes damage to electrical infrastructure, and allows for faster recovery and return to normal operations, resulting in less disruption to our customers. As a key CEMA member, we have seats at their Emergency Operations Centre, which opens during disasters or major emergencies and acts as The City of Calgary's coordination centre.

To test the real-time effectiveness of our response, we also complete one full-scale exercise with one of our closest mutual assistance partners, EPCOR, per year. These exercises are multi-agency, multi-jurisdictional activities involving the mobilization of emergency personnel, equipment and resources, as if a real incident had occurred.

Our aim is to complete one emergency response exercise per quarter. In 2020, we were able to complete seven (with modifications to protect our employees and the public from COVID-19 risks).



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Testing our crisis management and response: Our COVID-19 response

2020 was a significant year for our organization as we navigated the global COVID-19 pandemic. Grounded in our values, our key priorities were to maintain the health and wellbeing of our team members and to continue serving our customers safely and reliably throughout the pandemic.

The delivery of safe, reliable electricity service is essential to our lives, and any time ENMAX is faced with circumstances outside of normal business operations, we take active steps to maintain continuity in our service and support our customers and communities.

In response to the COVID-19 pandemic, we adopted a range of stringent health and safety measures to protect our team and continue to provide essential electricity and energy services to our communities. We mobilized approximately 80 per cent of our team to a work-from-home program, with no disruption to our operations or customer service. For those team members who remain at our operating facilities or work in the field, amendments to work schedules were made to support critical system maintenance and continuity of operations. Additionally, we were actively at the table through Calgary's enactment of its emergency management protocol under CEMA.

The stringent health and safety protocols implemented for our essential workers remaining on-site and in the field have evolved alongside the guidance issued by Alberta Health Services and The City of Calgary, and include the following special protocols:

- Crews report out of different substations or dispersed locations to limit interaction;
- Crew sizes and schedules have been adjusted to limit interaction;
- Light- and medium-duty fleet vehicles are used for transportation between work and home to decrease visits to ENMAX facilities;
- Tailboard safety signoff procedures for project and job specifications have been adjusted to support physical distancing;
- Increased support for mental health through the ENMAX Employee and Family Assistance Program (read more on page 40); and
- Increased leadership and safety presence to support critical staff.



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The energy transition

The electricity sector, as a key player in a lower-carbon future, is experiencing a 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, and organizations like ENMAX have a critical role to play in supporting customers and enabling opportunity throughout this transition.

Transition-related opportunities

Large-scale decarbonization will require profound societal changes across many sectors. Not only will power generation change, but also how that power is used.

Electric vehicle adoption and electrification

Beneficial electrification, defined as replacing direct fossil fuel with electricity in a way that reduces overall emissions and energy costs, is expected to be a driver for increased electricity demand. In 2019, sales of electric cars topped 2.1[4] million globally, which is a 40 per cent year-on-year increase. The expected pace of EV adoption and the fact that charging will likely be done at home or at work[4] is expected to increase electricity demand for utilities like ours. At ENMAX, we are currently undertaking pilot projects, both in our own mobile fleet and for customers, to better understand and take advantage of this opportunity.

Investments toward grid flexibility

A growing societal focus on low-carbon or carbon-free energy is likely to increase the need for investment in the electric distribution grid. Our reputation for service and reliability provides a solid foundation that positions us well in this area. We also provide other services, such as connections for distributed energy resources like customer solar photovoltaic installations. We also continue to invest in our grid to be able to adjust to these changes (read more on page 22).

SHIFTING OF LOAD AND LOAD PROFILES

The global COVID-19 pandemic has demonstrated how access to safe, reliable and cost-effective electricity is critical, and how power demand and load can pivot quickly depending on events and circumstances.

In Calgary, total energy consumption in 2020 was about four per cent lower than in the prior five-year average (2015 – 2019). The decrease in energy consumption was primarily driven by a decrease in commercial energy consumption due to restrictions that were placed on businesses and workplaces. This decrease, however, was partially offset by an increase in residential energy consumption as portions of the workforce transitioned to working from home. COVID-19 is expected to impact energy consumption, in 2021, and potentially beyond, as workplaces shift towards more remote work.

However, prior to the COVID-19 pandemic, we had already observed energy use per customer decrease since 2015. More energy efficient appliances, conversion to LED lighting and increases in multi-dwelling homes had all played a role in this decline.

At ENMAX, our focus is to continue being responsive, supporting our customers, adjusting our business and delivering power reliably through these shifts.

4 *International Energy Agency. World Energy Outlook. Accessed on April, 2020. https://www.iea.org/reports/global-ev-outlook-2020*

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Transition-related risks

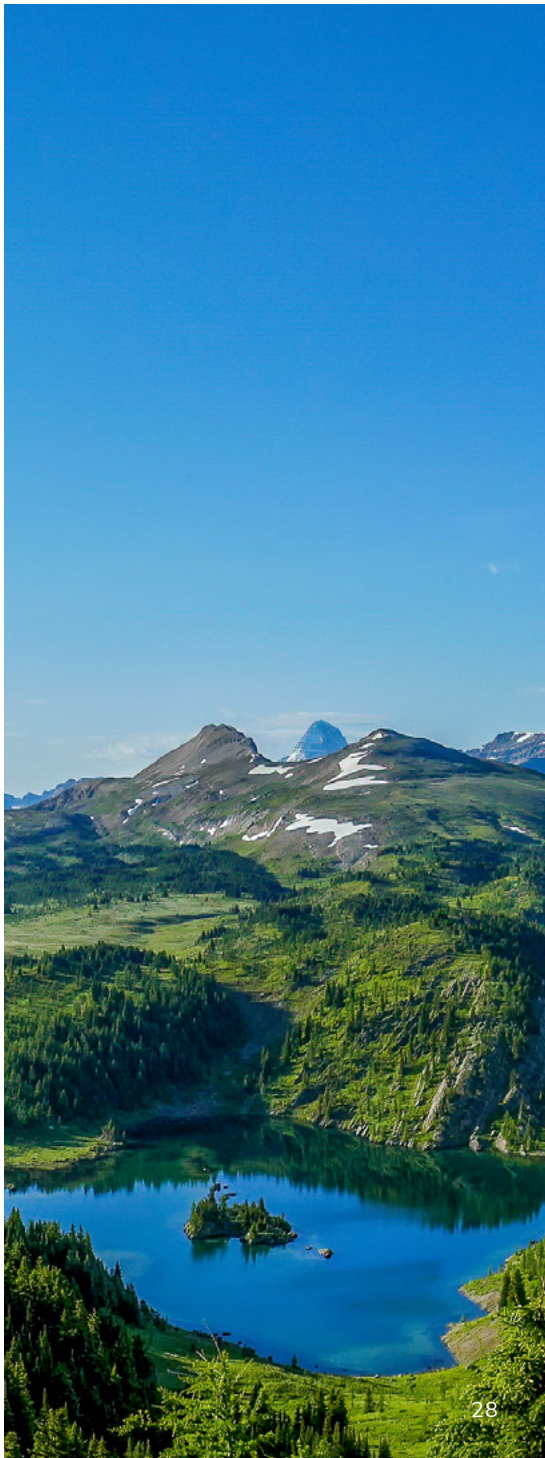
We closely monitor provincial and federal climate-related policies, regulations and legislation which may affect our performance. Besides investing in improving our own power generation portfolio and technology, ENMAX manages climate change regulatory risk by advocating for well-designed and cost-effective policy at the provincial and federal levels. Some of the GHG-limiting regulations that apply in our area of operation are:

Provincial GHG regulations

Since 2007, large facilities in Alberta have been subject to different GHG-limiting regulations. In 2019, ENMAX's GHG emissions from its natural gas generation facilities have been covered by the Technology Innovation and Emissions Reduction (TIER) regulation which applies to Alberta's large final emitters (facilities that generate more than 100,000 tonnes of CO_2e per year). Under TIER, thermal[5] electricity generation is required to meet a GHG emissions intensity of 0.37 tonnes of CO_2e/MWh (called a high-performance benchmark). Facilities that produce electricity as their primary product are subject to this "good-as-best-gas" electricity high-performance benchmark, and the Shepard Energy Centre was the reference facility used to set the benchmark not only in Alberta, but also across Canada. For emissions beyond the described intensity, power generators currently pay $40 per tonne. To meet these obligations, companies can reduce emissions at the site level to meet the benchmark intensity, use credits they generate through emissions reductions in other parts of their portfolio, pay into a fund or buy third-party offsets. In 2020, our carbon compliance costs across all our power generation assets were $5.5 million. ENMAX plans to continue to make efficiency improvements to our power generation facilities (read more about our target on page 17).

Federal carbon tax

The Parliament of Canada passed the Greenhouse Gas Pollution Pricing Act in 2018. Some provincial regulations have been deemed "equivalent" to the federal regulation, and so, companies that follow the provincial regulation are exempt of the federal carbon tax. Alberta's TIER has been deemed to be "equivalent" to the Federal government's legislation through 2021. The Government of Alberta is currently reviewing potential changes to the TIER legislation for 2022 and beyond, and evaluating equivalency with the federal program is part of that process. It should be noted that the TIER requirements for electricity generators are significantly more stringent than what the federal government proposed in their current legislation. There have been high levels of uncertainty regarding these regulations since the Canadian government announced plans, in December 2020, to further increase the carbon price by $15/t$CO_2e$ per year (starting in 2023), with a target to reach up to $170/t$CO_2e$ by 2030, as well as the ambitious goal of achieving net-zero emissions by 2050.



5 *Thermal generation includes electricity from natural gas, coal, petroleum, nuclear, geothermal and waste incineration.*

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Water use and quality

At ENMAX, we recognize that water is a precious resource that must be used responsibly. We carefully manage our water withdrawals and monitor our wastewater disposal. The majority of our water use is for essential power generation processes—intake water is used for cooling purposes in cooling towers, and the remainder is purified on-site to create steam in our combined-cycle power plants. Three of our facilities are combined cycle, which means they use both a gas and a steam turbine concurrently to generate additional electricity. We focus our water reduction initiatives at these combined-cycle facilities and are working to reduce our water intensity by:

Reducing freshwater use

We strive to minimize our freshwater use by using as much reclaimed water in our operations as practically possible. By design, our Shepard Energy Centre uses 100 per cent reclaimed water (also called greywater) from the The City of Calgary's Bonnybrook Wastewater Treatment Facility for all its power generation needs. Each year, this saves the plant from having to draw nearly six million cubic meters (m^3) of freshwater from the Bow River.

Optimizing our water use

We seek to optimize water use at our operated facilities in the following ways:

Shepard Energy Centre

While this facility already uses reclaimed water, we have sought to further optimize its water use. The water used in a power plant declines in quality each time it runs through the facility, where every pass through the cooling towers increases the concentration of dissolved substances. After three years of research, observation and innovative lab testing, we have been able to find the optimal operating efficiency of the cooling towers. This work has increased the reuse cycles from 3.5 to 5, while still maintaining all cooling water chemistry within required concentration limits. This initiative has reduced the plant's annual wastewater volume by 24 to 28 per cent (relative to 2017 values) and saves nearly 450,000 m^3 of wastewater each year.

Calgary Energy Centre

In 2020, we examined our water use at this facility looking to see if similar savings to Shepard could be achieved and determined that the plant was already optimizing its water use to the extent possible.

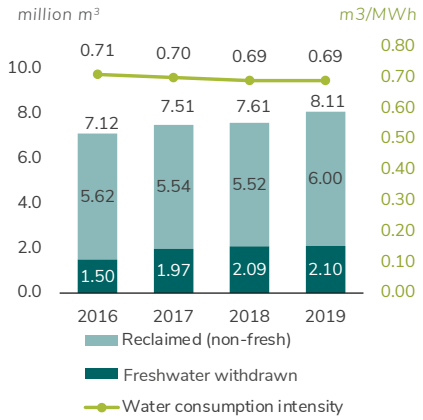
Cavalier Energy Centre

This facility is located just east of Strathmore and gets its water from an irrigation canal sourced directly from the Bow River. While using water from this source presents challenges, Cavalier uses a complex process to recycle and treat water at a very high rate of efficiency, leaving very little that cannot be recycled.

Water quality

We follow all City of Calgary bylaw requirements for wastewater quality disposal in Calgary, which applies to Shepard Energy Centre and Calgary Energy Centre. This includes directives that set out requirements for handling, treatment and disposal. At Cavalier, wastewater is reused to a point where it can no longer be treated and is disposed of using deep well-injection.

Water use



Most of the water we use is non-fresh and is for power generation cooling processes. The increase in water withdrawn is correlated with increased power generation. The number for 2017 has been restated since the publication of our last sustainability report to reflect consistent calculation.

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Air quality

ENMAX Energy operates power generation facilities in Calgary and the surrounding urban area and takes its role seriously in helping to protect local air quality in our region. In addition to GHG emissions, our operations generate other air emissions that can impact air quality. We diligently track and report non-GHG emissions from our power generation facilities. We are working to reduce these emissions through the incorporation of emissions reduction technologies, adherence to best practices and a commitment to continuous improvement.

Nitrogen oxides

We operate our facilities at approximately 50 per cent of our allowable nitrogen oxide (NO_x) levels, which are facility-based NO_x limits granted by Alberta Environment and Parks (AEP) and provincial regulations. To maintain these emissions levels, we utilize NO_x reduction technologies at all our natural gas-fuelled power generation facilities. Two of our power generation facilities use post-combustion exhaust gas treatment (ammonia injection) to reduce NO_x emissions, Crossfield Energy Centre has installed low-NO_x combustors, and Cavalier Energy Centre uses water injection into the turbine to control NO_x.

Sulfur oxides

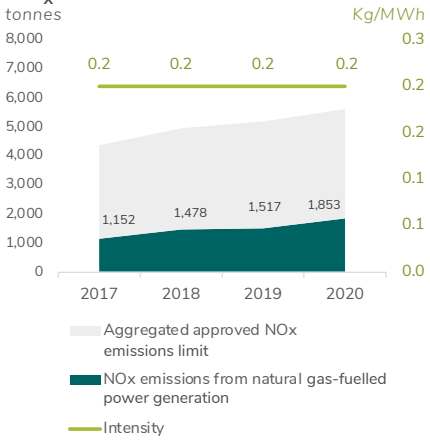
Sulfur oxides (SO_x) are no longer a significant source of our overall emissions since the termination of our coal-fired PPAs. Our SO_x emissions levels vary in relation to the volume of our power generation output (see data in the sidebar).

Partnerships to protect air quality

We participate as an industry member of the Clean Air Strategic Alliance (CASA) and Calgary Regional Air Zone (CRAZ) to represent our power generation assets. CASA is a multi-stakeholder partnership created to help manage air quality in Alberta. The board has representatives from industry, government and non-government organizations. CRAZ monitors, analyses and provides information on air quality and develops strategies to manage air quality issues within the Calgary Regional Airshed Zone.



NO_x emissions



We maintain NO_x emissions levels from our power generation facilities to approximately 50 per cent of our approved NO_x emissions limit. However, to reduce excessive wear on equipment, we have had to reduce ammonia injection (one of our NO_x reduction methods) and, therefore, have seen an increase in absolute NO_x emissions levels when compared to previous years.

We generate other air emissions in smaller quantities. In the last four years, we have reduced our particulate matter emissions by 40 per cent.

Other air emissions (tonnes)	2017	2018	2019	2020
SO_x	13	16	16	17
Particulate matter (PM10)	25	14	15	15

Note: Air emissions data only includes our power generation assets.

SOCIAL

At ENMAX, we never lose sight of health, safety and well-being as our top priorities. Through the course of our daily activities, we act with others in mind, whether they are our fellow coworkers, customers, Indigenous or local communities, or the general public. Within our organization, our actions are guided by the vision of providing a safe and supportive work environment where everyone feels like they belong.

Outside our organization, we endeavour to ensure our customers are supported through access to safe, reliable and cost-effective electricity services, and to create a positive impact on the communities where we live and work by giving back in meaningful ways that align with our values.

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Employee safety

Keeping our employees safe is of paramount importance to us. At ENMAX, safety goes well beyond following the rules—it is a core value which underpins our company culture. Our robust safety policies, procedures and systems guide our work so that everyone can go home safe at the end of the day.

Safety culture

At ENMAX, we encourage a proactive safety culture where every individual takes responsibility and ownership for safety, regardless of their position or work environment. We believe that by working together with safety as a priority, we can achieve our goal of an injury-free ENMAX.

Our safety culture empowers our employees to communicate when they feel unsafe or see an unsafe activity. We encourage them to stop work so we can re-schedule, modify the work or otherwise address the issue.

Versant Power's expectation is to "speak up, listen up, follow up" if our team members see an unsafe act. In Maine, we continue to advance employee communication about safe work and engaged a third-party expert to train team members on difficult conversations and peer-to-peer safety communications. Versant Power has been actively shifting its safety focus from a reactive (focused on lagging indicators) to a proactive culture (focused on leading indicators). In Maine, we are tracking proactive incident rate (PAIR), which includes proactive measures such as hazardous conditions near miss reports (including home-based reports), safety job observations (including internal contractor observation), and safety discussions by Maine's executive management team. The PAIR metric is a balanced scorecard item and one of Versant Power's target goals linked to performance for all team members.

Over the years ahead, ENMAX plans to continue evolving our overall safety culture to a fully proactive culture supported by company-wide leading indicators and programs to encourage positive safety mindsets and behaviours.

Rules to live by

Our Occupational Health and Safety handbook sets out our grounding rules, called the "Rules to Live By". All field employees review these when they join ENMAX. The Rules to Live By (commonly referred to in other industries as lifesaving rules) cover the most critical safety hazards that have caused serious injury or worker loss of life in our industry. The rules are intended to be simple, succinct reminders of the most important safety guidelines that we expect our workers to follow.

Leveraging technology for hazard identification

Before any worker completes work, they must complete a field-level hazard assessment to proactively identify and control hazards in their work areas. In ENMAX Power, these are called tailboards and are completed by our Alberta field teams in real-time on iPads. The iPads also enable access to all procedures, standards and mapping systems. We regularly audit the completed hazard assessments, analyze hazard data and look for trends, then address top hazards through our communications and safety meetings. Within our ENMAX Energy teams, they are called work permits.

Safety Statistics



In the last four years, we have reduced our total recordable incident rate by 66 per cent and our lost time injury frequency by 74 per cent. Note these statistics exclude Versant Power.

25,352 electronic hazard assessments (tailboards) completed in 2020

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Tailored safety programs

To continuously improve our safety performance, we have customized safety programs to target both our most significant and our most common injuries: driving risks, electrical contact, and slips, trips and falls.

Driving

While ENMAX's overall driving incident levels have decreased over the years, we work in a dense urban environment and experience some off-road/rough terrain, low speed and backing up-related incidents. We have a multifaceted approach to mitigate driving risks and keep our employees safe (see infographic on the next page). Given Versant Power's large service territory, employees must drive long distances for work (5.8 million km in 2020). To reduce the risk of vehicle accidents, the company is diligent about auditing qualifications for specific driver class licenses, reinforcing driver training skills in its apprenticeship program and assisting workers with driver training. In 2021, we are planning fleet enhancements and driving expectations, including holding in-person driving refreshers on topics such as backing up with trailers.

Electrical contact

While only about half our employees complete work that has associated electrical hazards, it is a high-risk activity for our field and front-line workers. We follow all relevant occupational health and safety compliance requirements and have strict lockout/tagout requirements. Lockout/tagout procedures are used to ensure equipment is safely shut down, isolated or disconnected from energy sources to protect workers from unexpected releases of energy.

Workers can only perform activities for which they are adequately trained, certified and have sufficient experience. Before working near electricity, ENMAX Power's apprentice training program provides new workers with proper supervision and support. Our Alberta powerline technicians go through annual reviews and assessments of key high-risk activities as part of our journeyman refresher program. In 2021, we plan to roll out an Assigned Competency Evaluation program to annually assess every worker for the work they do.

Versant Power has an exceptional in-house four-and-a-half-year apprenticeship program for line workers, delivered in their own training station. In 2020, five apprentices received their First-Class Line Worker status, 33 have completed the program and 38 are currently in various stages of progression. In addition to apprenticeship training, in 2020, 160 field employees received additional training on topics such as testing, troubleshooting and grounding procedures for underground residential distribution systems.

ERGONOMICS AT VERSANT POWER

More than half of Versant Power's injuries are soft tissue injuries, such as shoulder injuries for line workers. To help address these, in 2020, the company developed a field ergonomics program in collaboration with an athletic trainer. The program assessed field workers completing tasks and recommended improvements.



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Slips, trips and falls

Slips, trips and falls are a common source of injuries for our operational team members (meter readers, for example) who regularly work on previously unvisited properties where uneven ground and dynamic scenarios can contribute to the risk of injury. Slips, trips and falls are a common cause of injuries in Alberta and Maine, compounded by winter weather. At our facilities, we invest in housekeeping efforts such as in ploughing and salting. We provide frequent up-front messaging prior to known hazards, such as wind storms or heavy snowfall. We send out bulletins and notifications to leaders to speak at safety meetings and provide reminders about common hazards and behaviours. ENMAX and Versant Power each have employee-based safety committees that provide opportunities to discuss these notifications, along with incidents that have occurred, lessons learned and recommendations. Both ENMAX Power and Versant Power encourage the use of traction controls or aids, such as proper footwear (like ice cleats) and the use of salt-de-icers to place onto snow and ice in high-traffic areas. Versant Power provides traction control aids (such as ice creepers) and ice melt personal containers to all employees.

Spotlight on driving safety

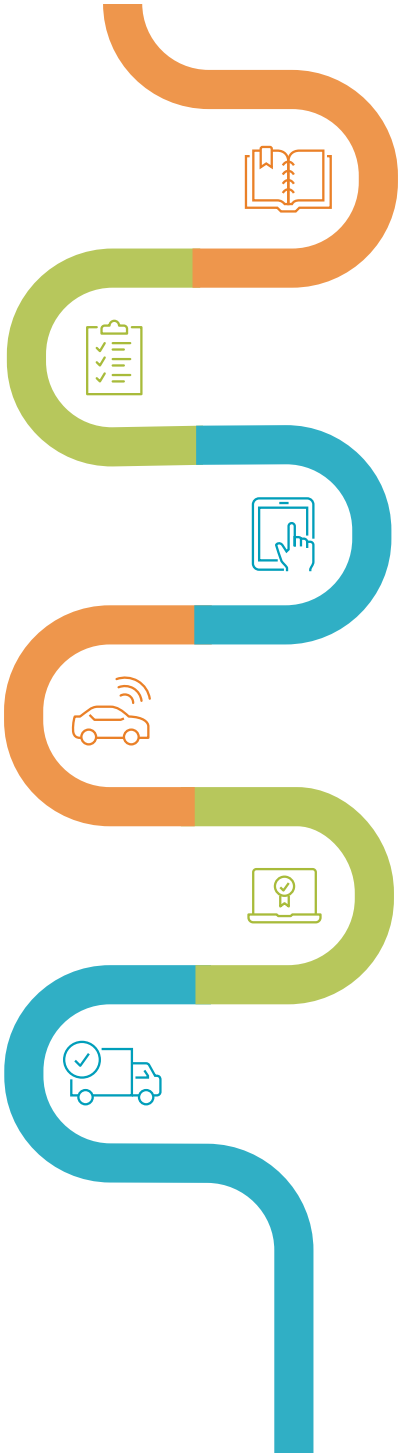
Our practices and programs to foster safe driving across ENMAX

We audit driver abstracts to ensure our drivers have the correct class of license for the vehicles that they drive. Any individuals without the adequate license level are flagged.

All ENMAX fleet vehicles (from cars to aerial trucks) also have an installed Geotab, an electronic device that uses real-time data to measure fleet performance. The devices enable us to track data on driver behaviour, which helps to reduce unsafe driving.

Due to the increased risk of serious safety incidents with our heavy fleet (greater than 11,749 kg), we have extra safety measures in place.

- Licence class audits
- Demerits above a certain level are flagged
- Drivers of heavy-duty vehicles must complete five annual courses covering driver safety, load security, securement, weights and dimensions, daily vehicle pre-trip inspections and dangerous goods.



We require all drivers to read and acknowledge our fleet handbook when they join ENMAX to understand our policies and safety procedures, vehicle features and operation, and driver responsibilities

We have a driving simulator that teaches about distractions.

Following any driving incidents, managers also have the ability to put a driver through online external driver training.

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Looking forward: Safety

Our approach

Our vision is to be a leader in proactive safety. The next step in our safety evolution is the advancement of a highly proactive safety culture that is unified across all ENMAX companies and operations to continue our journey to an injury-free workplace. We plan to focus on anticipating and preventing hazards, enhancing our capacity to manage complexity and variability, and building robust and resilient processes and approaches that prevent hazards and minimize the consequences of errors and system failures. This will involve:

- Sharing safety and operational expertise and wisdom to strengthen our processes, procedures and practices
- Increasing our focus on psychological safety to encourage early identification and reporting of hazards and operational risks
- Developing leading indicators that focus on proactive behaviours and enable early identification of areas for improvement

Next steps

In 2020 and to date in 2021, our efforts were primarily directed toward the health and well-being of all team members in Alberta and Maine throughout the COVID-19 pandemic and keeping our teams safe during critical work. Future safety activities include:

1. Align

Align our health and safety policies and standards to support our commitment to proactive physical and psychological safety

2. Engage

Work with our field, operations and office staff to identify areas of focus to advance proactive approaches and increase safety program effectiveness

3. Prevent

Develop and implement a hazard and near miss reporting incentive program

4. Measure

Develop a suite of proactive measures and gather baseline data

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Contractor safety

Contractors are an essential part of our workforce. We work with individual contractors, who work as an extension of ENMAX. In some of our business units, we also work with contracted companies, which are third parties that do work on our behalf.

Individual contractor safety

In our ENMAX Energy-operated generation facilities, the majority of our workforce is made up of individual contractors. The site management teams perform regular site observations and undertake a process called Hazard Assessment Coaching between three to five times per week. Similar to site observations, Hazard Assessment Coaching is conducted to verify that safety protocols and procedures are being followed and that work is safe.

At our Alberta corporate office locations, contractors may include, for example, security guards, cleaners or crews completing facility upgrades to ENMAX Place or our South Service Centre. We oversee contractors working at our office locations to verify that they are performing daily field-level hazard assessments and that they have the proper hazard reporting protocols in place.

Working with safe companies

At ENMAX Power, we work with contracted companies that provide construction, maintenance and other services. We hold all contracted companies we work with to high standards of safety.

Choosing safe contractors

As part of ENMAX's contractor selection process, each contractor must be registered with ISNetworld, an online contractor and supplier management platform used to pre-qualify and monitor contractors. Each contracted company must fully demonstrate technical capabilities, adequate safety practices and have appropriate insurance in place. We meet with selected companies to audit these items and review that they have adequate safety and environmental management systems in place. In 2021, Versant Power plans to start the implementation of ISNetworld with the support of ENMAX.

Contractor management

To promote a consistent approach from the third parties that do work on our behalf:

- Our field inspectors are on-site daily to verify that contractors use the procedures approved under the Master Service Agreement.
- We hold monthly meetings with contracted companies, including a scorecard review between the contracted company's management and our safety team and management to review incidents, hazard reporting and the status of any corrective actions.
- We monitor all contracted companies to confirm that any incidents are followed up with an investigation, corrective actions and preventative measures.

While our contractor management processes are currently handled separately, we are presently developing a contractor management plan to bring all areas of the business under one unified Contractor Management Program. We expect to have this program implemented in the next few years.



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Public safety

Conducting our business while keeping the public safe is a non-negotiable priority for our organization. We are active in promoting electrical safety through public events and safety awareness campaigns.

In our operations, one of the most significant risks to public safety is electrical contact with underground or overhead distribution lines or transformers. In addition to participating in public awareness events (see sidebar at right), we strive to do our part to protect, educate and inform the public about electrical safety risks through the following:

Sharing information with the public

As power outages can also impact public safety (for example, if traffic lights go out), we maintain the ENMAX Power Trouble Response Hotline for reporting outages and offer our Calgary Outage Portal map to publicly communicate outage location, cause and estimated time of restoration. We also promote our Calgary Outage App, in which customers can sign up to receive instant notification of a power outage affecting their site. Versant Power also has a live outage map with outage information and estimated restoration times.

Damage prevention

Any kind of digging or ground disturbance (excavations) may pose hazards to the public, workers and the environment. In Alberta, before excavating, we encourage individuals to use Alberta One-Call, a free service that notifies an ENMAX team of the activity. Additionally, our underground disturbance guidelines document provides requirements that companies and individuals must comply with when exposing buried ENMAX cables or equipment. In Maine, Versant Power is a member of the Dig Safe® system, a communication network similar to Alberta One-Call that notifies Versant Power prior to any intended ground disturbance by the public.

Promoting safe behaviours

ENMAX has developed and shared a free safety video tutorial to show the public and first responders how to work safely near electrical infrastructure in Calgary and what to do if there is a failure in the system. The Hazardous Electrical Awareness Tutorial (H.E.A.T.) is available to the public. To further promote power safety awareness, ENMAX's safety team has, for many years, been providing the same important messages in a one-and-a-half-hour presentation to contractors and first responders, such as fire fighters and police officers. Versant Power has a public safety team composed of volunteer employees who provide safety training for fire and police departments (including the Maine State Police Academy), Emergency Medical Technicians and other civic organizations. Prior to the pandemic, the company completed more than 400 public safety training sessions with these agencies.

BRINGING AWARENESS TO ELECTRICITY SAFETY

We participate in several annual public events to bring awareness to electricity safety. While these events were cancelled in 2020 due to COVID-19, we have since seen their return in 2021 and have participated virtually.

Safety Expo
This annual event teaches school-aged children the proper safety measures around electrical lines and equipment. We partner with members of the Calgary community, such as fire and police departments and other power generation and utility companies.

Disaster Alley
This free public emergency preparedness event teaches people simple steps to prepare for emergencies like power outages, floods and severe weather events. We participate in this event alongside the Calgary Fire Department, Calgary Search and Rescue Association, Helicopter Air Watch for Community Safety and more than 40 exhibitors.

Lineman Rodeo
Prior to the pandemic, we regularly hosted this annual event for powerline technicians, their families and the public. Powerline technicians are tested on their skills such as injured-person rescue, pole climbing and others—exercises that help the public understand how these technicians work safely with power lines and electricity.

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Diversity, inclusion and belonging

At ENMAX, we believe a diverse and inclusive workforce fosters a wealth of backgrounds and unique perspectives that enhance our culture, spark creativity, foster innovation and create value. Across our organization, we strive to build and maintain a culture of inclusion that embraces this diversity and allows everyone to feel respected, valued and like they belong.

Board Diversity Policy

We set the tone beginning with our Board of Directors. Our Board Diversity Policy guides our efforts in this regard and includes aspirational diversity targets whereby at least 30 per cent of our Directors are women and at least one member of the Board is from an underrepresented group, relative to the communities served by ENMAX. Read more about our gender diversity efforts on the next page, under "Women in leadership and in the workforce" and on page 52 of our Governance section.

Diversity, Inclusion and Belonging Executive Steering Committee

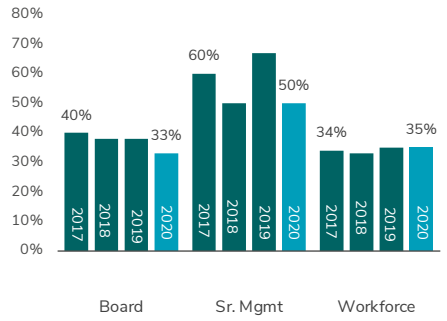
Across ENMAX, we have a shared vision of attracting and retaining a workforce that is reflective of our communities and that creates an environment where everyone has a sense of belonging. To progress and provide governance on this scope of work, we established a Diversity, Inclusion and Belonging Executive Steering Committee, and have begun executing a plan in 2021 to inform the development of a roadmap and strategy for the upcoming few years. To solidify our aspirations, we have set a vision and targets (read more on page 41).

Versant Power's Diversity and Inclusion Policy

Versant Power maintains a Diversity and Inclusion Policy and is committed to the principles and practices of equal employment opportunity. As a federal contractor, Versant Power is required to take affirmative actions to employ and promote the advancement of qualified persons with disabilities, minorities, women and veterans. Versant Power maintains an objective external third-party audit and completes an annual filling of our Equal Employment Opportunity and Veterans' Employment and Training Service reports. We also develop an Affirmative Action Plan that sets specific targets to increase our underrepresented populations through outreach efforts and training programs.

Women at various levels

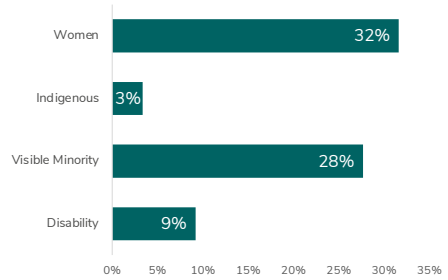
Per cent



We have gender balance in senior management roles, but will continue working on promoting diversity, inclusion and belonging across the entire organization.

Representation in our workforce

(2021)



These statistics are based on 81 per cent of our employees who participated in our 2021 survey. The survey provided the opportunity to self-disclose in these areas.

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Respect in the workplace training

We do not tolerate any form of harassment at ENMAX. Our Safe and Respectful Workplace Standard guides our efforts around fostering a healthy and respectful workplace. Team members complete training to understand this standard when they join the organization and undertake refresher training each year.

Women in leadership and in the workforce

At ENMAX, we believe the full potential of the workforce can be achieved if we help to remove barriers and create opportunities for women. As a reflection of our commitment to diversity, ENMAX has been a signatory to Electricity Human Resources Canada's Leadership Accord on Gender Diversity since 2017. In addition, ENMAX is a member of the 30% Club Canada, an organization that supports businesses having an aspirational goal of maintaining or exceeding a board and executive composition in which at least 30 per cent are women.

In support of our commitment to gender equality, our ENPower Professional Development Network has been in place since 2014. This employee-led group grew to more than 300 members in Alberta in 2020. It is targeted to women, while inclusive of all. It offers external and internal learning events to help grow and develop professional skills, and last year the group offered virtual events related to networking, learning and development, and sharing new experiences.

To foster the development of a diverse talent pipeline, our ENMAX ENPower Scholarship is awarded annually to a University of Calgary undergraduate student enrolled in the Schulich School of Engineering and actively participating in the Women in Science and Engineering student group. The scholarship is based on academic merit and financial need and was established on behalf of ENMAX's former President and Chief Executive Officer Gianna Manes, in recognition of her commitment to the advancement of careers in engineering.

Creating a more inclusive customer experience

Our vision to advance diversity, inclusion and belonging as an organization extends to our customers. We are actively exploring ways to provide a more inclusive customer experience.

As of 2016, Alberta's population consisted of 21 per cent immigrants, with an average annual growth of just over 40,000 people[6]. While the vast majority of immigrants are able to converse in one of Canada's national languages, 6.8 per cent of immigrants reported not being able to conduct a conversation in French or English[7].

In 2020, the ENMAX customer care team began a partnership with Multilingual Community Interpreters Service Language Solutions, a non-profit organization that specializes in helping remove language barriers. This partnership creates an important bridge to help all Albertans by providing interpretation services in more than 300 languages to our customers. Since July 2020, customers accessed translation services 135 times, selecting 23 of 364 different languages offered. This figure is expected to grow as more customers become aware of this service.

> "I think about the language challenges people may have coming to a new country. If we can take away just one of those challenges, I think we have an obligation to do that. This service benefits both our customers and our business through supporting the diversity of the communities we serve."
>
> **- Wayne Calder,**
> Director of Customer Care

6 https://www12.statcan.gc.ca/census-recensement/2016/as-sa/fogs-spg/Facts-pr-eng.cfm?Lang=Eng&GK=PR&GC=48&TOPIC=7
7 https://www150.statcan.gc.ca/n1/daily-quotidien/171025/dq171025b-eng.htm?indid=14428-1&indgeo=0

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Fostering mental health, wellness and resiliency

Since 2017, we have developed programs that foster mental health and resiliency and contribute to holistic wellness for our employees. We believe strong mental health is foundational for developing a culture of inclusion and that the skills we gain from having difficult conversations related to mental health make our culture more welcoming.

In 2020, the COVID-19 pandemic presented new opportunities for supporting our team members' wellbeing. We worked rapidly to seamlessly transition about 1,200 employees to work from home (70 per cent of our employees). Our team showed resiliency and an ability to adapt to these new circumstances. Given the significant changes our team members were experiencing, we provided additional support during the early months (read more about our COVID-19 response on page 26) and continue to invest in our team's mental and physical wellbeing. To create a space where we promote psychological safety and wellbeing, we have offered the following initiatives:

The Working Mind

To raise awareness and help to destigmatize mental health, we have hosted several workshops with the Mental Health Commission of Canada. Since we launched the first session in September 2018, we have had 433 employees participate in 27 sessions. Last year, we invited one of the facilitators from The Working Mind to speak at our town hall on the topic of mental health. The discussion focused on understanding the Mental Health Continuum Model, which was originally created by The Department of National Defense and uses green, yellow, orange and red coloured indicators to represent the stages of the mental health continuum.

Sharing stories of resilience

To lead by example, ENMAX leaders courageously shared personal "stories of resilience" surrounding their own experiences with mental health in 2020. These stories were shared on our employee intranet site and virtually during our employee town halls.

Building resiliency skills

In response to the COVID-19 pandemic, we offered access to headversity for our employees and their families. The headversity app provides video and audio lessons, articles and practice tools to help employees build key resiliency skills and mental health awareness.

Healthy Workplace Month

Each year, we organize a month of activities and offerings devoted to wellness, with one of the weeks dedicated to mental wellness. In October 2020, we held sessions on The Science of Happiness and resilience for all employees. Other activities included nutrition sessions, a healthy recipe contest and a bingo card of wellness activities that employees could complete and submit for prizes.

Access to Best Doctors

To support our employees with health or mental health issues, we provide access to Best Doctors by Teledoc, a medical second opinion service. Last year, we also incorporated the Mental Health Navigator module to support mental health. Both program components cover employees, their dependents, their parents and their parents-in-law.

Physical wellness

To support employees working from home during the COVID-19 pandemic, we provided virtual ergonomics assessments and sent out any required IT and office equipment. We also hosted webinars with fitness experts on topics like stretching at home and offered all employees access to an online library of fitness classes. Although currently closed, we have in-house fitness centres at our four Calgary office locations, through which we have offered fitness instructors and a schedule of activities available for sign up like yoga, Zumba, weight training and massage.

Financial wellness

In collaboration with our partners, we provided financial literacy courses through Credit Counseling Society and Sun Life Financial.

Isolation celebration

Social connection is an important part of our culture and an element of wellness. The challenges brought on by the pandemic limited our ability to gather and continue to build our culture. As a result, last year, our teams became more creative in their approach to fostering social connection. Our customer care and field services teams hosted online physical and mental health challenges, called Isolation Celebrations, to keep employees engaged and well. Each week, the groups issued new challenges and activities such as push-ups, arts and crafts, photo sharing and mental health exercises.

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Looking forward: Diversity, inclusion and belonging

Vision

ENMAX aims to attract and retain a workforce that is reflective of our community and create an environment where everyone has a sense of belonging.

Focus

Meaningfully embed diversity, inclusion and belonging into our people and business practices to drive how we attract, retain, and grow team members and engage our customers and communities.

Targets

- Complete a third-party assessment of our HR policies to identify additional opportunities to remove bias and promote equal access to opportunities in 2021.
- **100%** of senior leaders (director and above) to complete inclusive leadership competency training in 2021, and all other leaders to complete the training in 2022.
- Complete an assessment of our customer and vendor practices by 2023 to identify further opportunities to advance inclusive customer experiences and vendor management processes.

Our approach

The approach our organization plans to take in order to foster diversity, inclusion and belonging has four pillars. The pillars are sequential and move our organization along a continuum towards achieving our vision.

PILLAR

1. Awareness

Gain awareness by gathering multiple inputs including data (internal and external) and employee feedback. Awareness requires ongoing assessment.

2. Enhance

Strengthen our organizational programs, talent practices and policies to build a diverse workforce and to facilitate an environment of belonging. Support external initiatives and education programs that foster the development of a diverse talent pipeline including the advancement of technical, power industry-specific and science, technology, engineering and mathematics (STEM) skills.

3. Grow

Create awareness for the value of diversity and develop competence in inclusive behaviours.

4. Integrate

Embed inclusive practices into daily processes.

Next steps

In 2021, we plan to focus on documenting our baseline data, driving a foundational understanding of our processes and taking actions towards awareness.

The steps in our journey include:

- Offer diversity, inclusion and belonging discussion sessions for any employee who would like to attend. The purpose of these sessions is to normalize conversations about differences to foster inclusion and provide an opportunity for team members to share lived experiences in their workplace and personal lives.
- Develop a three-year diversity, inclusion and belonging roadmap for our organization.

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Employee engagement and development

Powering the potential of our people is critical to our success as an organization. In the highest performing companies, employee engagement is ingrained in daily practices to support businesses to excel. Engaged employees have fewer safety incidents, are healthier and more customer focused, and feel valued, respected and invested in their own success. As learning and development are critical factors in employee engagement, our programs aim to support employee growth by providing opportunities for career development.

Taking actions towards engagement

At ENMAX, we care about our people's well-being and how committed, invested and engaged they are. In 2019, we held our first employee engagement survey through Gallup. To enable transparency and informed action planning, all employees received access to the survey results and were involved in action planning within their teams. The survey showed that ENMAX's culture is close, with long-standing relationships and a foundation of respect. ENMAX showed strength in questions relating to connection including, "My supervisor, or someone at work, seems to care about me as a person", "People care about one another" and "I have a best friend at work".

Between 2019 and 2020, we took several actions to increase engagement:

- We reviewed the results and targeted key areas for improvement.
- Each business unit team was tasked with developing and implementing an action plan in response to the results.
- Our managers completed external training to help address their employees' needs and improve productivity.
- Our leaders have clear accountability to follow through on their action plans, since we embedded employee engagement into their annual performance objectives.

For our second fielding of the survey in 2020, we achieved an employee participation rate of 88 per cent, exceeding Gallup's utility industry participation average of 84 per cent, and observed improvements across Gallup's core engagement questions. In both our first and second fielding of the survey, we chose to add several questions surrounding "a culture of inclusion" to understand how confident team members are that company practices are ethical, that their voice is heard, and they are treated inclusively and with respect. This data will be leveraged in the development of our Diversity, Inclusion and Belonging roadmap.

Providing learning and development opportunities

When employees see opportunities to develop their strengths and purpose into a career, they are more engaged. At ENMAX, we promote learning and development through internal programs and experiences, as well as providing support for our employees to pursue external development opportunities. In response to the pandemic, we pivoted our learning and development offerings to a virtual format that included short webinars, as well as learning programs targeted for specific development needs. In 2020, 156 individuals participated in five learning programs, which are multi-week sessions spanning a day or more. One example is our internal mentorship program, which matched 35 mentors and mentees in 2020, establishing mentoring relationships over the course of six months.

Versant Power offers competitive wages, a benefits program, professional development, and human resources programs and practices such as employee engagement surveys, succession planning for key positions and a tuition reimbursement policy. The company's talent acquisition practice is to source talent from the local service territory.

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Engaging and supporting remote teams

At the beginning of the COVID-19 pandemic, ENMAX shifted quickly to support our team members to excel in a remote, disrupted environment, while continuing to meet business needs. We successfully transitioned about 70 per cent of our employee population to work from home and continued to deliver electricity safely and without interruptions. To thrive in this remote environment, we supported our leaders and teams through:

Webinars

We offered a new webinar series which provided an opportunity for front line leaders and employees to connect and develop key skills that aligned with organizational needs. Over 500 people participated in 49 webinars that covered many topics such as team connection, agility, communication in a remote environment, change management and mental health.

Workshops

To meet specific organizational needs, workshop topics were determined through consultation with our human resources business partners and included topics such as courageous conversations and emotional intelligence. Over 350 participants engaged in seven workshops, which also provided important opportunities for skill building, peer learning and social connection with other team members.

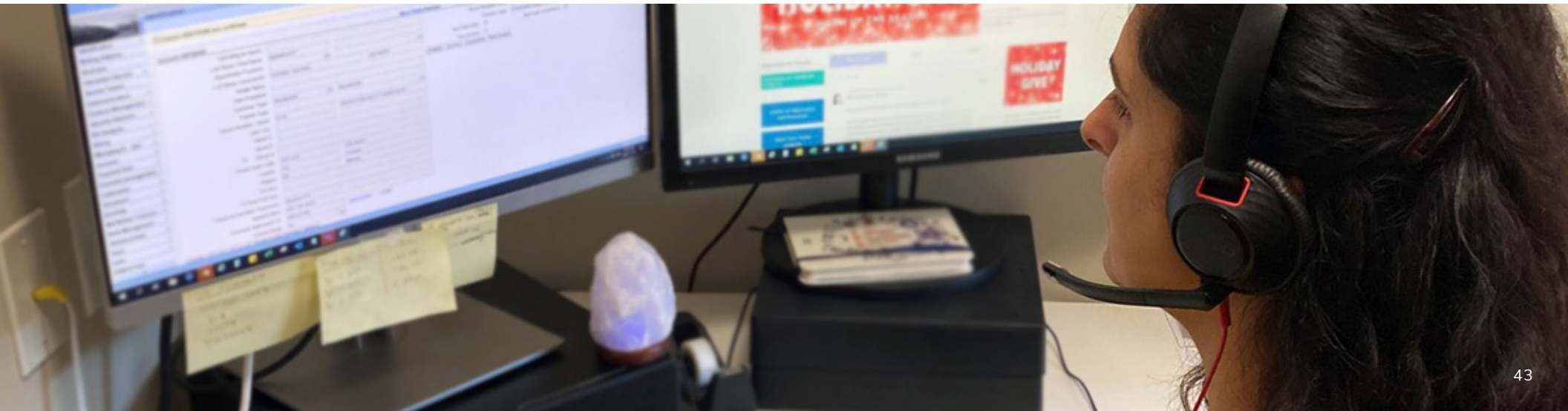
Employee communications

With the majority of our workforce transitioned to work from home in March 2020, COVID-19 response information remained among our top-viewed communications throughout the year. To maintain engagement and respond to the need for frequent updates, we expanded our corporate communications efforts. We increased intranet stories by 40 per cent (over 2019 numbers), shared 62 videos, and held four virtual town halls to bring remote and field workforces together.

Developing talent in our organization

ENMAX's succession program enhances cross-functional awareness of our talent pool, identifies development areas and mitigates risk of unexpected leadership vacancies. Development plans are in place for all roles at the director level and above. We have implemented targeted development opportunities from offering education to address specific needs to providing opportunities for leaders to gain exposure and experience for skill development.

In 2020, we adapted our business structure in Alberta through the consolidation of our business units, which necessitated the loss of some positions. We work with care and respect to support departed employees and relocated staff where possible. We also aimed to retain key talent and to keep our employees engaged throughout this difficult process.



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Unions

We welcome the contributions of organized labour and respect the right of our employees to associate. More than 60 per cent of our workforce is represented by union members of the International Brotherhood of Electrical Workers (IBEW) Local 254 and the Canadian Union of Public Employees (CUPE) Local 38. Approximately, 55 per cent of Versant Power's workforce is represented by the IBEW.

Maintaining collaborative relationships

We endeavour to be proactive in our communications, honest and transparent as decisions are made, and engage early to build trust. We consult with union representatives in advance of any policies or business initiatives that directly impact union members.

Collective bargaining agreements for both unions have a well-defined and documented process for raising grievances. Some of the most common matters we work with our unions on are compensation, job stability and outsourcing. We strive for open two-way dialogue to enable effective issue resolution. To promote collaborative union relationships in Alberta, some of the structures we have in place include:

Employee Relations Council

This council (which is a bargaining item within the IBEW) is a way to work through issues or concerns that need to be resolved outside of active bargaining.

Bid Committee

This committee, which includes representation from IBEW and ENMAX management, meets as required to discuss any changes to job descriptions or qualifications.

Job Evaluation Committee

Any significant changes to job descriptions go to this committee for discussion and agreement. The committee includes representation from CUPE and the ENMAX labour relations and total rewards teams.

WORKING TOGETHER TO PREPARE FOR COVID-19 IMPACTS

Given the unique situation presented by COVID-19 and our need to continue to provide an essential service, we worked very closely and collaboratively and were able to establish a special agreement with our unions. The agreement included plans to enable staff to be housed on-site or perform essential roles from home, so that we could continue to operate and keep essential services on in the event of extremely high COVID-19 numbers.

The ability to collaboratively come to this unique arrangement demonstrates that our long-held and strong relationships with our unions are based on trust and respect.

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Energy affordability

Electricity is an essential need, and energy affordability is critical to our customers' quality of life. An evolving energy landscape and the heightened economic pressures experienced throughout 2020 put increased financial strain on our customers. Our current and future efforts in this area aim to support customers and communities at each stage of the energy-affordability lifecycle.

We have a range of community partnerships and customer programs in place to improve access to energy:

Helping customers understand and optimize energy use

For customers who have chosen a competitive retail plan with ENMAX Energy, we offer My Energy IQ™, a free tool to enable customers to take greater control over how they use energy via monthly reports on their energy use, bill comparisons, energy saving tips and more. To support changing energy needs during seasonal changes, we also publish our Winter Wise and Summer Smart energy tips series to help customers implement energy usage reductions through simple, low-cost ideas tailored to Alberta's unique climate and weather patterns.

Providing support to vulnerable customers

In Alberta, our local customer care team offers payment arrangements or installment plans to assist customers who may be struggling to pay their electricity and/or natural gas bill. To further support vulnerable customers with utility needs, we have in place long-standing relationships with Trellis, Distress Centre Calgary, United Way of Central Alberta and Bissell Centre (Edmonton). Our connection and support to these agencies allows us to direct people to organizations to get the help they need.

In Maine, Versant Power works closely with state and county programs that qualify customers to receive assistance for heating. When customers apply for federally funded heating assistance, they are also qualified to receive assistance through Versant Power's Low Income Assistance Program, which provides an annual credit on electric bills for income-qualified applicants each year they apply. Low-income residential customers who fall behind on electricity bills may also be eligible for the company's Arrearage Management Program, which applies a forgiveness credit to overdue balances for on-time payments of current bills.

Spotlight: COVID-19 support and relief

Recognizing the need to support and care for our customers in new ways due to the additional financial strain brought on by the COVID-19 pandemic, we were the first utility in Alberta to offer a COVID-19 Relief program. The program offered payment deferrals, increased flexibility for payment installment plans, and suspended collection-related activities and disconnections for non-payment. Read about our community investments in this area on page 47.

ENERGY POVERTY IN ALBERTA

A household experiences energy poverty when they struggle to meet their home energy needs (electricity and home heating fuels).

Most Canadian households spend less than three per cent* of their after-tax income on their energy needs. Households that spend more than twice this value (i.e., more than six per cent of their income) on home energy needs are thought to experience energy poverty.

In Calgary, 16 per cent of households experience a high home energy cost burden, a key indicator of energy poverty (approximately 63,800 households).**

We provide financial support and industry knowledge to agencies conducting research on energy poverty in Alberta to allow for a collective understanding between government, utilities and non-profit agencies of the evolving energy needs in our province.

* *According to the Canadian Urban Sustainability Practitioners (CUSP)*

** *Using CUSP's Energy Poverty and Equity tool based on 2016 Census data*

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Looking forward: Energy affordability

Vision

ENMAX's goal is to eliminate barriers for vulnerable customers that may impact or inhibit access to safe, reliable and affordable energy.

Focus

Support vulnerable customers through programs, resources and partnerships.

Targets

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

Our approach

Our energy affordability efforts will be geared towards supporting customers at each stage of the affordability lifecycle (noted below), incorporating efforts from across business units in Alberta and Maine, informing community investment strategies and laying the groundwork for advocacy with policymakers and regulators in an effort to advance broader strategies in the years ahead.

SUPPORTING CUSTOMERS IN THESE STAGES

1. **Affordability**
   Provide sustainable energy solutions, including tools, education and awareness

2. **Prevention**
   Invest in programming to reduce barriers to affordable-energy access across all our operating communities

3. **Crisis Management**
   Provide relief to customers in energy-need crisis through agency partnerships

Next steps

In the coming year, we plan to focus on developing and enhancing programs, tools and resources to inform and empower our customers. Programming will be developed to facilitate increased energy literacy and enable energy efficiency awareness. The first steps are to:

- Expand current energy management tools to help customers make more knowledgeable energy decisions;
- Offer community-based energy efficiency workshops; and
- Deliver energy saving kits to select households to increase awareness and support them in their energy savings efforts. The kits are a collection of items that may include LED light bulbs and other energy-saving tools (such as thermostats), as well as information to promote energy savings.

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Community investment

We are committed to supporting our communities in Alberta and Maine through sponsorships, donations, partnerships and employee volunteerism. Our investments and employee volunteer contributions make a positive impact in the communities where we operate. We continually strive to do our part to build stronger and more resilient communities.

Giving back to the community

As part of our commitment to making a difference in the communities we serve, we aim to annually invest at least one per cent of our pre-tax profits in our communities. We achieved this goal in 2020. ENMAX engages the London Benchmarking Group Canada (LBG) to review our community investment performance. LBG's assessment includes ENMAX's cash donations, donations in kind and employee volunteer time, resulting in a more holistic view of our overall community contribution. According to LBG criteria, last year ENMAX contributed $2.75 million in cash, in kind and through employee donations to local agencies.

Of those funds, $115,000 was dedicated to the COVID-19 Community Response Fund, a program implemented by The City of Calgary, CEMA, and the United Way of Calgary and Area in support of community agencies that work with vulnerable populations at increased risk due to the pandemic. As the COVID-19 pandemic evolved, ENMAX remained deeply committed to ensuring continued assistance to communities and customers. ENMAX provided support to the community by proactively approaching long-standing agency partners to provide additional relief funding. We were also one of the founding donors to the COVID-19 Community Response Fund.

In Maine, Versant Power commits $440,000 USD (approximately $550,000 CAD) each year to charities, sponsorships and other community investments, while offering matching funds for employees' volunteer and fundraising activities. In 2020, Versant Power shifted its charitable giving efforts to focus on supporting basic needs in the communities it serves. As a result of the pandemic, organizations reported increased demand to address food insecurity and provide services for vulnerable citizens, especially seniors and families in need of programs to support reliable education and childcare. Seventy-five per cent of the company's total community investment program was directed to charitable giving in 2020, with most funding targeted to programs responding directly to pandemic-related community needs.

$3.18 million contributed in cash, in kind and through employee donations to Alberta and Maine's community organizations in 2020

Our Community Partners

We endeavour to support our community service agency partners with both their immediate and long-term needs. Some of these agencies include:

Alberta

- Bissell Centre
- Distress Centre Calgary
- Federation of Calgary Communities
- Inside Education
- Trellis
- United Way Calgary and Area
- United Way Central Alberta
- Relay Education
- Scholarships

Maine

- Good Shepherd Food Bank
- United Ways of Eastern Maine and Aroostook County
- Eastern Area and Aroostook Area Agencies on Aging
- Educate Maine
- Downeast Community Partners
- Penquis & Aroostook Community Action Programs
- Six YMCAs across the Versant Power service territory

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Employee volunteerism and giving

Due to the restrictions on in-person gatherings, our employees participated in virtual, skills-based volunteering opportunities. This approach will continue into 2021 until in-person volunteering can resume safely. We also offer an employee giving program that provides our employees the chance to give back and engage with their community in ways that matter to them. ENMAX supports this giving through its commitment to match employee donations. In 2020, employees had the opportunity to nominate a charity of their choice to receive a $1,000 donation from ENMAX. More than 20 different agencies received funding.

Economic impact

As a utility, providing access to safe and reliable energy is one of the ways we enable economic development. Reliable energy access is correlated to improved economic trade and growth, increased safety, comfort and security, better employment opportunities, and is critical to supporting our overall quality of life.

In addition to our mission of providing safe, reliable, affordable energy, our extended financial strategy includes returning a stable and growing dividend to The City of Calgary. The dividend we pay to The City, in addition to municipal taxes, helps fund public transit, water supply and treatment services, and parks and recreation amenities. As part of our business, we develop infrastructure projects that create enduring improvements for the province of Alberta and future generations. We also generate value through the jobs we create, the materials we purchase and our community investments. We are transparent about our financials and share our annual reports on our website.



SPONSORSHIP AND COMMUNITY INVESTMENT IN INDIGENOUS COMMUNITIES

We look to support the economic and social development of Indigenous communities. As one of our areas of focus, we support education programs that assist Indigenous Peoples in advancing their knowledge and skills, and support the celebration of Indigenous culture. In 2020, we provided funding for the Aboriginal Friendship Centre in Calgary, which brings Indigenous-based cultural programs and services to the communities they serve; the Belcourt Brosseau Metis Awards program; the Tsuut'ina Nation Children's Halloween costume competition; and the Tsuut'ina Nation food bank.

We are also working closely with the Tsuut'ina Nation to install new electrical infrastructure for a 1,200-acre development on the Tsuut'ina Nation reserve, which is planned to host new hospitality and entertainment venues, an innovation and research campus, office spaces, new homes, and a variety of retail and wholesale stores.

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Community and stakeholder relations

We supply safe and reliable power to all our customer groups, which include residential, commercial, industrial, institutional, developers, builders and Indigenous communities. Through the course of our daily operations, we also work with many municipal elected officials, government agencies, advocacy groups and industry consultants.

ENMAX Power's electrical distribution service area spans more than 1,000 square kilometres (km^2) in and around Calgary, and we consider our stakeholders to be any individuals or organizations that have distribution lines coming to their home or building, whether or not ENMAX Energy is the chosen billing provider.

Our broader stakeholders include anyone who could be impacted by our operations or who has an interest in our company, including regulators, municipalities, rural landowners, developers, new businesses, elected officials, the media and the general public.

How we engage with stakeholders

We are committed to understanding the needs and interests of all stakeholders and promote two-way communication in the following ways:

- We offer a variety of contact avenues on our contact page in the areas of residential customer care, business customer care, and power and meter services.
- We elicit feedback from customers through our Voice of the Customer surveys, which started in September 2019.
- We also learn what our stakeholders want through monthly engagement activities with various advocacy groups (who represent, for example, developers, builders or electrical contractors).
- When we submit a proposal to the regulator to explain a rate increase, we make those submissions available to our customers and the public on our website.
- We disclose direct contact information on our website, including access to our Board of Directors.
- We provide advance notification of any planned outages, offer an outage map and heavily engage on social media to alert customers about outages.
- Our customer relations team handles inquiries and complaints promptly. In response to common concerns about outage locations, causes and estimated restoration timeframes, we installed a robust customer-facing interactive voice response system in 2019 to improve outage communications (see page 21 to read about our Outage Management System).
- We are open to receiving questions and concerns and encourage stakeholders to call us or get in touch with us through our Live Chat.

ENGAGING WITH INDIGENOUS COMMUNITIES

Our fundamental guiding principles—communication and trust—are instrumental in developing open, honest relationships with Indigenous communities. While our generation assets are located within the traditional territory of Treaty Seven Nations, we predominantly engage with the Tsuut'ina Nation as we operate all existing and new distribution lines on the east side of the reserve. We value our relationship with the Tsuut'ina Nation and respect their values and culture. We strive to engage early, often, and on an ongoing basis and work to support the Tsuut'ina Nation to achieve their development goals.



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Consultation as part of project development

Development or alteration to transmission lines, substations, or generation facilities can impact a variety of groups. We ensure compliance with the AUC Rule 007 stakeholder consultation requirements. for all our projects. Depending on the project, the rules may require notification or consultation with certain stakeholders. This may involve sending a project information package to impacted customers, door knocking to directly engage customers or even hosting an open house.

In 2020, we had 15 to 20 projects that required stakeholder consultation. To respect physical distancing as a result of COVID-19, we adjusted our approach to in-person engagement by delivering contactless project information packages to the occupant, resident or landowner along with an additional cover letter explaining the changes in our consultation approach due to COVID-19. We also redeveloped the Projects page on our website to make it easier for stakeholders to obtain project information and get in touch with us.

Stakeholders with comments or questions are encouraged to contact us through our dedicated stakeholder relations phone line and email. Our stakeholder relations team consists of three full-time ENMAX employees who work closely with our regulatory and project teams to ensure compliance with the AUC Rule 007 stakeholder consultation requirements.

Engaging with stakeholders and communities in Maine

Versant Power aims to maintain positive relationships with its stakeholders, which include property owners, municipalities, lawmakers, elected officials, regulators, advocacy groups interested in energy policy and affordability, and business and development organizations.

Nearly all of Versant Power's transmission right-of-way areas are easements (i.e., Versant Power does not own the land, but the easements provide Versant Power with access to the property). Versant Power believes in being good stewards of the land and being respectful, open and collaborative with all landowners. Any time field workers require special access through woodlands, temporary licenses or leases are obtained prior to any work being done. It is the company's practice to record before and after video inventory and to complete any mitigations or inspections with the property owner.



GOVERNANCE

At ENMAX, we believe that the creation of meaningful value for our Shareholder and our customers comes from operating our business in a responsible and sustainable manner today and into the future. We are guided by the principle that how we conduct our business is equally as important as the profits we earn.

Our governance structure fosters ethical and responsible decision-making, and we seek to continually improve our understanding of the internal and external impact of our business practices on our customers, business partners and stakeholders.



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Corporate governance

We believe sound corporate governance contributes to Shareholder and public value, trust and confidence in our organization. Although ENMAX is not required to publicly file an annual information circular, we have released an annual disclosure document regarding our governance and executive compensation practices for over 10 years. Our Annual Report on Governance and Compensation is informed by the requirements applicable to Canadian public companies.

Shareholder relationship

ENMAX is a private corporation, incorporated under the Alberta Business Corporations Act, and our sole Shareholder is The City of Calgary. Calgary's City Council acts in the capacity of the Shareholder on behalf of Calgarians. Ongoing communication and engagement with The City of Calgary is an integral part of our philosophy of good governance. In 2019, we enhanced our governance framework by increasing the frequency of meetings with our Shareholder. Our Board of Directors and executive team meet with Calgary's City Council at least quarterly, including convening an annual public Shareholder meeting each spring and an annual meeting to review ENMAX's business plans each fall. We also meet annually with The City of Calgary's Audit Committee to review our financial, risk management and governance practices in detail.

Board independence

We recognize that having a majority of independent, highly qualified Board of Directors from diverse backgrounds is essential to effective decision-making. For the year ended December 31, 2020, nine out of 10 of our directors were independent, with our non-independent Board member being our President & CEO.

Board diversity

A diverse Board enhances ENMAX's decision-making abilities. Our Board Diversity Policy states that, when selecting director candidates, consideration will be given to the following diversity criteria: gender, age, residency, race, culture, ethnicity, people with disabilities (including invisible and episodic disabilities), members of the LGBTQ+ community and other factors that may enhance ENMAX's ability to deliver value to our Shareholder. The Board Diversity Policy also includes the following aspirational diversity targets: (i) an aspirational goal whereby at least 30 per cent of our directors are women; and (ii) an aspirational goal whereby at least one member of the Board is from an underrepresented group, relative to the communities served by ENMAX. As of December 31, 2020, 30 per cent of the Board of Directors are women.

Board evaluation and assessment

The Board undertakes an annual evaluation process to assess its performance and overall effectiveness, as well as that of the Board Chair, its committees, and individual directors. The Governance committee uses the results to identify actions for improvement and to determine education opportunities, as well as to ensure director expertise is leveraged to the fullest extent. This process also helps the Board build and maintain the collective set of skills, abilities and experiences required to effectively oversee ENMAX's long-term performance and strategy execution.

GOVERNANCE INFORMATION

Ethics	
Code of conduct for directors, officers and employees	Yes
Board composition and independence	
Size of Board	10
Number of independent directors	9
Separate Chair and CEO	Yes
Independent Chair (required)	Yes
Comprehensive Board assessment process	Yes
Directors that are financially literate	100%
Board meetings held in 2020*	31
Average meeting attendance	98%
Board renewal and diversity	
Annual election of directors	Yes
Average age of directors	64
Mandatory retirement age	No
Average director tenure	6 years
Women Board members	30%
Board Diversity Policy	Yes

All information as of December 31, 2020.

**Total number of regularly scheduled Board meetings during the 2020 year, which includes committee meetings, Shareholder meetings and director education sessions.*

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Ethics

At ENMAX, we are guided by strong principles of accountability, transparency and ethics in our decision making and behaviour. It is expected that all directors, officers and employees of ENMAX act with honesty, integrity and impartiality. This allows us to earn and maintain the trust of our Shareholder, employees, stakeholders, customers and the communities in which we operate.

Policies

Principles of Business Ethics Policy

This policy establishes the appropriate and expected behaviour for maintaining ENMAX's reputation for honesty and integrity, earned by maintaining the highest standards of business ethics and compliance with applicable laws. Our Board reviews and approves the policy at least once every three years and works closely with our executive team to promote a strong governance culture that influences ENMAX at every level. All employees acknowledge their responsibility to perform their duties at ENMAX in accordance with the policy.

Code of Conduct Regulation

This regulation must be followed by all owners of electricity distribution systems, their affiliated retailers and their regulated rate providers in Alberta. ENMAX Power is a distribution system owner, while ENMAX Energy is both an affiliated retailer and the regulated rate provider for ENMAX Power and others. Our compliance plan outlines how we will abide by the Code of Conduct Regulation.

Training

All employees, including our contractors as assigned, are required to complete annual training on the Principles of Business Ethics Policy, Safe and Respectful Workplace and Code of Conduct. In 2020, more than 2,150 individuals completed this suite of training.

Reporting concerns and conflicts of interest

ENMAX has a confidential ethics hotline where employees can anonymously express concerns about inappropriate business conduct through a confidential third party. Submissions to the ethics hotline are reported to ENMAX's Governance Committee. All reports are investigated with oversight of our Legal Counsel and Assistant Corporate Secretary. 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 that directors exercise independent judgment when considering transactions and agreements. The Board ensures that a director does not participate in discussions or vote on matters when he or she is conflicted.



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Governance for ESG matters

ENMAX is dedicated to conducting our business responsibly and overseeing and managing our risks in a diligent manner. ENMAX's Board of Directors and the executive team are committed to setting the "tone from the top" to create a culture of high ethical standards and good corporate governance through our organization and business operations, which includes our ESG practices.

We have strong management systems in place, and we work to develop, monitor and progress our risk management strategies to ensure they are both representative of key impact areas of our business and address changing environmental and social matters.

Over the past year, we have advanced and enhanced a series of governance practices in the area of ESG objective setting, reporting and performance management. Responsibilities for advancing our sustainability commitments have been embedded across our organization.

Oversight for ESG matters

The Board of Directors retains the highest level of oversight for environmental, social and governance matters. Our Board of Directors sets the ethical tone for our company and is also responsible for providing leadership in support of ENMAX's commitment to sustainable business practices.

ENMAX's President and CEO holds direct accountability for the advancement of the organization's sustainability practices and ESG commitments. The executives responsible for overseeing ENMAX Power, ENMAX Energy and Versant Power hold direct accountability for the achievement of progress in their respective areas. ENMAX's Vice President, Public Affairs is accountable for the ongoing organization, management and reporting of ENMAX's overall sustainability and ESG progress on behalf of the organization.

Robust safety and environmental management systems

In order to support the execution of our policies and practices, we have mature management systems, clear data collection and reporting, and strong internal structures to effectively manage our safety and environmental risks. These policies and systems include:

- We follow the Alberta Safety Codes Act, which governs public safety, and we also report any instances of employee, contractor or public electrical contacts.
- All work carried out in Alberta is in accordance with Alberta's Occupational Health and Safety Code.
- Our safety management system is aligned with ISO 45001. We also maintain an Alberta Certificate of Recognition (CoR) to meet provincial safety standards. To maintain our CoR, we must subject our operations to a third-party audit that includes employee interviews at all levels, a review of documentation and observations of workplace conditions and practices every three years.
- Our environmental management system is modeled after the requirements of the Canadian Electricity Association's Sustainable Electricity™ program and ISO 14001, an international standard for environmental management.
- Versant Power has its own robust safety management system aligned with OSHA 45001. Each year Versant Power develops and receives executive approval for its Safety Management System Action Plan, which contains more than 35 separate actions and metrics within the 10 management system elements. The action plan includes all aspects of Versant Power's safety program and has strong accountabilities built into it. Versant Power is committed to completing a minimum of 90 per cent of those actions, and the results are verified by an ENMAX auditor.

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A SUSTAINABLE ELECTRICITY COMPANY

In 2019, ENMAX achieved the Canadian Electricity Association's (CEA) designation as a Sustainable Electricity Company™, which recognizes the importance member companies place on sustainability over and above standard compliance and performance.

Achieving the designation entailed a third-party verification exercise to confirm we have the policies and program frameworks in place to address material ESG issues of our operations in alignment with the ISO 26000 and ISO 14001:2015 standards.

ENMAX adheres to the CEA's Sustainable Development Corporate Responsibility Policy. As part of this commitment, we provide ESG data both to enable CEA in the sharing of industry-wide metrics and to allow us to benchmark our own performance.

Risk management

ENMAX uses an established Enterprise Risk Management (ERM) program to identify, analyze, evaluate, treat and communicate our risk exposures in a manner consistent with our business objectives and risk tolerance. Our ERM system helps us monitor and evaluate financial, reputational, regulatory, environmental and social risks.

To monitor and manage risks appropriately, we regularly conduct an enterprise risk assessment process and consolidated risk reporting. In 2019, we incorporated climate change risks into the most impacted areas of risk within our existing ERM system. We provide a quarterly ERM update to our executive team and Board of Directors with any new observations or issues related to any of our key risk areas and an overall assessment of our corporate-wide risk level and tolerance.

We have risk oversight and management at the Board, executive and management levels:

- Risk oversight is managed by the Governance Committee, as well as by the Board of Directors.
- We have two committees at the management level, the Risk Management Committee (RMC) and the Commodity Risk Management Committee (CRMC).
- Together, the RMC, CRMC and the Board oversee identified risk exposures and risk management programs, including the ERM program.
- At a management level, each accountability area is responsible for assessing its risk exposures and implementing risk management plans.

Commodity risk exposures are managed within levels approved by the Board and the President and CEO, and monitored by personnel in the business units, the risk department and the senior management team.

The ENMAX Group of Companies operates in two distinct geographical regions with different types and levels of climate-related physical risks. While both regions are exposed to winter storms and other severe weather events, based on their specific regional needs Calgary has a more targeted flood preparedness program, and Maine has a robust tree and vegetation management program. For more on weather-related climate risks, see page 61.

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Customer satisfaction

As a provider of essential energy products and services, ENMAX Energy serves more than 690,000 residential, commercial and industrial customers in Alberta, and Versant Power serves approximately 160,000 customers in Maine. We take the customer experience seriously and approach customer satisfaction with the philosophy that "every moment matters". We aim to treat every customer with respect, kindness and empathy.

Dedicated customer care team in Alberta

To continue improving customer satisfaction, we have a dedicated, locally based team of 250 employees who work in our customer care center in Alberta. Our customer care agents receive more than 665,000 calls per year. We also have a Voice of the Customer ambassador, an employee who calls customers back proactively to resolve more complex issues and who is assisted in making these calls by a special support team.

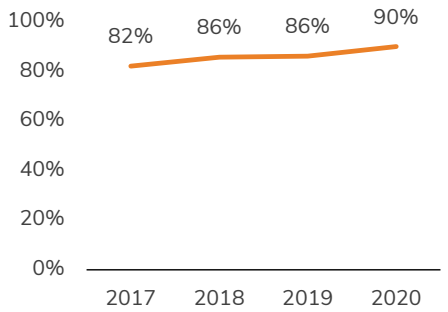
Customer satisfaction in Maine

Versant Power has a customer contact centre staffed with local customer service representatives in two locations in Maine: Presque Isle and Bangor. To foster high-quality customer service, Versant Power provides a 10-week training program to onboard new representatives and offers continuing coaching and training for tenured representatives. The company also has an online user portal to view and pay bills, report and see status on outages and to view daily and hourly usage information. Customers who use online services also receive weekly usage reports by email and can sign up for high usage alerts by email or SMS. As a testament to its focus on customer satisfaction, in 2020, Versant Power exceeded its key targets with respect to customer satisfaction. These targets are established by the Maine Public Utilities Commission.

METRIC	TARGET	VERSANT POWER'S 2020 PERFORMANCE
Responsiveness to customer calls (calls answered in 30 seconds)	80%	84%
Call abandonment rate	7%	4%
Bill error rate	<0.40%	0.11%

As a retailer of electricity and energy services, we serve more than **849,000** residential, commercial and industrial customers in Alberta and Maine.

Customer Satisfaction
(Alberta)



We have continually improved our customer satisfaction levels over the last four years. We take the customer experience seriously, and approach customer satisfaction with the philosophy that "every moment matters". Note: This data excludes Versant Power.

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Understanding our customers

To help us better understand our customers in Alberta, we have been sending our Voice of the Customer survey since 2016. The survey is a set of email or phone surveys sent out after an outage event or a customer interaction. We receive approximately 34,000 responses each year (a 10 per cent response rate).

From these survey responses, we have learned that many issues are seasonal (for example, we receive additional calls during the winter because utility bills tend to be higher) and that customers place a high value on agents who listen, ask relevant questions, provide a viable solution and make them feel like a valued ENMAX customer. We analyze the data trends and look for opportunities to improve our processes and coach or reward our agents. Our High Five Program recognizes agents who receive five out of five in customer ratings. Based on survey learnings, we have:

- Developed a bill analysis tool to help our agents better explain utility bills to customers;
- Updated our payment page and other systems to make ENMAX easier to do business with; and
- Provided training to our customer care agents on empathy, handling customers with kindness, improving listening skills, asking relevant questions and reducing resolution time.

In 2021, we are conducting a more in-depth customer survey to explore customers' evolving expectations. We expect to share results in our next ESG report.

Versant Power and ENMAX subscribe to the JD Power Residential Electric Customer Satisfaction survey. This electronic survey reports overall customer satisfaction based on six main areas of assessment: Power Quality and Reliability, Price, Billing and Payment, Communications, Corporate Citizenship and Customer Service. Versant Power is grouped with peers in the East Midsize category, with results compared against similarly sized utilities in the Northeastern United States. Through this survey, Versant is able to understand key drivers of customer satisfaction and learn more about existing and emerging best practices among utilities.



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Cybersecurity and data privacy

ENMAX works diligently to protect our systems, information, customer data and physical assets from growing cybersecurity risks. We mitigate these risks through a robust cybersecurity program.

Customer data privacy

As an essential services organization, our business requires the collection and management of customer data. We collect only the data we require to provide service to our customers, such as billing details. Additionally, we restrict data accessibility and all instances of access to data are logged and audited. Every customer service agent in our customer care team receives data privacy and protection training when hired. We also provide regular training updates and recognize National Privacy Day with speakers and hosted activities to communicate additional messaging about data protection.

Each year, we diligently alert customers to the importance of data protection and promote public awareness of potentially fraudulent activity by third parties as and when we become aware of such attempts by individuals or organizations misrepresenting themselves as ENMAX.



Enhancing our cybersecurity

Resilience to cyber threats is exceptionally important for organizations like ours that own and operate critical electricity infrastructure. At ENMAX Power, we place high attention on maintaining the cybersecurity of our operational technology systems as they directly impact physical systems and the delivery of power to our customers. Some of the frameworks that guide our cybersecurity practices are:

NIST Cybersecurity Framework

ENMAX Power has initiated and completed a National Institute of Standards and Technology (NIST) Cybersecurity Framework assessment. The NIST framework is considered a best practice in cybersecurity. Currently, we are undergoing a NIST cybersecurity maturity assessment prior to an intended implementation.

Critical Infrastructure Protection rules

We comply with the Alberta Reliability Standards, which requires following Critical Infrastructure Protection on the Bulk Electric System.

Center for Internet Security controls

We implement security controls based on recommendations from the Center for Internet Security and maintain an advanced suite of software for threat detection, log processing and monitoring. We conduct regular testing and retain external cybersecurity experts to provide audits.

CYBERSECURITY AWARENESS

Training our employees on cybersecurity empowers them to recognize potential threats and helps to prevent cyber-related incidents.

As employees join the company, our mandatory corporate training includes a module on cybersecurity and data protection. Refresher training and testing is conducted annually.

We offer regular cybersecurity awareness courses and hold an in-depth Cybersecurity Awareness Month in October during which we circulate relevant articles, share tips of the day and host virtual events with guest speakers such as the Calgary Police Service's Cyber Crime Unit.

We also have a comprehensive phishing performance management process, monthly phishing tests and supplemental training for employees.

In 2020, as a result of our workforce suddenly working from home, we increased restrictions on remote access to provide added system protection. We also increased our cybersecurity awareness communications, held a large online cyber-awareness meeting and conducted smaller virtual meetings with each business unit.

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Responsible procurement

We are committed to fair competition in all dealings with suppliers and to making all our purchases honestly and objectively. We also want to make sure that our suppliers and contractors respect and uphold our ethical, safety and environmental practices.

Our contractor screening process is designed to verify that any contracted companies we work with have similar safety practices and systems to ENMAX. We are currently using ISNetworld, an online data-driven contractor and supplier management platform. Through the platform, we can verify contracted companies have insurance and appropriate safety performance and practices. In 2021, we plan to support Versant Power's ISNetworld implementation.
Read more about contractor safety on page 36.

Public policy

At ENMAX, we aim to act honestly and with integrity in all business relationships, including in our interactions with government officials.

Our public policy interactions include direct interactions with government officials and administrators. The *Alberta Lobbyists Act* regulates lobbying activities in Alberta. We have an internal lobbying policy and provide training for any executives and directors that are likely to interact with government officials. We track and report lobbying activities to the Office of the Ethics Commissioner of Alberta and to the Federal Office of the Commissioner of Lobbying to comply with the lobbying requirements that are directly focused on polices, programs and regulations.

To support industry positions and to stay informed of policy development, we are also members of industry associations such as the CEA, Independent Power Producers Society of Alberta, the Edison Electric Institute, and the Alberta Energy Retailers and Service Providers Association.



VERSANT POWER

ENMAX Corporation completed the acquisition of Versant Power in March 2020. Versant Power is a regulated electricity transmission and distribution utility in the state of Maine. The acquisition reflects ENMAX's strategy to grow its regulated utility business in North America, leveraging its expertise in the provision of safe, reliable, regulated transmission and distribution electricity services. Versant Power is governed by a Board of Directors with representation from both Maine and ENMAX and is operated under the leadership of a locally based executive leadership team. The following section describes Versant Power's key environmental and social practices.



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Environment

Versant Power's environmental management program closely follows state and United States national guidelines. It is reviewed at the executive level annually and is audited by a third party every three years.

Grid resiliency and physical risks

Versant Power tracks and reports industry standard reliability metrics on a monthly and annual basis and has targeted improvement goals each year. In order to meet increased customer expectations regarding power reliability, Versant Power currently invests more than $70 million USD (approximately $87 million CAD) to maintain and improve its electricity system. Since Maine is the most forested state in the United States, with 90 per cent of its land covered with trees, the focus of the program is on:

Tree and vegetation management

On average at Versant Power, two out of three power outages are caused by trees. The trees in Maine can typically grow 25 to 30 metres tall, while the average power pole reaches 10 to 14 metres, which means that trees can easily fall on powerlines. This is why, each year, Versant Power covers more than 3,000 km trimming trees and working with landowners to remove trees identified as threats to the reliability of the system. To proactively address the issue, about 10 per cent of the operational budget is spent on vegetation management.

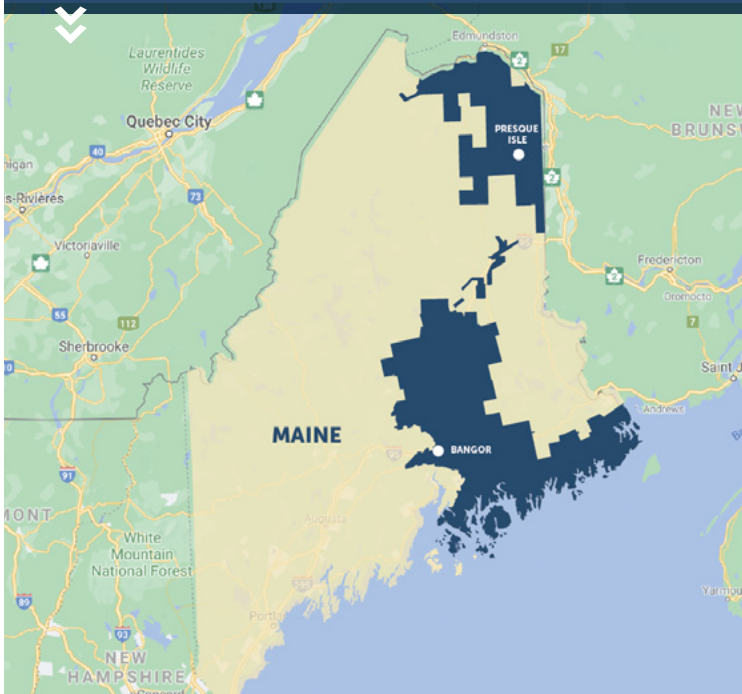
Extreme weather events

With storms becoming more frequent and severe, extreme weather events pose a key physical risk to the system. These weather events can include heavy winds, rain, ice and heavy snowfalls, and can make the risks of tree falls even greater. In 2020 ENMAX worked with Versant Power to develop a storm analytics tool to help predict the outage patterns that could arise after certain types of extreme weather events. The tool visually mapped six years of Versant Power outage data and integrated it with historical weather data for Maine. While the tool is still in early stages, it may provide promising insights for system analysis and reliability.

About Versant Power

- Owns and operates transmission and distribution utilities in northern and eastern Maine
- Serves approximately 160,000 customers
- 400+ employees
- Approximately 55 per cent of Versant Power's workforce is represented by the International Brotherhood of Electrical Workers (IBEW)
- Rural service territory (>26,900 km^2), through five counties
- Inspects more than 1,500 km of power lines annually
- Predominantly above ground distribution lines
- 2,044 km of transmission lines
- 9,900 km of primary distribution lines

OPERATIONS AREA



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Land stewardship

Versant Power is committed to responsibly maintaining and improving its transmission and distribution assets in a way that is respectful of the land around its operations. Any time Versant Power's maintenance or construction crosses environmentally sensitive areas like wetlands, the company obtains all required permits to traverse the areas and uses matting everywhere possible. Matting, which is used to build temporary roadways and construction pads, protects delicate vegetation by evenly dispersing the weight of heavy machinery. Versant Power is diligent to follow the rigorous state and federal environmental regulations for work completed within distribution rights-of-way.



GHG emissions

The primary source of Versant Power's GHG emissions is gas and diesel combustion from its mobile fleet. The company's fleet includes 140 smaller-class vehicles and approximately 120 medium- and heavy-duty vehicles. In recent years, Versant Power has added two EVs and two EV charging stations to its mobile fleet assets.

Versant Power assets also include 117 substations. Only 35 per cent of those substations have breakers with SF_6. However, since SF_6 is a powerful GHG, Versant Power has a system to manage SF_6 gas releases from its substations and replaces breakers when possible.

Customer emissions

Versant Power is also helping its customers reduce their emissions by promoting cleaner energy options. The company encourages customers to switch from using fossil fuels for home heating to using high-efficiency electric heat pumps. Since Maine's grid sources about 75 per cent of its electricity from renewable sources such as offshore wind, solar, hydroelectric and biomass, switching to heat pumps results in lower emissions.

In 2020, we saw exponential growth in solar development across the state of Maine. Versant Power adapted business processes and resources within its service territory to meet the growing interest and customer expectations. Versant Power is currently supporting nearly 150 distributed generation projects through their development stages—from application, engineering studies, design and construction to establishing intricate billing. This endeavour involves integrating these renewable projects safely and efficiently within Maine's existing grid and is an important part of advancing ENMAX's and Versant Power's shared vision of a cleaner energy future.

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Social

Safety

The safety of its employees, contractors and the public is of primary importance to Versant Power. In addition to a move to a more proactive safety culture (read more about it in the sidebar), Versant Power has targeted safety focus regarding:

Safety Management System

Versant Power has its own robust safety management system aligned with OSHA 45001. Each year Versant Power develops and receives executive approval for its Safety Management System Action Plan, which contains more than 35 separate actions and metrics within the 10 management system elements. The action plan includes all aspects of Versant Power's safety program and has strong accountabilities built into it. Versant Power is committed to completing a minimum of 90 per cent of those actions, and the results are verified by an ENMAX auditor.

Driving

Given Versant Power's large service territory, employees must drive long distances for work (5.8 million km in 2020). To reduce the risk of vehicle accidents, the company is diligent about auditing qualifications for specific driver class licenses, reinforcing driver training skills in its apprenticeship program and assisting its workers with driver training.

Ergonomics

More than half of Versant Power's injuries are soft tissue injuries, such as shoulder injuries for line workers. To help address these, in 2020, the company developed a field ergonomics program in collaboration with an athletic trainer. The program assessed field workers completing tasks and recommended improvements.

Slips, trips and falls

This is a common cause of injuries, compounded by winter weather. The company developed a facilities program, which creates awareness, invests in ploughing and salting, and provides traction control aids (such as ice creepers) and ice melt personal containers to all employees.

Public safety

Versant Power has a public safety team comprised of volunteer employees who provide safety training for fire and police departments (including the Maine State Police Academy), Emergency Medical Technicians and other civic organizations. Prior to the COVID-19 pandemic, the company completed more than 400 public safety training sessions with these agencies.



A more proactive safety culture

For the past few years, Versant Power has been actively shifting its safety focus from a more reactive (focused on lagging indicators) to a more proactive culture (focused on leading indicators).

Peer-to-peer communication

Versant Power has been working to improve worker communication about safe work. The company's Safety Department brought in a third-party expert to train all employees on difficult conversations and to improve peer-to-peer communication around safety. Versant Power's expectation is to "speak up, listen up, follow up" if they see an unsafe act.

Balanced scorecard

Versant Power is tracking its proactive incident rate (PAIR), which includes proactive measures such as hazardous conditions near miss reports (including home-based reports), safety job observations (including internal contractor observation) and safety discussion by our executive management team. The PAIR metric is a balanced scorecard item and one of the company's target goals linked to performance for all employees.

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Diversity and inclusion

Versant Power maintains a Diversity and Inclusion Policy and is committed to the principles and practices of equal employment opportunity. As a federal contractor, Versant Power is required to take affirmative actions to employ and promote the advancement of qualified persons with disabilities, minorities, women and veterans. Versant Power maintains an objective external third-party audit, completes an annual filling of our Equal Employment Opportunity and Veterans' Employment and Training Service reports. We also develop an Affirmative Action Plan that sets specific targets to increase our underrepresented populations through outreach efforts and training programs.

Talent management and development

Versant Power's ability to deliver service to its customers and execute its capital plan depends on attracting, developing and retaining a skilled workforce. Versant Power offers competitive wages, a benefits program, professional development, and human resources programs and practices such as employee engagement surveys, succession planning for key positions and a tuition reimbursement policy. The company's talent acquisition practice is to source talent from the local service territory.

Versant Power has an exceptional in-house four-and-a-half-year apprenticeship program for line workers, delivered in their own training station. In 2020, five apprentices received their First-Class Line Worker status, 33 have completed the program and 38 are currently in various stages of progression. In addition to apprenticeship training, in 2020, 160 field employees received additional training on topics such as testing, troubleshooting and grounding procedures for underground residential distribution systems.

Stakeholders and community

Versant Power aims to maintain positive relationships with its stakeholders, which include property owners, municipalities, lawmakers, elected officials, regulators, advocacy groups interested in energy policy and affordability, and business and development organizations.

Nearly all of Versant Power's transmission right-of-way areas are easements (i.e., Versant Power does not own the land, but the easements provide Versant Power with rights to access to the property). Versant Power believes in being good stewards of the land and being respectful, open and collaborative with all landowners. Any time field workers require special access through woodlands, temporary licenses or leases are obtained prior to any work being done. It is the company's practice to record before and after video inventory and to complete any mitigations or inspections with the property owner.

Community investment

Versant Power commits $440,000 USD (approximately $550,000 CAD) each year to charities, sponsorships and other community investments, while offering matching funds for employees' volunteer and fundraising activities.

In 2020, Versant Power shifted its charitable giving efforts to focus on supporting basic needs in the communities it serves. As a result of the pandemic, organizations reported increased demand to address food insecurity and provide services for vulnerable citizens, especially seniors and families in need of programs to support reliable education and childcare. Seventy-five per cent of the company's total community investment program was directed to charitable giving in 2020, with most funding targeted to programs responding directly to pandemic related community needs.

Some of the organizations, supported by Versant Power in Maine are:

- Good Shepherd Food Bank
- United Ways of Eastern Maine and Aroostook County
- Eastern Area and Aroostook Area Agencies on Aging
- Educate Maine
- Downeast Community Partners
- Penquis & Aroostook Community Action Programs
- Six YMCAs across the Versant Power service territory

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Energy affordability

Versant Power works closely with state and county programs that qualify people to receive assistance for heating. When these individuals apply for federally funded heating assistance, they are also qualified to receive assistance through Versant Power's Low Income Assistance Program, which provides an annual credit on electric bills for income-qualified applicants each year they apply. Low-income residential customers who fall behind on electricity bills may be eligible for the company's Arrearage Management Program, which applies a forgiveness credit to overdue balances for on-time payments of current bills.

Customer satisfaction

Versant Power has a customer contact centre staffed with local customer service representatives in two locations in Maine: Presque Isle and Bangor. To foster high-quality customer service, Versant Power provides a 10-week training program to onboard new representatives, and offers continuing coaching and training for tenured representatives. The company also has an online user portal to view and pay bills, report and see status on outages and to view daily and hourly usage information. Customers who use online services also receive weekly usage reports by email and can sign up for high usage alerts by email or SMS. As a testament to its focus on customer satisfaction, in 2020, Versant Power exceeded its key targets with respect to customer satisfaction. These targets are established by the Maine Public Utilities Commission.

Versant Power subscribes to the JD Power Residential Electric Customer Satisfaction survey. This electronic survey reports overall customer satisfaction based on six main areas of assessment: Power Quality and Reliability, Price, Billing and Payment, Communications, Corporate Citizenship and Customer Service. Versant Power is grouped with peers in the East Midsize category, with results compared against similarly sized utilities in the Northeastern United States. Through this survey, Versant Power is able to understand key drivers of customer satisfaction and learn more about existing and emerging best practices among utilities.

METRIC	TARGET	VERSANT POWER'S 2020 PERFORMANCE
Responsiveness to customer calls (calls answered in 30 seconds)	80%	84%
Call abandonment rate	7%	4%
Bill error rate	<0.40%	0.11%



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Appendix

Other ESG-related questions

We sometimes receive questions about ESG topics that are not covered previously in this report. The following provides additional information on these topics:

How do you prevent spills? Did you have any significant spills in 2020?

We have established routine inspection programs to assess the health and condition of our generation, distribution and transmission equipment. As part of each inspection program, the assessment of oil-filled equipment is critical as leaks can lead to equipment failure, electrical outages and costly site clean-up and/or remediation. When minor leaks are identified, inspection frequency is increased to allow for ongoing monitoring and assessment of the equipment's leak severity. In instances where a leak condition progresses or a major leak or equipment damage is identified, we schedule the repair or replacement of the equipment, including any site clean-up or remediation required. In addition to ENMAX's inspection programs, we also have spill response and reporting procedures in place to address spills due to equipment failure including damage and releases caused by third parties.

We consider significant a spill of more than 500 litres in alignment with industry standards (including the CEA) for sustainability reporting. In 2020, we had two significant spills. The first was an oil release due to a failed slow leaking pad mount transformer. The release was reported to AEP. ENMAX remediated the majority of the site in August 2020; however, due to site conditions, a risk management plan has been established until contaminants naturally attenuate or the site is decommissioned. The second spill was another oil release due to a third party damaging a pad mount transformer. Release was reported to AEP. ENMAX fully remediated the site in May 2020.

How do you protect biodiversity around your operations?

Avian management program: Birds often use power poles or substation equipment for perching, roosting and nesting. This creates risk of fire and power outages, as well as harm to the birds themselves. ENMAX works to protect birds, while helping to ensure the reliability of our services by identifying high-risk areas and installing measures to prevent nesting. For example, to prevent osprey from using double cross arm structures as nest sites, specially designed nesting deterrents are installed prior to the breeding season. In addition, we maintain and monitor 20 nesting platforms within Calgary.

Nesting deterrents such as Intellirupter switches have been installed on 25 switches across the city to prevent birds such as hawks and crows from nesting. Flight diverters are installed on shield wires of new transmission lines crossing and adjacent to waterbodies to make the wires more visible to birds and reduce the risk of collisions.

Training courses and detailed procedures are provided to field personnel to guide their actions when birds and/or nests are discovered. ENMAX's environment team is on call to help identify the species of bird and recommend the appropriate action. Nests that are inactive can be removed in some situations. Active nests found on power poles, substations and construction sites are protected and monitored until the young birds leave the nest. Follow this link for more information on environmental programs.

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Performance table

All data in this table excludes Versant Power

Performance Table					
OPERATIONS					
	Units	**2017**	**2018**	**2019**	**2020**
Electric utility					
Number of customers served	*number*	655,491	667,700	674,800	690,861
Electricity sold to customers in Alberta	GWh	19,977	19,668	19,250	17,891
Electricity delivered in Calgary service area	GWh	9,500	9,520	9,332	9,050
Power generation					
Installed capacity	MW	1,781	1,781	1,781	1,789
Net Energy Output (electricity generated)	MWh	7,075,048	7,869,096	7,889,814	8,372,681
Natural gas	MWh	6,441,223	7,256,454	7,309,027	7,636,598
Wind	MWh	633,825	604,230	570,769	713,197
District Energy	MWh	NR	8,412	10,018	22,885
Transmission and distribution					
Total km wire in Calgary	*Km*	9,596	9,751	9,908	9,810
Number of distribution transformers	*number*	52,644	53,540	54,258	54,754
Number of utility poles	*number*	61,699	61,413	61,408	65,054
ENVIRONMENT					
	Units	**2017**	**2018**	**2019**	**2020**
GHG emissions (equity)[1]					
Scope 1 emissions	*kilotonnes* CO_2e	2,510	2,880	2,899	2,984
Scope 2 emissions	*kilotonnes* CO_2e	18	14	14	12
Total GHG emissions	*kilotonnes* CO_2e	2,528	2,894	2,913	2,996
GHG emissions intensity (scope 1 only)	tCO_2e/MWh	0.39	0.39	0.39	0.39
GHG emissions (operational control)[2]					
Scope 1 emissions	*kilotonnes* CO_2e	2,707	3,262	3,362	3,460
Scope 2 emissions	*kilotonnes* CO_2e	17.1	13.4	12.8	10.5
GHG emissions intensity (scope 1 only)	tCO_2e/MWh	0.37	0.38	0.38	0.37

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ENVIRONMENT					
	Units	**2017**	**2018**	**2019**	**2020**
Scope 1 GHG emissions by source (ENMAX Energy only)					
Natural gas combustion	tonnes CO_2e	2,698,771	3,254,004	3,352,027	3,452,622
Fugitive	tonnes CO_2e	510	887	1,336	652
Fleet	tonnes CO_2e	74	50	153	25
SF_6	tonnes CO_2e	0	0	0	0
Flaring	tonnes CO_2e	0	0	0	0
Other	tonnes CO_2e	0	0	0	0
Energy transition					
Scope 1 GHG emissions covered under emissions-limiting regulations[3]	*per cent*	NR	NR	NR	100%
Scope 1 GHG emissions covered under emissions-reporting regulations	*per cent*	NR	NR	NR	100%
Grid resiliency					
Investment in Calgary's Transmission and Distribution (T&D) System and other assets	*$ million*	290	228	305	259
Reliability and availability					
System Average Interruption Duration Index (SAIDI)	*hours*	0.47	0.54	0.42	0.47
System Average Interruption Frequency Index (SAIFI)	*# interruptions per customer*	0.64	0.80	0.72	0.54
Average generation plant availability factor	*per cent*	95.3	93.4	93.3	98.7
Air quality[4]					
NO_X intensity	*tonnes/MWh*	0.0002	0.0002	0.0002	0.0002
NO_X (excluding N_2O)	tonnes	1,203	1,657	1,612	1,926
Particulate matter (PM_{10})	tonnes	25	14	15	15
SO_X	tonnes	13	16	16	17
NO_X in or near areas of dense population	tonnes	933	1,253	1,231	1,312
PM_{10} in or near areas of dense population	tonnes	11	13	13	14
SO_X in or near areas of dense population	tonnes	12	15	15	15

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ENVIRONMENT					
	Units	**2017**	**2018**	**2019**	**2020**
Water management					
Water intensity	*m^3/MWh*	0.71	0.70	0.69	0.69
Total water withdrawn	*million m^3*	7.12	7.51	7.61	8.11
Fresh	*million m^3*	1.50	1.97	2.09	2.10
Reclaimed (non-fresh)	*million m^3*	5.62	5.54	5.52	6.00
Total water discharged	*million m^3*	1.84	1.41	1.40	1.53
Spills[5]					
Significant spills, number	*number*	0	0	1	2
Significant spills, volume	*litres*	0	0	552	2,516

SOCIAL					
	Units	**2017**	**2018**	**2019**	**2020**
Employee and contractor safety					
Total recordable incident rate (TRIR)	*injuries per 200,000 hours worked*	1.00	0.71	0.94	0.34
Lost time injury frequency rate	*injuries per 200,000 hours worked*	0.27	0.13	0.20	0.07
Fatalities	*number*	0	0	0	0
Near misses - serious	*number*	10	8	6	1
Public safety					
Number of public injuries	*number*	0	0	0	0
Number of public fatalities	*number*	0	0	0	0
Employees					
Total number of employees	*number*	1,801	1,744	1,797	1,692
Employee turnover rate	*per cent*	7%	12%	8%	9%
Training and development					
Average hours of training per year per participant (excludes mandatory)	*hours*	11	19	12	8

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SOCIAL					
	Units	**2017**	**2018**	**2019**	**2020**
Diversity and inclusion					
Employees who completed respect in the workplace training	*number*	250	1,750	1,859	1,793
Total number of incidents of discrimination reported	*number*	1	0	0	0
Women at various levels					
Board	per cent	40%	38%	38%	33%
Sr. Mgmt (Senior VP and above)	per cent	60%	50%	67%	50%
Total Workforce	per cent	34%	33%	35%	35%
Unions					
Employees covered by a collective bargaining agreement	per cent	63	62	61	62
Energy affordability					
Number of residential customer electric disconnections for nonpayment[6]	per cent	NR	19,841	14,903	6,600
Customers reconnected[7]	per cent	NR	NR	NR	59%
Community Investment					
Community investment	*million $*	3.6	3.8	3.5	2.8

GOVERNANCE					
	Units	**2017**	**2018**	**2019**	**2020**
Customer satisfaction					
Customer satisfaction	out of 100%	82%	86%	86%	90%
Anti-corruption and anti-competition					
Number of legal cases regarding corrupt practices	number	0	0	0	0
Number of significant legal actions for anti-competitive, anti-trust behavior	number	0	0	0	0
Physical and cybersecurity					
Number of phishing tests conducted	number	NR	4	8	14
Employees who received cybersecurity tranining	number	1,451	1,747	1,856	1,792

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Notes

1. *We report GHG emissions based on financial ownership (equity) which means we include ENMAX's proportional share of the emissions from our Shepard Energy Centre, 50 per cent from our Balzac facility, and GHG emissions associated with structured power agreements such as Energy Service Agreements in which ENMAX is responsible for carbon compliance obligations. Following this principle, our 2015 baseline includes GHG emissions related to our Power Purchase Agreements (PPAs).*
2. *To allow comparability with historical information, we also provide GHG emissions under operational control which mean 100 per cent of GHG emissions from facilities which we operate regardless of financial ownership.*
3. *Emission limiting regulations include carbon tax.*
4. *Air Quality data is limited to air emissions from power generation facilities.*
5. *All significant spills are spills of more than 500 litres in alignment with industry standards (including CEA) for sustainability reporting. At ENMAX all releases to the environment are reported to our Environment personnel, who report to Alberta Environment and Parks (AEP) any release in excess of one gram of Polychlorinated Biphenyl (PCB) concentration from in-service equipment or two parts per million or greater of PCB from stored equipment, any release that has the potential to cause an adverse effect, or any release that has the potential to contravene an AEP facility operating approval.*
6. *2020 disconnections are lower than previous years due to ENMAX halting disconnection activities for most of the year due to the COVID-19 pandemic; ENMAX reports these values quarterly and annually to the AUC.*
7. *Total reconnections, not necessarily within 30 days.*

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SASB index

These are the metrics and references to qualitative descriptions in this report that align with the Sustainability Accounting Standards Board standard for electric utilities and power generators. The Sustainability Accounting Standards Board is a non-profit organization with the goal of enabling businesses around the world to identify, manage and communicate financially-material sustainability information to their shareholders and providers of capital. This excludes Versant Power.

SASB Ref	SASB Suggested Disclosures	2020 data	
	GHG gas emissions & energy resource planning		
IF-EU-110a.1	Gross global Scope 1 emissions (operational control)	3,459,970	tonnes CO_2e
IF-EU-110a.1	Gross global Scope 1 emissions (equity)	2,983,979	tonnes CO_2e
IF-EU-110a.1	Percentage of scope 1 emissions covered under emissions-limiting regulations	100%	
IF-EU-110a.1	Percentage of scope 1 emissions covered under emissions-reporting regulations	100%	
IF-EU-110a.2	Greenhouse gas (GHG) emissions associated with power deliveries	not reported	
IF-EU-110a.3	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and performance against targets	pages 12-18	
IF-EU-110a.4	(1) Number of customers served in markets subject to renewable portfolio standards (RPS) and (2) percentage fulfillment of RPS target by market	not applicable	
	Air quality		
IF-EU-120a.1	NO_X (excluding N_2O)	1,926	tonnes
IF-EU-120a.1	SO_X	17	tonnes
IF-EU-120a.1	Particulate matter (PM10)	15	tonnes
IF-EU-120a.1	Lead (Pb)	not applicable	
IF-EU-120a.1	Mercury (Hg)	not applicable	
IF-EU-120a.1	Percent of NOx in or near areas of dense population	68%	
IF-EU-120a.1	Percent of SOx in or near areas of dense population	93%	
IF-EU-120a.1	Particulate matter (PM_{10}) in or near areas of dense population	93%	
	Water management		
F-EU-140a.1	Total water withdrawn (fresh and non-fresh)	8.11	*million* m^3
F-EU-140a.1	Percentage of water withdrawn that is fresh	26%	
F-EU-140a.1	Total water consumed	6.58	*million* m^3
F-EU-140a.1	Percentage of water withdrawn and consumer in regions with High or Extremely High Baseline Water Stress	not reported	
IF-EU-140a.2	Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations	not reported	
IF-EU-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks	page 29	

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	Coal ash management		
IF-EU-150a.1	Amount of coal combustion residuals (CCR) generated, percentage recycled	not applicable	
IF-EU-150a.2	Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment	not applicable	
	Energy affordability		
IF-EU-240a.1	Average retail electric rate for (1) residential, (2) commercial, and (3) industrial customers	not reported	
IF-EU-240a.2	Discussion of engagement processes to manage risks and opportunities associated with community interests	page 49-50	
IF-EU-240a.3.	Number of residential customer electric disconnections for nonpayment	6,600	
IF-EU-240a.3.	Percentage of customers reconnected (not necessarily within 30 days)	59%	
IF-EU-240a.4	Discussion of impact of external factors on customer affordability of electricity, including the economic conditions of the service territory	page 5	
	Workforce health & safety		
IF-EU-320a.1	Total recordable incident rate (TRIR)	0.34	
IF-EU-320a.1	Fatalities	0	
IF-EU-320a.1	Near misses (serious)	1	
	End-use efficiency & demand		
IF-EU-420a.1	Percentage of electric utility revenues from rate structures that (1) are decoupled and (2) contain a lost revenue adjustment mechanism (LRAM)	not applicable	
IF-EU-420a.2	Percentage of electric load served by smart grid technology	not reported	
IF-EU-420a.3	Customer electricity savings from efficiency measures, by market	not reported	
	Nuclear safety & energy management		
IF-EU-540a.1	Total number of nuclear power units, broken down by U.S. Nuclear Regulatory Commission (NRC) Action Matrix Column	not applicable	
IF-EU-540a.2	Description of efforts to manage nuclear safety and emergency preparedness	not applicable	
	Grid resiliency		
IF-EU-550a.1	Number of incidents of non-compliance with physical standards or regulations	not reported	
IF-EU-550a.1	Number of incidents of non-compliance with cybersecurity standards or regulations	not reported	
IF-EU-550a.2	System Average Interruption Duration Index (SAIDI)	0.47	*hours*
IF-EU-550a.2	System Average Interruption Frequency Index (SAIFI)	0.54	*# interruptions per customer*
IF-EU-550a.2	Customer Average Interruption Duration Index (CAIDI), inclusive of major event days	not reported	

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TCFD index

The Task Force on Climate-related Financial Disclosures (TCFD) provides recommendations for more effective climate-related disclosures that can promote more informed investment, credit and insurance underwriting decisions. Below are the references to TCFD-related disclosures in this document.

TCFD INDEX

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Risk Management (a)	Risk identification process	55
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Forward looking information advisory

This report contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking information") about our current expectations, estimates and projections about the future, as well as targets that we have set for future business conditions, in each case based on certain assumptions made by us in light of our experience and perception of historical trends. Forward-looking information in this report is identified by words such as "aim", "ambition", "anticipate", "believe", "can", "committed", "confident", "continue", "develop", "enhance", "ensure", "estimate", "expect", "focus", "goal", "improve", "increase", "integrating", "invest", "maintain", "plan", " "potential", "priority", "reduce", "remain", "strategy", "strive", "target", "vision" and "will", or similar words or expressions and includes suggestions of future outcomes. Although ENMAX believes that the expectations represented by such forward-looking information are reasonable, there is no assurance that events will occur in accordance with such expectations. Readers are cautioned not to place undue reliance on forward-looking information as actual results may differ materially from those expressed or implied.

Forward-looking information in this report includes, but is not limited to, statements about: our efforts to integrate ENMAX's and Versant Power's overall data, reporting and performance management systems to enable further consolidation of our ESG reporting in future; our vision for reducing GHG emissions and our targets in implementing this vision; our vision for improving reliability and innovation and our target in implementing this vision; our vision for enhancing diversity, inclusion and belonging and our targets in implementing this vision; our vision for improving energy affordability and our targets in implementing this vision; plans to upgrade turbines at the Shepherd Energy Centre and Calgary Energy Centre; plans to operate a battery storage system at our Crossfield Energy Centre and the expected reduction in GHG emissions arising therefrom; our plans to upgrade and replace a portion of our transportation fleet and the expected reduction in GHG emissions arising therefrom; our plans to replace Calgary Substation No. 1 and the expected impacts on the modernization of our grid arising therefrom; plans for the installation of solar generating facilities and the use of two-way power flow on our secondary systems; our plans to invest $60 million in innovation by 2030; the expected impacts of the energy transition arising from current energy trends; expectations regarding future federal, state and provincial government regulatory programs, including changes in carbon pricing and GHG regulations; our efforts to improve our culture of safety, including the advancement of a highly proactive safety culture; Versant Power's plans to start the implementation of ISNetworld with the support of ENMAX; plans for the implementation of diversity and inclusiveness programs in 2021 and 2022 and the completion of a vendor awareness program by 2023; plans to enhance energy affordability in our markets; our plans to conduct surveys of customer satisfaction in our markets in 2021; and expectations regarding information to be included in future ESG reports.

This forward-looking information is based on certain assumptions, including: that ENMAX will have the financial, human and other resources available to carry out its plans and meet its targets; that laws and regulations will not change in a material way in a manner that requires significant changes to our plans or required changes in our targets; that general economic conditions will not change materially; that technological changes will not occur in a material way that affects our abilities to carry out our plans and meet our targets; that our relationship with our shareholder, our employees and applicable unions, our communities and other stakeholders does not vary significantly in the future in a manner that requires significant changes to our plans or targets or the ability to meet our ESG targets; that unexpected external events will not occur that affects the business generally and our plans and strategies; and other assumptions as to the business of ENMAX and Versant Power not changing materially in the foreseeable future.

There are risk factors and uncertainties that could cause our actual results to differ materially from those set forth in the forward-looking Information contained herein. These include risks to ENMAX meeting our 2030 climate and GHG emissions reductions targets and further ambitions, including: ENMAX's ability to develop, access or implement some or all of the technology necessary to efficiently and effectively operate assets and achieve expected future results; the commercial viability of emissions reduction strategies and related technology and products; uncertainty regarding the status of offsets, including due to renewable energy generation, recognition under future government policies and by ESG rating organizations and the measurability of offsets to count as emissions reductions There are also general risks in respect of ENMAX meeting its ESG targets, commitments, ambitions, strategies in the manner expected, including: restrictions on access to resources need to meet our plans and targets; increased operating, capital and compliance costs; increasing stakeholder consideration of ESG factors and risks, including among credit rating agencies, lenders and investors, which may impact ENMAX's ability to access capital required to finance growth and sustaining capital expenditures; our ability to receive necessary regulatory and operating approvals in a timely manner; maintenance of key relationships with government and other regulatory bodies; risks associated with technology and its application to ENMAX's business; risks associated with reputation of companies that generate electricity from fossil fuels and litigation related thereto; changes in general economic, market and business conditions; the effectiveness of ENMAX's risk management program; ENMAX's ability to develop, access or implement some or all of the technology necessary to efficiently and effectively achieve expected future results; the occurrence of unexpected events such as fires, severe weather, equipment failures, transportation incidents and other accidents or similar events; unexpected cost increases or technical difficulties in building or maintaining our facilities; availability of, and our ability to attract and retain qualified human resources in a timely and cost-efficient manner; risks associated with climate change and our assumptions relating thereto; changes in the regulatory framework in any of the locations in which we operate, including changes to regulatory approval processes and tax, environmental, greenhouse gas, carbon, climate change and other laws or regulations; potential changes to market expectations and practices related to human resources, diversity and governance practices; and the occurrence of unexpected events such as pandemics, terrorist threats and the instability resulting therefrom.

In addition, there are risks that the effect of actions taken by us in implementing targets, commitments and ambitions for ESG focus areas may have a negative impact on our existing business, plans and future results from operations.

It is not possible to predict precisely how the future will unfold and as such, each scenario is inherently uncertain. Our assumptions may prove to be incorrect or inadequate. Events or factors currently unknown to us could materialize and materially affect the outcome of a particular scenario or lead to a scenario not considered, which scenario may adversely affect our operations and financial condition.

All estimates and targets contained in this report are made as of the date of the report based on currently available information. ENMAX undertakes no obligation to update or revise any forward-looking information except as required by law.

ENMAX EXECUTIVE TEAM
June 2021



Wayne O'Connor
President and CEO

Wayne O'Connor was appointed as ENMAX's President and Chief Executive Officer on June 22, 2020. Wayne has over 30 years of industry expertise and leadership spanning multiple Canadian and North American electricity and energy markets. Before joining ENMAX, Wayne held the position of President and Chief Executive Officer of Nova Scotia Power, leading a team of 1,700 employees and overseeing a portfolio of generation, transmission and distribution assets valued at over $4 billion. Prior to this role, Wayne held a series of executive leadership positions across Emera Inc. companies, including President and Chief Operating Officer of Emera Energy, Executive Vice President, Operations for Nova Scotia Power, and Executive Vice President, Business Development and Strategy for Emera Inc.

Wayne holds a close affinity with Alberta, having grown up in Brooks, Alberta. He earned a Bachelor of Management, Marketing from the University of Lethbridge. He served in various positions with TC Energy in Calgary, formerly TransCanada Pipelines, before moving to Eastern Canada in 2003. In addition to his professional accomplishments, Wayne contributes to the community with a focus on education and healthcare, including serving as Chair of the Board of Governors for Armbrae Academy and establishing a family foundation at the IWK Health Centre in Halifax, Nova Scotia.



Preet Dhindsa
EVP and CFO

Preet S. Dhindsa joined ENMAX in March 2021 as Executive Vice President and Chief Financial Officer. He is a Chartered Professional Accountant (CPA, CA) and Chartered Director with more than 25 years of experience in the energy, financial services, and gaming and lottery industries, and in professional advisory services focused on post-merger integration.

Previously, Preet held the role of Senior Vice President and Chief Financial Officer, Global Banking and Markets, at Scotiabank, overseeing finance teams in Canada, the U.S., Europe and Asia. Prior to Scotiabank, Preet held the position of Executive Vice President, Chief Administrative Officer and Chief Financial Officer at the Ontario Lottery and Gaming Corporation, where he was accountable for corporate functions including finance, enterprise risk management, human resources, information technology and corporate administration.

In addition, Preet held post-merger integration advisory roles with Ernst & Young and executive positions at INVESCO, a publicly traded global asset management firm, in the areas of national sales, human resources and finance.

Preet holds a Bachelor of Science in Mathematics and Statistics from Western University and a Graduate Diploma in Accounting from Wilfrid Laurier University. In addition, he obtained a Chartered Director designation from The Directors College – a joint venture of McMaster University and The Conference Board of Canada.

Preet currently sits on the Advisory Board of Rosenzweig & Company, a globally recognized boutique executive search firm, and has been selected by the Canadian Board Diversity Council as a Diversity 50 board candidate. Previously, Preet held Board positions at the Interprovincial Lottery Corporation and Halton Region Children's Aid Society.



Jana Mosley
SVP, ENMAX Power

Jana is responsible for ENMAX's regulated transmission and distribution (wires) business. She also directs ENMAX's power infrastructure, engineering and construction services.

With almost two decades of industry experience, Jana has worked for various utilities, industrial consumers, generators, and the Alberta Electric System Operator. Prior to joining ENMAX in 2015, Jana served as President for Similan Consulting Inc. and advised companies across North America on electricity policy application, connection to the transmission grid, utility processes and project management.

She holds a Bachelor of Science in Electrical Engineering from the University of Manitoba, is a Registered Professional Engineer with APEGA and holds a Project Management Professional designation with the Project Management Institute. In addition to her role at ENMAX, she serves on the board of the Western Energy Institute.



Lonnie Enns
SVP, ENMAX Energy

Lonnie oversees ENMAX Energy and is accountable for ENMAX's competitive energy businesses including electricity generation, retail and customer operations, wholesale commodity trading and commercial programs.

With over 30 years of industry experience he has worked in regulated and deregulated power markets across Canada, the United States and New Zealand where he has held various senior level roles in commodity trading, retail operations, generation operations and commercial development.

Prior to joining ENMAX, Lonnie held the position of VP of Trading and Marketing and was responsible for the commodity trading, marketing and commercial strategies for TransAlta Corporation across North America.

Lonnie holds a Bachelor of Science in Electrical Engineering with a minor in computer science from the University of Calgary as well as an MBA from Queens University. Lonnie has held a series of senior industry leadership roles previously participating on the executive committee of the Western System Power Pool, as president of the Energy Risk Management Association of Canada and on the board of directors for the Independent Power Producers Society of Alberta.



John Flynn
President, Versant Power

John joined Versant Power in 2020 as President. With more than 400 employees and 10,400 square miles of service territory, Versant Power delivers essential electricity services to over 160,000 customers across northern and eastern Maine.

John comes to Versant Power with more than 30 years of industry experience with utilities in New England and throughout the United States. An energetic and dynamic leader, he brings decades of expertise in large utility project execution, strategic planning, business development, risk management, financial expertise and regulatory acumen. Most recently, John led the Strategy & Public Affairs team for Vermont Electric Co. and held previous roles as Global Head of Strategy & Development and Senior Vice President of Strategy & Development with National Grid, as well as leadership positions within American Transmission Company and American Electric Power.

Originally from Connecticut, John graduated from Fairfield University with a bachelor's degree in accounting and received further education from the University of Michigan School of Business and the Massachusetts Institute of Technology's Sloan School.



Erica Young
Chief Legal Officer and EVP, Corporate Development

Erica Young is the Chief Legal Officer of ENMAX, accountable for legal, regulatory, compliance, government relations, public policy and corporate secretarial matters across the ENMAX companies. Erica also leads the Corporate Development team. Erica serves on the board of ENMAX's Maine-based transmission and distribution business, Versant Power.

Erica has 20+ years of legal, regulatory and transactional experience in private practice and in-house roles, primarily focused in the energy industry. Prior to joining ENMAX in 2016, Erica served as SVP, General Counsel at NaturEner Energy Canada, where she was responsible for legal, regulatory and commercial matters in Alberta and for cross-border transmission. Erica also served as General Counsel of Total Energy Services, a TSX-listed oil and gas services company. She began her career in the Toronto office of Blake, Cassels & Graydon LLP, where she had a diverse corporate, securities and governance practice.

Erica holds a Bachelor of Arts and Education from Lakehead University, a Bachelor of Laws from Osgoode Hall Law School and an Advanced Certificate in U.S. Energy Law from the UC Berkeley School of Law. In addition to her role at ENMAX, she serves on the board of the Kids Cancer Care Foundation of Alberta.



Brandie Yarish
SVP, People, Safety and Culture Chief Human Resources Officer

Brandie is accountable for ENMAX's people strategies, labour relations, organizational development, health, wellness, safety and environmental matters. With over 20 years of human resources and leadership experience across various sectors including technology, life sciences, municipal government and higher education, Brandie has led in unionized and non-unionized environments as well as early stage and mature organizations. Brandie has built and modernized human resources functions while shaping and evolving corporate cultures to attract, retain and align talent to achieve business strategies.

Prior to joining ENMAX, Brandie held the position of Associate Vice President, Human Resources at the Southern Alberta Institute of Technology. She obtained a Bachelor of Arts from the University of Victoria and a Master of Business Administration from Royal Roads University, and is a designated Chartered Professional in Human Resources while also holding a Coaching Certificate from the Hudson Institute of Santa Barbara, California.



Diana Stephenson
VP, Public Affairs and & Sustainability

With over fifteen years of electricity sector experience, Diana leads ENMAX's public affairs, sustainability, brand and community investment matters, and facilitates relationships with key stakeholders including ENMAX's shareholder, The City of Calgary.

Before joining ENMAX in 2012, Diana served as Chief Governance Officer for Mountain Equipment Co-op in Vancouver and held various senior governance, stakeholder relations, communications, organizational change management and project leadership roles with BC Hydro and BC Transmission Corporation. Diana holds a Bachelor of Arts from Simon Fraser University and a corporate governance designation from the Institute of Governance Professionals. She has also served as Board Chair of the British Columbia College of Dieticians and founding co-chair of the Sustainable Apparel Coalition's Governance Committee.

ENMAX BOARD OF DIRECTORS

MEMBER PROFILES
2020-2021



Wayne O'Connor

Wayne O'Connor was appointed as ENMAX's President and Chief Executive Officer on June 22, 2020. Wayne has over 30 years of industry expertise and leadership spanning multiple Canadian and North American electricity and energy markets. Before joining ENMAX, Wayne held the position of President and Chief Executive Officer of Nova Scotia Power, leading a team of 1,700 employees and overseeing a portfolio of generation, transmission and distribution assets valued at over $4 billion. Prior to this role, Wayne held a series of executive leadership positions across Emera Inc. companies, including President and Chief Operating Officer of Emera Energy, Executive Vice President, Operations for Nova Scotia Power, and Executive Vice President, Business Development and Strategy for Emera Inc.

Wayne holds a close affinity with Alberta, having grown up in Brooks, Alberta. He earned a Bachelor of Management, Marketing from the University of Lethbridge. He served in various positions with TC Energy in Calgary, formerly TransCanada Pipelines, before moving to Eastern Canada in 2003. In addition to his professional accomplishments, Wayne contributes to the community with a focus on education and healthcare, including serving as Chair of the Board of Governors for Armbrae Academy and establishing a family foundation at the IWK Health Centre in Halifax, Nova Scotia.



Greg Melchin

Greg Melchin joined the ENMAX Board in 2008 and assumed the role of Board Chair in 2011. He is also a director for Baytex Energy Corporation, Total Energy Services Inc. and Enerjet.

Greg was a Member of the Legislative Assembly ("MLA") of Alberta (Calgary-North West Constituency) from 1997 to 2008. Prior to his position as MLA, he served in various management positions for 20 years in the Calgary business community, including Chief Financial Officer and Vice President of Finance. Greg previously served as Chair of PPP Canada, a federal Crown corporation, and as a director on the board of STARS. Among his many positions within the Government of Alberta, Greg was Minister of Energy, Minister of Seniors and Community Supports, and Minister of Revenue.



Laura Formusa

Laura Formusa joined the ENMAX Board in 2017 and is the Chair of the Safety & Human Resources Committee. She is currently a director of the following companies: 407 International Inc., Equitable Life Insurance Company of Canada, and Tantalus Systems Corp. (Chair). Laura served on the Board of Governors of York University, in addition to other directorships.

Laura has over 30 years of experience in the utilities industry. She served as Vice President, General Counsel and Corporate Secretary of Hydro One Inc. (formerly Ontario Hydro), and later as President and Chief Executive Officer from 2007 until her retirement at the end of 2012.

Laura was inducted into the Top 100 Most Powerful Women in Canada's Hall of Fame by the Women's Executive Network. She is also a founding member of the Women of Energy group, which seeks to advance women's issues and to create critical networking opportunities for high potential women in the energy sector.



Eric Markell

Eric Markell joined the ENMAX Board in 2016. Eric is a member of the Board of Governors of the United States Eventing Association (USEA) where he also serves as a member of the USEA Admin. & Finance Committee, a member of its Executive Committee, and also serves on the Investment Committee of the USEA Foundation, a 501(c)(3) entity.

Eric is also a director of Enpower Wadham Corp. and an owner of MB Group LLC and Markell & Company LLC (private, consulting practice).

Eric has over 35 years of experience in the utility and power industry which includes experience in corporate finance, accounting, regulatory relations and rate-making, asset acquisition, generation operation and construction, project finance and project development.

Before joining ENMAX, Eric held various senior executive positions, including Chief Financial Officer, Chief Resource Officer and Chief Strategy Officer of Puget Energy Inc. and Puget Sound Energy. In addition, Eric served as Vice President and Chief Financial Officer of United American Energy Corp. Eric is also a past Treasurer and Controller of Central Hudson Gas & Electric Corporation and the past Vice President and Treasurer of the New York State Energy Research & Development Authority.



Elise Rees

Elise Rees joined the ENMAX Board in 2016. She is also a director and Audit Committee Chair of Great Panther Mining Limited. Elise has over 35 years of experience in public accounting. She spent 18 years as a partner with Ernst & Young, LLP and 14 of those years focused on acquisitions, mergers and corporate restructuring. Elise has also been the global client-coordinating partner for services to the BC Credit Union Industry.

Elise has been recognized many times during her career. She was awarded the Influential Woman in Business Award in 2007 and the Ernst & Young Rosemarie Meschi Award for Advancing Gender Diversity in 2007. In addition, she has been recognized for her leadership with the designation of Fellow Chartered Professional Accountant and Fellow Chartered Accountant in 2010, and received the Community Builder Award from Association of Women in Finance in 2012. She was also recognized as a Top 100 Most Powerful Women in Canada by the Women's Executive Network in 2015.



Charles Ruigrok

Charles Ruigrok joined the ENMAX Board in 2010 and is currently the Chair of the Audit Committee. He served as Interim President and CEO from February 2011 to April 2012. He is currently a director of Soane Energy LLC.

Charles has over 40 years of experience in the energy industry. Charles previously held the position of CEO of Syncrude Canada Ltd. He also spent 26 years at Imperial Oil, where he held various senior executive positions, including Vice President of Oil Sands Development and Research.

Charles is a past director of Syncrude Canada Ltd., Rainbow Pipeline Company, Progas Limited, the Alberta Chamber of Resources, and Petroleum Technology Alliance Canada. He also served as a member of the Board of Governors of the Canadian Association of Petroleum Producers.



Kathleen Sendall

Kathleen Sendall joined the ENMAX Board in 2011 and is currently the Chair of the Governance Committee. She is also a director at Pan American Silver Corporation, where she serves as Chair of the Communities & Sustainable Development Committee. She is also a member of the Sustainable Development Technology Canada Member Council.

Kathleen has over 30 years of experience in the engineering and energy sectors. Previously, Kathleen led Petro-Canada's Natural Gas Business Unit and she was a director of CGG, a public company based in Paris. She was the President and a former director of the Canadian Academy of Engineering, as well as a former Governor and Board Chair of the Canadian Association of Petroleum Producers.

Kathleen has received many acknowledgments during her career: the YWCA Women of Distinction Award, an honorary Bachelor of Applied Industrial Ecology degree, twice named one of Alberta's 50 Most Influential People by Alberta Venture, four times named as one of Canada's Top 100 Most Powerful Women in the Corporate Executive category, and inducted into Canada's Most Powerful Women Hall of Fame. She was awarded the 50 Key Women in Energy Global Award, the Women Who Make a Difference Award from the International Women's Forum and the Queen's Jubilee Medal. Kathleen was appointed to the Order of Canada and is an Honorary Lieutenant Colonel of the Department of National Defense. She is the recipient of an Honorary Doctor of Laws from the University of Calgary and named a Jarislowsky Fellow at the Haskayne School of Business.



Richard Shaw

Richard Shaw joined the ENMAX Board in 2011 and was previously the Chair of the Governance Committee. He is also Board Chair of Inter Pipeline Ltd.

Richard was a senior partner of the Business Law Group of McCarthy Tétrault LLP in Calgary for more than 35 years. He continues a legal advisory practice through his professional corporation, pertaining to corporate governance, boards of directors, independent and special committees, director and officer liabilities, indemnification and insurance and executive compensation. Richard has extensive experience with respect to corporate governance practices in Canada, having served as a director on the national board of the Institute of Corporate Directors and the chair of its Calgary Chapter. He is a former lecturer in the Director Education and Executive MBA Programs at the Haskayne School of Business at the University of Calgary, past Chair of the Board of Governors of Mount Royal University, and was the lead independent member and Chair of the Governance Committee of the Alberta Securities Commission.



William Taylor

William (Bill) Taylor joined the ENMAX Board in 2020 and has over 30 years of experience in the energy sector. Bill is also the President of Pathfinder Advisors LLC.

Before joining ENMAX, Bill spent 21 years at TransCanada Corporation (now TC Energy) where he held various senior executive positions. Bill held the position of Executive Vice-President and Division President, Energy at TransCanada Corporation and prior to that, held various senior executive positions, including Senior Vice-President, Power. He was responsible for profitability and growth of the company's power business, non-regulated gas storage and its non-regulated joint ventures in Canada and the United States.

Bill has extensive experience in renewable power, having developed large scale solar projects in Ontario as well as wind facilities in Quebec and Maine. Bill also oversaw operations of one of New England's largest hydropower systems for TransCanada.

Bill is a past director of Canadian Electricity Association, Independent Power Producers of New York, Independent Market Operator in Ontario, TransCanada Turbines, Bruce Power, and the Portlands Energy Centre.



Bruce Williamson

Bruce Williamson joined the ENMAX Board in 2020. He has over 30 years of extensive experience in the energy sector. Prior to joining ENMAX, Bruce held many senior executive positions, including President and CEO of Southcross Energy Partners, Cleco Corporation and Dynegy Corporation. Prior to these roles, Bruce was the President and CEO of Duke Energy Global Markets. Bruce also spent four years with PanEnergy Corp as SVP, Finance and Corporate Development and prior to that, he spent 14 years with Shell Oil and various Shell affiliates in a variety of positions, primarily in exploration and production and finance where he rose to be Assistant Treasurer of Shell Oil Company.

Bruce was previously Board Chairman and CEO of Southcross Energy Partners, Southcross Holdings and Cleco Corporation. He was an independent board member of Questar Corporation, and was Chairman of the Board and CEO of Dynegy Inc. He serves on the University of Houston Bauer School of Business Dean's Advisory Board and the UH Chancellor's National Advisory Council and Energy Advisory Board. He serves on Houston Methodist The Woodlands Hospital's Patient and Family Advisory Council and also assists in the stroke rehabilitation and recovery program with the Houston Methodist Neurology and Neurosurgery departments.

Calgary Convention Centre 2020 Annual Report

RECOMMENDATIONS:

That Audit Committee:

1. Receive this report, attachments and presentation for the Corporate Record; and
2. Keep Attachment 2 confidential pursuant to Sections 24 (Advice from officials) and 25, (Disclosure harmful to economic and other interests of a public body) of *the Freedom of Information and Protection of Privacy Act;* to be reviewed by 2026 June 24.

HIGHLIGHTS

- This report is in response to the Audit Committee's request for a presentation on governance, financial and performance reporting, risk management and talent and culture insights.
- What does this mean to Calgarians? Citizens are provided assurance that the Audit Committee has oversight of the City of Calgary's civic partners.
- Why does it matter? Investment in civic partners is significant and ensuring these entities have good governance, financial and performance reporting, risk management and talent and culture practices aligns with Council's citizen priorities.
- The Audit Committee 2021 Work Plan includes a presentation from five civic partners on their 2020 annual report and Calgary Convention Centre Authority was one of the partners selected to present this year.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- The Audit Committee Bylaw 33M2020 provides that Audit Committee oversees its governance responsibility with audit committees of The City's major autonomous civic entities, as determined by the Audit Committee.

DISCUSSION

The Audit Committee requested information on governance, financial and performance reporting, risk management and talent and culture insights be provided to the Committee by Calgary Convention Centre Authority, as follows:

Governance

1. A brief outline of your organization's governance structure including board committees, term lengths and limits, skills matrix, evaluation, succession and recruitment planning for all positions.
2. Specific to your organization's board committees:
   (a) What is the frequency of review of the compositions and Terms of Reference, and are there any recent changes to the Committee Charter or Terms of Reference?
   (b) What frequency does the board's governance committee regularly assess board composition to ensure the board has the requisite skills, competencies, diversity and independence to provide oversight required by the organization (e.g. financial, legal and risk oversight)?
   (c) What is the current composition of the Audit Committee including relevant financial experience?

Calgary Convention Centre 2020 Annual Report

(d) What is your Audit Committee's 2021 Work Plan?

Financial and Performance Reporting

3. Brief summary of your organization's recent financial highlights and key 2021 initiatives/strategy.
4. How has the board considered environmental, social factors and metrics into its 2021 planning, and beyond?
5. What initiatives are currently in progress to improve the efficiency of your processes (e.g. sustainable operations, key performance indicators and relevance of the organization in the future)?
6. Are there any regulatory or market changes that impacted the business approach in 2020 and would they be relevant to share publicly with the Audit Committee?
7. Please provide the most recent management letter including management responses as appropriate.

Enterprise Risk Management

8. What are your organization's principal risks including financial and operational as well risk management policies and procedures?
9. How is the principal risks oversight assigned, tracked and monitored by the board?
10. What internal controls are in place to manage risk including information technology and systems?
11. What frequency does the board continually evaluate oversight controls, processes and disclosure?
12. Are there any results of regulatory or internal/external business assessments that provide assurance on the effective management of the principal risks as addressed in your presentation?

Talent and Culture

13. Have there been any significant changes to your organization's executive leadership?
14. How are the board's diversity goals included in your organization's corporate governance framework to ensure diversity is promoted for the board, executive and organization?
15. What mechanisms are in place to support concerns of management and employees?
16. Describe the board's compensation strategy including retention and morale; pay ratios; transparency; views of the shareholder and stakeholders; and long-term strategy and objectives.

Attachments to this report have been provided by Calgary Convention Centre Authority to address Audit Committee's request.

ATTACHMENT(S)

1. 2020 Audit Governance Overview Summary
2. Business Insights and Recommendations **CONFIDENTIAL**
3. 2020 Financial Statements

AC2021-0924
ATTACHMENT 1
ISC: UNRESTRICTED



CALGARY CONVENTION CENTRE AUTHORITY

2020 Audit Governance Overview Report

calgary TELUS convention centre
be part of the energy™

City of Calgary/Calgary Convention Centre Authority Mandate, Vision and Responsibilities:

Mandate and Vision

The Calgary TELUS Convention Centre (CTCC) is Calgary's meeting place, which brings the community together in a central hub to connect, learn, innovate, celebrate, support and grow. The CTCC connects Calgary with the global community, leveraging assets to create opportunities that impact the lives of Calgarians and Canadians.

The Calgary Convention Centre Authority (CCCA) strives to manage, market and operate the CTCC in an efficient and market-competitive manner in order to maximize overall economic benefits to the City of Calgary, while maintaining acceptable financial performance.

CTCC hosts professional, personalize & customized experiences – all ways.

History and Responsibilities

The CTCC is owned by the City of Calgary and operated by the CCCA. The CCCA was incorporated through an Act of the Legislative Assembly of Alberta in 1974. The CCCA operates the facility on behalf of the City under the terms of the mandate passed by City Council in 2005.

Pursuant to the Glenbow Museum Agreement signed in 1973, the CCCA entered into an agreement with the City to provide maintenance, repairs, cleaning and janitorial services to the Glenbow Museum. The CCCA also provides maintenance and repairs to the commercial and retail spaces owned by the City in the North Building. Through an agreement between the City and Balboa Land Investments Inc. signed in 1999, the CCCA operates and maintains the shared loading dock in the North Building. A Food and Beverage Services Agreement issued by the City of Calgary gives the exclusive rights to all food and beverage services in the CTCC to the attached hotel (currently the Calgary Marriott Downtown Hotel) until 2039. Through a joint agreement with the City, the CCCA and TELUS, the CCCA manages the TELUS Naming and Business Rights contract.

The CTCC is a place where people gather, visions are realized, ideas are exchanged, knowledge is shared and relationships are built. The CTCC is thoughtful in its offering and entrepreneurial thinking. CTCC is a platform where global leaders connect, a community hub for local, national and international events and an economic driver for our city.

As a brand, the CTCC has a collective offering of three key components: our services, our location, and our people. Together, these three components drive the CTCC brand as a convention and event boutique space, providing premium customer focused service within an urban neighbourhood, all located in the vibrant heart of Downtown Calgary.

Governance

1. **A brief outline of your organization's governance structure including board committees, term lengths and limits, skills matrix, evaluation, succession and recruitment planning for all positions.**

Established under provincial legislation, the CCCA operates the CTCC, which is owned by the City of Calgary. The Board of Directors of the CCCA oversees the conduct of the CCCA's business and supervises its management. Management is responsible for the day-to-day conduct of the business. The CCCA is comprised of 11 members (Directors), (8) of which are drawn from the community and (3) from the City of Calgary. Directors serve on a 4-year term. No community member may serve more than 10-years in total, with the exception of the Mayor and the City of Calgary representatives who are each appointed for a 1-year term. The Directors appoint a Chair for a four-year term, a Vice Chair for a one-year term and a Past-Chair for a two-year term. There are two sub-committees within the Board: The Governance & Human Resources

Committee (GHRC) and the Audit & Finance Committee. Each committee Chair position is nominated yearly. The CCCA prescribes appropriate staggering of board term limits. Board members must possess an understanding of board governance. The role of a board member is to be ethical, with high standards of personal integrity and to contribute positively and respectfully to board discussions. A Board skills matrix is completed and reviewed annually to evaluate the skills and experience of the Board members, and is also used to review what is needed when recruiting for new members. Additionally, the survey is completed annually to evaluate board conduct and effectiveness.

2. Specific to your organization's board committees:

(a) What is the frequency of review of the compositions and Terms of Reference, and are there any recent changes to the Committee Charter or Terms of Reference?

As part of the GHRC Work Plan, the committee composition and Terms of Reference is reviewed annually. No recent changes have been made to the Committee Charter or the Terms of Reference.

(b) What frequency does the board's governance committee regularly assess board composition to ensure the board has the requisite skills, competencies, diversity and independence to provide oversight required by the organization (e.g. financial, legal and risk oversight)?

The GHRC reviews annually the terms of each of the members along with board succession and discusses selection requirements for incoming board members. To best assess Board composition and recruitment needs, the Board undertakes two evaluations each year: the Director Evaluation of Board Conduct and Effectiveness, and the Board Member Skills Matrix. Both evaluations are conducted by the GHRC, and the results and analysis are presented to the Board. The Board conduct and effectiveness evaluation has proven to be critical in ensuring that the board and its work are relevant and kept at a high standard and is useful for identifying any gaps or concerns. The skills matrix allows the Board to identify potential new skills and competencies (including experience and diversity) specifically required to govern new strategic directions.

(c) What is the current composition of the Audit Committee including relevant financial experience?

The Audit Committee is comprised of 6 Board members as follows;

i. Rob Palmer, Director & Committee Chair: CFO, Calgary Airport Authority
    1. BComm, CPA,CA
ii. Levonne Louie, Director
    1. MBA, BComm, B.Sc., ICD designation and concluded 38 years in oil and gas industry
iii. Tom Bornhorst, Director & Past Board Chair: interim VP Corporate Development, Applied Research and International, SAIT
    1. BComm, MBA
iv. Wellington Holbrook, Board Chair: Chief Operating Officer, ConnectFirstCU,
    1. BComm, MBA
v. Greg Yont, Director: Concluded lengthy career with Agrium
    1. Professional Engineer with B.Sc. Mechanical Engineering
vi. City Rep: Councilor Diane Colley-Urquhart

(d) What is your Audit Committee's 2021 Work Plan?

CCCA Audit & Finance Committee 2020 Work Plan

Date	Topic
Quarter 1	2021 Budget Review and Recommendation 2020 Y/E Financials Review
Quarter 2	2021 1st Quarter Financials 2020 Audit Presentation (Deloitte)
Quarter 3	2021 2nd Quarter Financials Audit Service Plan
Quarter 4	2021 3rd Quarter Financials 2022 Budget & Business Plan

Financial and Performance Reporting

3. Brief summary of your organization's recent financial highlights and key 2021 initiatives/strategy.

2020 Financial Highlights

The CTCC was on track for a very successful year. After the announcement by WHO characterizing the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic, it resulted in a subsequent series of public health and emergency measures to contain transmission of the virus. As a direct result of these measures, the CTCC was closed to the public on March 23, 2020, and events rescheduled to the fourth quarter of 2021 and 2022.

The CTCC completed a Temporary Layoff (TLO) strategy in 2020, decreasing staffing by 67%. Of note the CTCC was not eligible for federal and provincial COVID funding.

The CTCC successfully retained $9.2M of revenue through rebookings and rescheduling. In the span of three months, the team, working with an international representative, successfully generated leads for future events. In partnership with FMAV (now Encore), the CTCC reviewed alternative revenue streams and created Virtual Studio programing that accommodates any type of virtual or hybrid event a client is wishing to host.

Results of Operations

Total revenue for the fiscal year 2020 was $18.8M, which included a City of Calgary operational grant of $3.5M and capital grant of $5.9M. Total operating expenses were $15M. In 2020, a surplus of $3.8M was moved to the reserve fund.

At 2020 year-end, a total of $12.2M in assets (net book value) was recorded on the CCCA statement of financial position. This amount has been capitalized as renovations, building enhancements and equipment.

A greater focus was placed on lifecycle replacement and repair of the critical infrastructure systems necessary to deliver top-tier client experiences. The Authority focused on capital improvements through the The City's Convention Centre Lifecycle Program and accessed $5.9M.

2021 Strategic Initiatives

The CTCC is in the process of finalizing a major project whereby an external vendor will provide putative and validated economic, social, and cultural analysis. The purpose of this initiative is to allow the CTCC to quantify the direct, indirect, and induced economic contributions catalyzed by the organization to the City of

Calgary, Province of Alberta, and Canada. Moreover, this study will examine the potential benefits stimulated by the CTCC as an agent of post-pandemic economic revitalization and renewal.

Management is proactively leveraging CTCC's success as a vaccination site, and the profound success of our partnerships with provincial and civic agencies, creating positive community profile and platform for the CTCC in a post-pandemic environment.

Although COVID-19 inferred on the CTCC's initial plans to support business continuity, the team continues to find new and innovative ways to support business continuity for the CTCC and for the City of Calgary. COVID-19 has allowed CTCC to focus on the relationships with local, national and international partners. CTCC participated in a joint re-opening plan with the Calgary Stampede BMO Centre, Edmonton Convention Centre and Edmonton Expo Centre. The re-opening plan became the template for a number of other relaunch plans within Alberta and neighbouring provinces. The CTCC works alongside many local, provincial and national partners and stakeholders that monitor's COVID-19's effects on the Tourism Industry, including, Calgary Hotel Association, Tourism Calgary, Alberta Health Services and the Government of Alberta. The CEO also serves on the Hotel and Convention Centre Advisory Committee for Alberta Health Services.

The CTCC continues to develop strategic markets by:

- Investing in cultivating business from European Markets.
- Investing in in-market events.
- Pursuing the social and nonprofit sector.

4. How has the board considered environmental, social factors and metrics into its 2021 planning, and beyond?

Like many organizations in 2020/2021, the CTCC was preoccupied and consumed with the social and financial impacts of the global pandemic. The positive social impact of hosting an emergency centre and the CTCC's provision of an optimized COVID-19 vaccination venue for the Government of Alberta (Alberta Health Services) were a critical factor in establishing this partnership and reinforced the CTCC's commitment to the Calgary community and establishing the foundation for economic and social renewal post-pandemic.

Our ongoing commitment to environmental and social sustainability remains core to our values and our operational focus.

5. What initiatives are currently in progress to improve the efficiency of your processes (e.g. sustainable operations, key performance indicators and relevance of the organization in the future)?

A number of evaluations and strategy sessions are conducted annually to improve efficiencies at the CTCC.

The Board evaluates its performance annually through the Board Conduct and Effectiveness Survey, which focuses on several aspects including its effectiveness, direction to management and administration and controls in place. Additionally, the survey allows for members to provide comments and recommendations on improving efficiencies for the Board and management.

There is a long-standing process for the CEO's annual performance evaluation and goal setting which forms a cycle throughout the year. The cycle starts with planning in Q1, goes through feedback and adjustment in Q2 and Q3, and then a final evaluation in Q4 which feeds into the next cycle of planning. After the high-level strategic direction is established for the year by the end of Q1, the CEO in conjunction with the Board Chair and GHRC sets out 5 priorities as well as KPI's for the year. The CEO's performance is then evaluated against those priorities and KPI's. At meetings throughout the year (one per quarter) the CEO, Chair of the Board and Chair of the GHRC discuss progress toward the year's priorities, and any required course of correction is decided on and recorded. Towards the end of the year, the CEO prepares a self-assessment in relation to the performance and the Board undertakes its assessment. The GHRC analyses both assessments and prepares a report to the Board. As a final step, the CEO and the Board Chair and Chair of

GHRC discuss the results and develop a plan for correction, if any. For both the Board and CEO evaluations, the GHRC oversees and administers the processes.

The CEO's approved priorities and KPI's act as the basis for yearly priorities and KPI's for Senior Management who, in turn, develop priorities and KPI's for their teams. All are aligned to the organizational strategic plan.

Several strategy sessions are held annually, starting with the Board Strategy Session with the Executive Team. The Board and executives will review current state, future state and the organization's relevance to the City of Calgary and to the meetings and events industry. Subsequently, the Senior Leadership Team (directors) will participate in a strategy session with the Executive team based on the outcomes of the board strategy session, following which, each director will manage a strategy session for their respective departments, ensuring consistency across all departments and with each level of management to the board.

6. Are there any regulatory or market changes that impacted the business approach in 2020 and would they be relevant to share publicly with the Audit Committee?

With the onset of COVID-19, a number of health restrictions were put in place that impacted the business in 2020. Due to the number of restrictions mandated by provincial and municipal government, many events were postponed or cancelled. The CTCC's inability to host events resulted in taking the building offline to clients and visitors which, resulted in temporary staff reductions at the CTCC. The temporary reductions allowed CTCC's core operations to continue while taking into consideration potential future staffing needs.

Through the CCCA Enterprise Risk Management Policy, the Enterprise Risk Management Team assembled and reviewed the risks associated with COVID-19. As a result, a Relaunch team was established and created an extensive Relaunch Guide with a number of new/updated procedures and processes to manage events and operations in the new COVID-19 environment. Additionally, the Sales team successfully retained deposits and moved events into future dates and continued to book new business for 2021-2028.

The CCCA also created and implemented a Lobbyist Policy for the CTCC to assist with ensuring compliance when communicating with the Provincial and Federal Government.

7. Please provide the most recent management letter including management responses as appropriate.

Please see Attachment #2 – Business Insights and Recommendations Letter.

Enterprise Risk Management

8. What are your organization's principal risks including financial and operational as well risk management policies and procedures?

The organization' principal risk in 2020 was the COVID-19 pandemic and how it impacted the CTCC's core business, in that face-to-face meetings and events were no longer safe nor permitted. In the wake of these restrictions, securing funding remained a risk for the year as revenue from normal business activities was no longer available. Finally, the absence of an updated Memorandum of Understanding (MOU) between the CTCC and BMO Centre presents an ongoing sustainability risk, insofar as the MOU would outline the unique capabilities of each facility and define the respective roles in the attraction and servicing of meetings, exhibitions and conventions in Calgary. The CTCC and the BMO Centre at Calgary Stampede have commenced initial discussions on developing a joint approach for future sales initiatives for the destination.

Risks are constantly reviewed at all levels within the CTCC and are identified immediately to the SitRep group and further discussed at the weekly Senior Leadership Meetings and elevated to respective Board Committees when necessary.

9. How is the principal risks oversight assigned, tracked, and monitored by the board?

Relevant risks are addressed at each of the quarterly sub-committee meetings with an overall summary and further discussion/review at the Full Board meeting. Depending on the risk, a Special Meeting may be called to address the specific impending risk.

10. What internal controls are in place to manage risk including information technology and systems?

In 2020, the CTCC strengthen the segregation of duties within all departments and approved a span of control.

The CTCC has a number of controls in place to mitigate and manage risk through IT Systems including several layers of firewalls. Developments in 2020 necessitated several upgrades to increase security to the existing system. With the sudden transition to remote working, an upgrade to the VPN added additional protective services and extended visibility into all traffic within the system. Several user authentication software were activated adding the additional layer of protection. IT completed a massive overhaul on the internal network and server infrastructure to increase size and security, including a separate server network for the CTCC's security cameras. A rigorous back-up schedule is in place to ensure information is kept up-to-date in case of a failure in antimalware or if a virus were to intrude in the system.

The CTCC continues to follow all GDPR, CASL, PIPEDA, PIPA, and Canadian Federal data privacy laws. CCCA privacies are included in the CTCC Employee Manual and are signed off by each staff member during the onboarding process. Policies are reviewed with staff with sign-offs annually.

A fully developed 'Disaster Recovery Plan/Business Plan' is kept up-to-date and housed in the cloud ready to be activated by the team when needed. The IT team is also cross trained to allow for redundancies and the ability for each member to step in where/when needed. In case of emergency, CTCC has a partnership with consulting teams that can assist 24/7. Penetration testing and review of security procedures are scheduled biennially and was last completed in 2020.

11. What frequency does the board continually evaluate oversight controls, processes and disclosure?

The CCCA Board continues to evaluate oversight controls, processes, and disclosures at each meeting. Annually, the Span of Control is reviewed by the Board and provides any recommended changes when needed. Risk and other disclosures are presented to the relevant sub-committee as information, or to further discuss. These risks are then further presented to the Full Board with recommendations or with updates on progress. Special Committees can be called to address certain time-sensitive risks.

12. Are there any results of regulatory or internal/external business assessments that provide assurance on the effective management of the principal risks as addressed in your presentation?

Each year, the CTCC undergoes an extensive third party audit on its financial statements. Management at the CTCC is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The Auditors concluded the review of the CTCC's 2020 financial statements and confirmed that the statements were presented fairly, and all material presented is in accordance with Canadian public sector accounting standards. Any risks or gaps in procedures that are identified are then communicated immediately to the CTCC and addressed with the management team to monitor or rectify.

Talent and Culture

13. Have there been any significant changes to your organization's executive leadership?

The CTCC underwent a change within Management. Kurby Court was appointed President & Chief Executive Officer (previously Vice President, Experience) and recruited Carol McQuade to the position of Vice President, Finance (previously from Inn From the Cold Society as Director, Finance and Operations).

14. How are the board's diversity goals included in your organization's corporate governance framework to ensure diversity is promoted for the board, executive and organization?

In 2020, the CTCC's HR team underwent the process of reviewing, updating and developing policies for the CTCC. The Diversity Policy was developed and approved by the Board. The CCCA is dedicated to providing an atmosphere free from barriers, where all employees are included and treated with dignity and respect in order to promote equity and diversity. The CCCA celebrates and welcomes the diversity of all employees, stakeholders, and external (contract) personnel. It is the policy of the CCCA to foster an environment that respects people's dignity, ideas and beliefs thereby ensuring equity and diversity in employment. This commitment is demonstrated by providing a supportive work environment, policies and a corporate culture that welcomes and encourages equal opportunities for all employees.

15. What mechanisms are in place to support concerns of management and employees?

The CCCA is committed to the highest ethical standards, whereby we conduct business with integrity and by being in full compliance with all applicable laws, rules, and regulations. Aligned with this commitment, the CCCA provides an avenue for anyone to raise concerns they may have and assurance that in registering complaints they will be protected from retaliation for raising concerns in good faith.

The CCCA has implemented a Whistleblower policy which incorporates a third-party HR organization that is retained to monitor a dedicated Whistleblower Hotline and to report monthly on any activity to Management.

This policy has been adopted to ensure that all employees understand their obligation to report any wrongdoing that may adversely impact the CCCA, customers, shareholder, employees, investors, or the public at large.

16. Describe the board's compensation strategy including retention and morale; pay ratios; transparency; views of the shareholder and stakeholders; and long-term strategy and objectives.

The GHRC ensures that the CTCC compensation program is appropriately structured and balanced and is in line with key issues of interest to the shareholder. In particular:

(i) Pay is tied to performance.
(ii) Total pay is in line with the compensation peer group.
(iii) The pay mix for the CEO and the entire senior executive team reflects an appropriate amount of pay "at risk".
(iv) The overall company risk profile is uncompromised by compensation structure.

The GHRC conducts an annual review of CTCC alignment with current compensation principles. The GHRC and the Board are mindful of the need to balance risk and reward in compensation. While the CEO and the senior executive team clearly have a larger proportion of their compensation at risk, the compensation structure and mix of rewards reinforces an appropriate level of risk-taking behaviour and does not encourage sub-optimization or reward actions that could produce short-term success at the cost of sustainable long-term results. Importantly, the Board monitors and reviews all significant capital expenditure and organization performance against the approved strategic plan, annual budget, annual organization scorecard and the CEO's goals and objectives on a regular basis.

The primary tenets of the CCCA Board approved compensation philosophy are that the CTCC will:

- Include third-party monitoring of the employment market that affects the ability to attract and retain staff to drive the strategy forward in 2020 and beyond.

- Compensate at a median market level.
- Consider complete compensation when establishing salary ranges, including benefits.
- Continue to use performance-based reviews for all staff.

Given the line of business and its multi-faceted mandate of fiscal management and economic impact, the process of evaluation is complex and takes into account both private and public sector comparable data. In 2019 the Board approved a compensation plan for 2019-2022, implemented a new staffing structure and reviewed processes that will take place over the next 3 years. This allows the CTCC to maintain best practices in hiring, reviewing performance and staff management and development within the annual budget parameters. The CCCA Board is committed to good governance for the entire organization including compensation. From 2019-2022, the CCCA Board will be using compensation and other tools to support all employees to drive towards activating the CTCC in new and exciting ways. Performance is a critical component of the CCCA Board's philosophy.

Summary of the 2020 External Auditor Report to the Calgary Convention Centre Authority

On the recommendation of the CCCA Audit + Finance Committee, the Board appointed Deloitte for the 2020 audit services.

Audit Conclusions

- An unqualified opinion was issued on the financial statements.
- No significant weaknesses in internal control were identified.
- No illegal or fraudulent acts, or significant transactions inconsistent with ordinary business, were identified.
- No unusual related party transactions were identified.
- No disagreements with management, limitations placed on scope, or other difficulties were encountered during the audit.
- For the 2020 Financial Statements, there were no corrected or uncorrected misstatements noted.

Financial statements of
The Calgary Convention Centre Authority

December 31, 2020

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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 Directors of
Calgary Convention Centre Authority

Opinion

We have audited the financial statements of Calgary Convention Centre Authority (the "Authority"), which comprise the statement of financial position as at December 31, 2020, and the statements of revenue, expense and operating reserve, change in net financial liabilities and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2020, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

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 Authority 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.

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 PSAS, 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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority'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 Authority'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 Authority'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 Authority 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.

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
May 26, 2021

The Calgary Convention Centre Authority

Statement of financial position

As at December 31, 2020

	Notes	2020 $	2019 $
Financial assets			
Cash and cash equivalents	3	**388,146**	2,144,864
Accounts receivable		**2,651,620**	2,381,690
Due from The City of Calgary - major replacement reserve	4	**393,106**	213,106
Investments	5	**2,094,087**	1,106,314
		5,526,959	5,845,974
Financial liabilities			
Bank Indebtedness	7	**1,583,198**	2,396,061
Accounts payable and accrued liabilities	9, 13	**4,145,702**	4,073,510
Client deposits		**2,297,186**	2,305,462
Lease obligations	15	**381,091**	629,740
		8,407,177	9,404,773
Net financial liabilities		**(2,880,218)**	(3,558,799)
Non-financial assets			
Tangible capital assets	6	**12,155,826**	8,714,369
Prepaid expenses		**96,099**	231,989
		12,251,925	8,946,358
Accumulated surplus is represented by			
Major replacement reserve	4	**393,106**	213,106
Operating reserve		**8,978,601**	5,174,453
		9,371,707	5,387,559

The accompanying notes are an integral part of the financial statements.

Approved by the Board



_____, Director



_____, Director

The Calgary Convention Centre Authority

Statement of revenue, expense and operating reserve

Year ended December 31, 2020

	Notes	2020 Budget $	2020 Actual $	2019 Actual $
		(Note 12)		
Revenue				
Operating	13	**23,040,828**	**9,351,081**	20,196,223
The City of Calgary – Operating		**1,703,000**	**3,514,270**	2,308,389
The City of Calgary – Capital	11	**3,750,000**	**5,943,279**	3,768,000
		28,493,828	**18,808,630**	26,272,612
Expenses				
Administrative and general		**2,172,852**	**2,277,616**	2,585,305
Amortization		**1,680,000**	**2,319,792**	1,539,231
Marketing		**2,151,630**	**975,291**	2,110,367
Operations and maintenance	13	**19,881,379**	**9,431,783**	19,951,054
		25,885,861	**15,004,482**	26,185,957
Operating surplus before the undernoted		**2,607,967**	**3,804,148**	86,655
Major replacement reserve	4, 11	**(180,000)**	**—**	(13,077)
Gain on disposal of tangible capital assets		**—**	**—**	8,490
Operating surplus for the year		**2,427,967**	**3,804,148**	82,068
Operating reserve, beginning of year		**5,174,453**	**5,174,453**	5,092,385
Operating reserve, end of year		**7,602,420**	**8,978,601**	5,174,453

The accompanying notes are an integral part of the financial statements.

The Calgary Convention Centre Authority

Statement of change in net financial liabilities

Year ended December 31, 2020

	2020 Budget $ (Note 12)	2020 $	2019 $
Operating surplus for the year	**2,427,967**	**3,804,148**	82,068
Amortization	**1,680,000**	**2,319,792**	1,539,231
Proceeds from disposal of tangible capital assets	**—**	**—**	27,000
Gain from disposal of tangible capital assets	**—**	**—**	(8,490)
Change in prepaid expenses	**—**	**135,890**	245,424
Allocation to major replacement reserve	**180,000**	**180,000**	180,000
Usage of major replacement reserve	**—**	**—**	(166,923)
Lease of tangible capital assets	**—**	**—**	(454,085)
Purchases of tangible capital assets	**(3,750,000)**	**(5,761,249)**	(3,900,236)
Increase in net financial liabilities	**537,967**	**678,581**	(2,456,011)
Net financial liabilities, beginning of year	**(3,558,799)**	**(3,558,799)**	(1,102,788)
Net financial liabilities, end of year	**(3,020,832)**	**(2,880,218)**	(3,558,799)

The accompanying notes are an integral part of the financial statements.

The Calgary Convention Centre Authority

Statement of cash flows

Year ended December 31, 2020

	2020 $	2019 $
Operating activities		
Operating surplus for the year	**3,804,148**	82,068
Items not affecting cash and equivalents		
Amortization	**2,319,792**	1,539,231
Gain on disposal of tangible capital assets	**—**	(8,490)
	6,123,940	1,612,809
Changes in non-cash working capital		
Accounts receivable	**(269,930)**	679,422
Accounts payable and accrued liabilities	**(2,969,503)**	599,948
Client deposits	**(8,276)**	371,992
Lease obligations	**(248,649)**	256,018
Prepaid expenses	**135,890**	245,424
Major replacement reserve	**180,000**	13,077
	2,943,472	3,778,690
Capital activities		
Purchases of tangible capital assets	**(5,761,249)**	(3,900,236)
Proceeds from disposal of tangible capital assets	**—**	27,000
	(5,761,249)	(3,873,236)
Investing activities		
Change in restricted cash	**—**	127,646
Net purchases of investments	**(987,773)**	(503,333)
Changes in non-cash working capital		
Due from The City of Calgary - major replacement reserve	**(180,000)**	(13,077)
Accounts payable and accrued liabilities	**3,041,695**	127,719
	1,873,922	(261,045)
Financing activities		
Change in bank indebtedness	**(812,863)**	845,890
	(812,863)	845,890
Net (decrease) increase in cash and cash equivalents	**(1,756,718)**	490,299
Cash and cash equivalents, beginning of year	**2,144,864**	1,654,565
Cash and cash equivalents, end of year	**388,146**	2,144,864
Represented by		
Cash	**64,350**	846,581
Cash equivalents	**323,796**	1,298,283
	388,146	2,144,864

The accompanying notes are an integral part of the financial statements.

1. The Calgary Convention Centre Authority

The Calgary Convention Centre Authority ("the Authority") is incorporated under the laws of the province of Alberta and operated as the Calgary TELUS Convention Centre ("the Centre") pursuant to an operating agreement between the Authority and The City of Calgary ("The City"). The land, building, furniture and equipment are owned by The City, which also contributes a grant towards the operating costs of the Centre. In accordance with an amendment to the operating agreement, the Authority retains operating surpluses. Surpluses are placed in an operating reserve and are used to cover capital expenditures, extraordinary expenditures and any annual deficits, which may be incurred.

Under an extended lease agreement to expire in 2039, the Calgary Marriott acts as the exclusive caterer to the Centre.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian public sector accounting standards ("PSAS"). The Authority's significant accounting policies are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits in bank accounts at Canadian financial institutions and short-term investments with maturities of a short-term nature, usually less than 90 days from original acquisition date.

Investments

Investments represent Guaranteed Investment Certificates ("GIC") with original maturities greater than 90 days. Investments are recorded at fair value.

Client deposits

Client deposits represent amounts received from customers for events that have not yet occurred. These amounts are recognized as revenue in the period when the related event occurs.

Revenue recognition

Revenue comprises revenues earned from convention services, functions, food and beverage services and grant revenue received from The City. Revenues for convention services, functions and food and beverage services are recognized when the service is performed, the price is determinable and collection is reasonably assured. Grant revenue is received from The City on a quarterly basis. A proportionate amount is recognized each month. Revenue and expenses are recognized on a gross basis.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development, or betterment of the asset. Donated assets are recorded as capital items, with the offset to revenue at their estimated fair value upon acquisition. Interest charges are not capitalized. The cost, less residual value, of tangible capital assets is amortized on a straight-line or declining-balance basis over the assets' estimated useful lives as follows:

Renovations	3-year straight-line
Building enhancements	20% declining-balance
Computer equipment	55% declining-balance
Other equipment	20% declining-balance

2. Significant accounting policies (continued)

Tangible capital assets (continued)

Revenue from government grants and transfers relating to capital acquisitions will be recognized on a straight-line basis as the capital expenditure is incurred.

Impairment of tangible capital assets

Tangible capital assets are reviewed periodically for impairment. An impairment loss will be recognized in the period when the service potential of a capital asset will be either substantially reduced or eliminated altogether by an intervening event such as natural disaster, accident and obsolescence.

Use of estimates

The financial statements are prepared in accordance with PSAS, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue, expenses and operating reserve during the year. Items subject to estimation include the valuation allowance pertaining to receivables, estimated useful lives, amortization and potential impairment of tangible capital assets, and the impact of contingencies on accrued liabilities. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Management continues to assess the impact of the novel coronavirus ("COVID-19") and governments' response to it on the Authority. Portions of the financial results incorporate estimates from management that are subject to increased uncertainty due to the market disruptions caused by the COVID-19 pandemic. The amounts recorded in these financial statements are based on the latest reliable information available to management at the time the financial statements were prepared where that information reflects conditions as at the date of the financial statements. However, there is inherent uncertainty about these assumptions and estimates which could results in outcomes that require adjustments to the carrying amount of the affected assets or liabilities in the future.

Future accounting pronouncements

The following new accounting standards were issued by the Public Sector Accounting Board ("PSAB"). The Authority continues to assess the impacts of the standards.

Effective for fiscal years beginning on or after April 1, 2022

PS 3280 Asset Retirement Obligations provides guidance on how to account for and report liabilities for retirement of tangible capital assets. This standard will be effective for the Authority on January 1, 2023.

Effective for fiscal years beginning on or after April 1, 2023

PS 3400 Revenue provides guidance on the recognition of revenue that distinguishes between revenue that arises from transactions that include performance obligations and from transactions that do not have performance obligations. This standard will be effective for the Authority on January 1, 2024.

3. Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term GICs with original maturities of 90 days or less at the date of acquisition and are recorded at cost plus interest earned. The effective interest rate on the GICs held during the year was 1.49% (2019 - 2.17%) per annum. As at December 31, 2020, the Authority held $323,796 (2019 - $1,298,283) in short-term GICs and $2,094,087 (2019 - $1,106,314) in long-term GICs (Note 5).

4. Major replacement reserve

The Authority records an annual appropriation for facility refurbishment and major renovations. The appropriation for the year totaled $180,000 (2019 - $180,000).

	Notes	**2020** **$**	2019 $
Balance, beginning of year		**213,106**	200,029
Increase in provision for the year		**180,000**	180,000
Major replacement expenditures	11	**—**	(166,923)
Balance, end of year		**393,106**	213,106

5. Investments

Investments consist of GICs with a maturity date not greater than five years from December 31, 2020 bearing interest from 0.20% to 1.85% (2019 – 0.70% to 1.70%) per annum. The fair value of the investments has been determined to be the principal plus interest earned to date.

	Cost **$**	**Accrued interest** **$**	**2020 Fair value** **$**
Rate Riser Plus GIC 0044	**655,787**	**2,729**	**658,516**
Fixed Rate GIC 0041	**640,000**	**7,253**	**647,253**
Variable Rate GIC 0042	**782,269**	**6,049**	**788,318**
	2,078,056	**16,031**	**2,094,087**

	Cost $	Accrued interest $	2019 Fair value $
Rate Riser Plus GIC 0037	655,787	5,458	661,245
Rate Riser Plus GIC 0038	444,269	800	445,069
	1,100,056	6,258	1,106,314

6. Tangible capital assets

In accordance with PSAB Handbook Section 3150, The City has performed a review of the ownership and control of the land, building enhancements and equipment of the Centre. Accordingly, the Centre is recorded on the financial statements of The City. The Authority currently has an operating lease with The City, which was renewed on January 22, 2021 and is scheduled for renewal on January 22, 2024. The contract has a nominal fee, the cost of which has been recorded through operations and maintenance expense. Capital leases of $243,724 (2019 - $454,085) are included in other equipment. Renovations include $2,249,223 (2019 – Nil) of assets under construction for which no amortization has been charged.

	2020 Opening Net book Value $	**Additions $**	**Disposals $**	**Amortization $**	**2020 Closing Net book Value $**
Renovations	**—**	**2,249,223**	**—**	**—**	**2,249,223**
Building enhancements	**3,513,086**	**2,538,127**	**—**	**1,068,234**	**4,982,978**
Computer equipment	**255,408**	**4,038**	**—**	**141,400**	**118,046**
Other equipment	**4,945,875**	**969,861**	**—**	**1,110,158**	**4,805,579**
	8,714,369	**5,761,249**	**—**	**2,319,792**	**12,155,826**

	2019 Opening Net Book Value $	Additions $	Disposals $	Amortization $	2019 Closing Net book Value $
Renovations	—	—	—	—	—
Building enhancements	2,116,962	1,880,449	—	484,325	3,513,086
Computer equipment	228,448	163,611	—	136,651	255,408
Other equipment	3,572,378	2,310,261	18,509	918,255	4,945,875
	5,917,778	4,354,321	18,509	1,539,231	8,714,369

7. Bank Indebtedness

The Authority has an operating demand loan facility to a maximum of $3,500,000 (2019 $2,400,000). This facility is secured by GICs in the amount of $2,400,000. The interest rate on the facility fluctuates with the Bank of Montreal's prime rate per annum. At December 31, 2020, the balance of the facility was $1,454,201 (2019 – $1,239,240).

The total bank indebtedness at December 31, 2020 was $1,583,198 (2019 - $2,396,061).

8. Employee benefits

The Authority participates in the Local Authorities Pension Plan ("LAPP"), which is a multi-employer benefit plan. This plan is governed by the Public Sector Pension Plans Act. Based on the latest information available (December 31, 2019 audited financial statements), in total, the LAPP had an actuarial surplus of $7.913 billion (2018 - Surplus of $3.469 billion). The Authority is required to make current service contributions to the LAPP of 9.39% of pensionable payroll up to the yearly maximum pensionable earnings ("YMPE"), and 13.84% thereafter. Employees of the Authority are required to make current service contributions of 8.39% of pensionable salary up to the YMPE, and 12.84% thereafter. Contributions for current services are recorded as expenditures in the year in which they become due.

Total current service contributions, as reflected in the administrative and general, marketing and operations and maintenance expenses in the statement of revenue, expenses and operating reserve by the Authority to the LAPP during the year, were $382,369 (2019 - $540,282). Total current service contributions by the employees of the Authority to the LAPP for the year were $345,415 (2019 - $499,665).

9. Accounts payable and accrued liabilities

In 2019, the Authority concluded agreements with Meetings & Conventions Calgary (MC&IT), Conventions Centres of Canada, and Energy Cities Alliance (Note 13). These agreements had significant impact to the Authority's accounts payable and accrued liabilities in prior years. As at December 31, 2019, the accounts payable and accrued liabilities represent normal business operations of the Authority with trade vendors.

10. Financial instruments

The Authority's financial instruments are cash and cash equivalents, accounts receivable, due from The City of Calgary - major replacement reserve, investments, bank indebtedness, accounts payable and accrued liabilities, and client deposits. The carrying values of these items approximate their fair values due to their short-term nature.

Interest Rate Risk

Interest rate risk reflects the sensitivity of the Authority's financial results and condition to movements in interest rates. Interest rate risk is limited to the line of credit which bears interest at the prime rate (Note 7).

Credit Risk

The Authority's financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash is placed with major financial institutions. Concentration of credit risk with respect to receivables is limited due to the large number of customers and their dispersion across geographic areas.

10. Financial instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Authority will be unable to meet its contractual cash outflow obligations as they come due. The Authority mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining cash on hand. Contractual obligations related to accounts payable and accruals are due within 12 months.

11. Major capital additions

During the year, the Authority incurred $5,761,249 (2019 - $4,354,322) in expenditures for major capital additions, which have been capitalized as building enhancements and equipment. Of this amount, $0 (2019 - $437,443) was funded by the Authority's operating reserve and $0 (2019 - $166,923) was funded by the Authority's major replacement reserve. $5,943,279 (2019 - $3,768,000) was applied for and funded through The City's Convention Centre Lifecycle Program for the capital additions made in 2020. This amount has been recognized in operating revenues in the statement of revenue, expense and operating reserve. $243,274 (2019 - $454,085) was funded by capital lease (see Note 15).

12. 2020 Budget

The budgeted amounts presented in the financial statements are based on operating and capital budgets approved by the board of directors.

13. Calgary Convention Centre Authority responsibilities

Glenbow Museum

Through an agreement with The City, the Authority provides maintenance, engineering, housekeeping and capital project supervision for the Glenbow Museum. Expenses of $1,558,982 (2019 - $1,687,606) incurred in provision of these services are included in the expenses of the Authority. Recovery of the expenses plus a management fee of $87,000 (2019 - $87,000) totaling $1,645,982 (2019 - $1,774,606) are included in operating revenue of the Authority. Capital projects supervised by the Authority totaled $0 (2019 - $99,272) during the year.

Retail spaces, North Building

The Authority provides basic property management services for the retail spaces and parkade in the north building to the City of Calgary Real Estate and Development Services and the Calgary Parking Authority respectively. Expenses of $411,924 (2019 - $493,318) incurred in provision of these services are included in the expenses of the Authority. Recovery of the expenses plus a management fee $449,865 (2019 - $534,609) are included in operating revenue of the Authority.

Meetings & Conventions Calgary

Through a marketing and funding agreement ("the Agreement") with the Calgary Hotel Association, the Authority provided management and operation of destination sales and marketing for Meetings, Conventions and Incentive Travel ("MC&IT"). Expenses of $0 (2019 - $2,055,598) incurred in provision of these services are included in the expenses of the Authority. Funding to cover these expenses $0 (2019 - $2,055,598) is reported net of expenses.

13. Calgary Convention Centre Authority responsibilities (continued)

Pursuant to the agreement, effective January 1, 2014 the Authority charges an administration/marketing fee for management and operation of the program. The fee of $0 (2019 - $108,479) is included in the operating revenue of the Authority.

On July 31, 2019, the Agreement was terminated and funds of $38,614 were paid by the Association to the Authority on September 27, 2019. As at December 31, 2020, an amount of $0 (2019 - $29,558) advanced by the Association is included in accounts payable and accrued liabilities.

14. Commitments

As of December 31, 2020, the Authority has commitments related to the lease of office equipment, furniture, housekeeping equipment, and communications equipment payable within the next three years as follows:

	$
2021	352,577
2022	213,969
2023	76,884
2024	14,340
2025	7,170
	664,940

15. Capital lease obligations

As of December 31, 2020 the Authority has the following capital lease obligations.

	2020	2019
	$	$
Obligation under capital lease for event furniture, monthly payment of $7,063 with interest at a rate of 6.810%, maturing on April 30, 2022	**137,009**	209,724
Obligation under capital lease for event furniture, monthly payment of $1,394, with interest at a rate of 6.889%, maturing on April 30, 2022	**27,005**	41,324
Obligation under capital lease for floor scrubber with interest at a rate of 6.990%, maturing on July 1, 2023	**26,098**	33,875
Obligation under capital lease for Cisco Network Switches with interest at a rate of 0%, maturing on December 31, 2021	**109,269**	218,538
Obligation under capital lease for Dell VxRail Server System with interest at a rate of 0%, maturing on October 31, 2022.	**81,710**	126,279
	381,091	629,740
Less current portion	**255,341**	265,219
	125,750	364,521

Future minimum lease payments, including principal and interest, under the capital leases for subsequent years are as follows:

	$
2021	265,219
2022	119,441
2023	9,086
2024	—
	393,746

The obligations under capital leases are secured by the underlying leased assets.

16. Contractual rights

Contractual rights are rights of the Authority to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contract or agreements are met. As of December 31, 2020 the Authority has the following contractual rights.

Estimated amounts that will be received or receivable for each of the next five years and thereafter are as follows:

	Lease of Space or Equipment	Licensing payments	Total
	$	$	$
2021	20,000	173,774	193,774
2022	20,000	173,774	193,774
2023	20,000	101,194	121,194
2024	20,000	52,000	72,000
2025	20,000	50,000	70,000
Thereafter	8,333	700,000	708,333
	108,333	1,250,742	1,359,075

17. Subsequent events

Subsequent to year end, the Authority received COFLEX Program funding from The City of Calgary. On March 15, 2021, The Authority announced that the Centre will host the Alberta Health Services COVID-19 Immunization Centre.

City Auditor's Office Report to
Audit Committee
2021 June 24

Green Line Program Governance Follow-up Audit

RECOMMENDATIONS:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

HIGHLIGHTS

- Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. In accordance with Bylaw 30M2004 (as amended), the City Auditor reports the outcome of all audits to the Audit Committee (including Administration's response and corrective actions to be taken in regard to specific recommendations). The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 33M2020.

- What does this mean to Calgarians? The City Auditor's Office (CAO) provides independent and objective audit assurance services to add value to The City of Calgary (The City) and enhance public trust.

- Why does it matter? The Green Line Program is the largest (estimated cost of $4.9 billion for Stage 1) infrastructure project in The City's history. Given the magnitude of the Program, governance is a critical element of program execution and success to support on time, high quality construction and Program delivery within budget.

- This audit followed up on the effectiveness of governance implemented in response to the two recommendations raised in the CAO 2019 Green Line Project Governance Audit (AC2019-0353). We concluded that Green Line Program Management have taken steps to enhance the current governance structure since the 2019 audit by aligning their processes with best practice guidance and finalizing key documents. Finalization of the remaining key components supporting effective governance is in progress: Green Line Program Management have an action plan to finalize the governance framework by December 31, 2021. Interim governance structures in place as at February 28, 2021 effectively in the short-term support communication and decision making through the use of RASCI/organizational charts, meetings, status updates and a comprehensive risk management plan.

- Strategic alignment: Citizen Priority – A City that Moves.

ATTACHMENTS

1. Green Line Program Governance Follow-up Audit – AC2021-0918 ATT1
2. Green Line Program Governance Follow-up Audit Presentation Slide – AC2021-0918 ATT2

Author: Jasdeep Sekhon, Senior Auditor

Green Line Program Governance Follow-up Audit

DEPARTMENT CIRCULATION

Name	Title, Department or Business Unit	Approve/Consult/Inform
Liz Ormsby	Acting City Auditor	Approve
David Duckworth	City Manager	Inform
Carla Male	Chief Financial Officer	Inform
Michael Thompson	General Manager, Green Line	Inform

Author: Jasdeep Sekhon, Senior Auditor

City Auditor's Office

Green Line Program Governance Follow-up Audit

June 7, 2021

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The City Auditor's Office conducted this audit in conformance with the *International Standards for the Professional Practice of Internal Auditing.*

Executive Summary

The Green Line Program is the largest infrastructure project in Calgary's history. The Program consists of two Stages - Stage 1 will consist of 20km of LRT track with 15 stations (estimated cost of $4.9 billion[1]), and will be constructed in three segments[2]:

- Segment 1: Elbow River to Shepard;
- Segment 2A: 2 Avenue SW station to Elbow River; and
- Segment 2B: 16 Avenue N to north of 2 Avenue SW station.

Stage 2 consists of approximately 26km of LRT track which will be constructed in the future when funding becomes available.

Given the magnitude of the Green Line Program, governance is a critical element of program execution and success.

On March 15, 2019, the City Auditor's Office issued the Green Line Project Governance Audit (AC2019-0353). The objective of the audit was to assess the effectiveness of the current governance framework and focused on governance in operation during Q4 2018. The audit resulted in two recommendations to improve the governance framework, specific to accountability, decision making and risk identification.

This is a follow-up audit assessing the effectiveness of governance implemented in response to the two recommendations raised. The objectives of this audit were to assess Green Line Program's progress implementing formalized governance structures as of February 28, 2021, and, where governance structures had yet to be finalized, evaluating the effectiveness of the interim governance structures in place to support the Program and Stage 1 Project. Our audit approach included evaluation of the governance structures in place at February 28, 2021, using guidance/criteria from the City's Corporate Project Management Framework (CPMF) and the Project Management Body of Knowledge's Standard for Program Management (PMBOK), and the completion of a self-assessment by Green Line Program Management.

Since the initial audit, Green Line Program Management have taken steps to enhance the current governance structure by aligning their processes with guidance from best practice from The City's CPMF and from PMBOK and finalizing key documents. Enhancements include establishing a Program Charter, developing a comprehensive risk management plan, and establishing the Green Line Board, an oversight board with diverse industry expertise. Finalization of the remaining key components supporting effective governance is in progress: Green Line Program Management have an action plan to finalize the governance framework by December 31, 2021 (Appendix 2). The City Auditor's office will continue to follow-up on commitments made in response to recommendation 1 included in AC2019-0353 as part of our ongoing recommendation follow-up until the action plan is complete.

Interim governance structures in place at February 28, 2021 effectively in the short-term support communication and decision making through the use of RASCI/organizational charts, meetings, and status updates, along with developing a comprehensive risk management plan.

[1] Green Line Committee (June 1, 2020) - Green Line Budget and Financing Approval (7.3)
[2] Combined Meeting of Council (June 15, 2020) – Green Line Update Stage 1 (7.4.3)

Green Line has made significant progress in risk management by developing a comprehensive risk management plan, refining the risk register with Program and Project risks and continuously updating risk mitigation strategies monthly. We concluded that the action plan in response to recommendation 2 in the original Green Line Project Governance Audit is completed.

1.0 Background

On January 13, 2020, Council reconfirmed the vision for the Green Line Program as "A city-shaping transit service that improves mobility in communities in north and southeast Calgary, connecting people and places and enhancing the quality of life in the city." Council approved Administration's Green Line construction strategy on alignment (from 16 Avenue N. to Shepard) along with changes to the construction staging[3]. The Green Line Program encompasses two Stages, each run as a separate Project. Green Line Stage 1 will be constructed in three segments:

- Segment 1: Elbow River to Shepard;
- Segment 2A: 2 Avenue SW station to Elbow River; and
- Segment 2B: 16 Avenue N to north of 2 Avenue SW station.

The Green Line Program is the largest infrastructure project in Calgary's history. Stage 1 will consist of 20km of LRT track with 15 stations (estimated cost of $4.9 billion), with construction planned to begin in late 2021. As of March 2021, The City had spent approximately $633.8M on the Program consisting of construction, land and design, and engineering costs[4].

Program governance has continued to evolve during 2020 and into 2021. On July 21, 2020, Council approved the Green Line governance model and creation of the Green Line Board. According to the Board chair, "*the Board's intention is to help improve Green Line decision making, govern the speed at which the project is moving and bring in experts that will review and provide guidance to Administration on delivering megaprojects*". The Board will govern the work of the Program team to achieve the Council-approved Program goals, budget, schedule, Program scope and alignment. Member composition consists of the City Manager and eight industry experts. Onboarding of the Board members began in January 2021 with the first official Green Line Board meeting taking place in February 2021. The Green Line board bylaw requires the Green Line Board to report into the Priorities and Finance Committee on a quarterly basis. Prior to the Green Line Board being established, the program was governed by the Green Line Executive Steering Committee, which had been comprised of members of The City's Executive Leadership Team and the Senior Leadership Team. The mandate of current Green Line Committee, which was the council reporting route, will be updated to reflect the shift of the Green Line Committee to focus on future planning for Stage 2 of Green Line.

Given the magnitude of the Green Line Program, governance will be a critical element of program execution and success. The City's Program Management Practices (part of the Corporate Project Management Framework) in conjunction with the Project Management Body of Knowledge's Standard, state that Program Governance define the structure, processes and practices needed to guide the program. A program governance framework supports:

- Continuous alignment with the strategy of the organization;
- Increased efficiency and reduction of risk;
- Escalation of risks and issues to be raised to a higher level and resolved systematically, when necessary; and
- Management of issues, opportunities, complexity and competing priorities.

[3] Combined Meeting of Council (June 15, 2020) – Green Line Update Stage 1 (7.4.3)
[4] Green Line Board (May 5, 2021) – Green Line Program February 2021 Progress Report (7.1)

Good governance is critical to a program's success. Poorly defined governance structures, with overlapping roles and decision-making authority; roles filled by the wrong people, or not filled at all, can impede program delivery, and delay decision making.

This is a follow-up audit to assess the effectiveness of actions implemented in response to the 2019 Green Line Project Governance Audit (AC2019- 0353), which resulted in two recommendations, as included in Appendix 1.

The City Auditor's Office plans to conduct a series of audits on Green Line over the lifespan of the Program given its proposed complexity and significant capital budget. This is the fourth in the series of audits on Green Line Program.

2.0 Audit Objective, Scope and Approach

2.1 Audit Objective

The objectives of the audit were to:

1) Assess Green Line Program's progress implementing formalized governance structures as of February 28, 2021 in response to AC2019-0353, and
2) Evaluate the effectiveness of interim governance structures in place as of February 28, 2021 which supported the Program and Project (Stage 1).

2.2 Audit Scope

The scope of the audit included governance structures in operation as of February 28, 2021 which supported the Program and Project (Stage 1).

2.3 Audit Approach

Our audit approach included evaluation of the governance structures in place, using guidance/criteria from the City's Corporate Project Management Framework (CPMF) and the Project Management Body of Knowledge's Standard for Program Management (PMBOK).

We requested Green Line Program Management perform a self-assessment as to the implementation of formal key governance structures.

We also reviewed key interim governance documents, processes and practices utilized by the Program as of February 28, 2021.

3.0 Results

Since the initial Green Line Governance audit (AC2019-0353), reported to Audit Committee in March 2019, Green Line Program Management have taken steps to enhance the current governance structure by aligning their processes with guidance from best practice from The City's CPMF and from PMBOK, and finalizing key documents.

Key areas of enhancement include:

- Establishing a Program Charter;
- Continuing to formalize the Program and Project Organizational Chart;
- Monitoring risk on an ongoing basis at a Program and Project level;
- Developing a comprehensive risk management plan; and
- Establishing and onboarding an oversight board with diverse industry expertise.

Through these efforts, we concluded that the action plan in response to AC2019-0353 recommendation 2 (Appendix 1), which entailed performing a reassessment of risk, has been implemented. As of February 28, 2021, Green Line Program Management continue to implement a formalized governance structure, and a number of key governance documents were in progress (draft). Management has communicated an action plan (Appendix 2) to complete the draft documents by December 31, 2021, which will conclude their implementation of their original action plan in response to recommendation 1 from AC 2019-0353 (Appendix 1).

We concluded that the interim governance structures in place at February 28, 2021 effectively support communication and decision making in the short term using RASCI/organizational charts, and also support effective risk management through the development of a comprehensive risk management plan.

As part of our audit approach, we identified components of governance best practices (from CPMF and PMBOK) and requested Green Line Management to perform a self-assessment as to the implementation status of key governance documents.

The table below provides a snapshot from Green Line Management on the current status of key governance documents as of February 28, 2021:

Components	% Completion at 31 February 28, 2021	Commentary	Estimated Completion Date
Workstream 1: Recommendation 1 (Organization, Structure, Roles, and Staffing)			
Organizational Chart	90%	Green Line working with various recruiting firms to fill senior positions	30-Sep-21
Project RASCI Chart (Stage 1)	75%	RASCI chart for Segment 1 is in progress	30-Sep-21
Workstream 2: Recommendation 1 (Governance Framework)			
Program Charter	75%	Currently undergoing final review and outcome from Provincial review	31-Dec-21
Program Governance Plan	25%	Currently utilizing terms of references, as a stand-alone Governance Plan is not yet completed and outcome from Provincial review	31-Dec-21
Terms of References: - Green Line Board - Green Line Committee - Executive Steering Committee - Technical & Risk Committee	90%	Terms of references created for key governing bodies, board sub-committee terms of reference in progress	30-Sep-21
Program Schedule Management Plan	75%	Plan is being circulated for quality assurance and internal review	30-Sep-21
KPI's established (Program/Project)	10%	Preliminary scan of key metrics completed, input from key stakeholders and outcome from Provincial review	31-Dec-21
Program Quality Management Plan	50%	Establishing key dates and milestones, current construction limited to enabling works, which is being monitored by the Senior Quality Manager	30-Sep-21
Program Stakeholder Engagement Plan	25%	Implementing a Customer Relationship Management (CRM) system	30-Sep-21
Program Communications Plan	50%	Stakeholder mapping and defining Program KPI	30-Sep-21
Program Change Management Plan	75%	Establishing Program and Project thresholds and updating roles and responsibilities	30-Sep-21
Workstream 3: Recommendation 1 (Risk and Issues Management)			
Program Risk Management Plan	90%	Plan is going through a final review, including review by the new Board	30-Sep-21
Risk Registry (Program/Project)	90%	Completed at the Program and Project level, along with monthly updates on mitigation plans	30-Sep-21
Issues Log and Action Log (Program/Project)	75%	Utilizing a issues and decision dashboard at the Project level, currently working on similar dashboard at the Program level	30-Sep-21

Legend – Green shading: completion ≥ 75%, Yellow shading: completion < 75%

Details of the results below are set out under the following headings based on the original management action plans provided in response to the two recommendations in AC2019-0353 (Appendix 1):

- Organization Structure, Roles and Staffing (recommendation 1, workstream 1);
- Governance Framework (recommendation 1, workstream 2);
- Risk and Issue Management (recommendation 1, workstream 3); and
- Reassessment of Program Risk (recommendation 2).

All results reflect structures and documentation in operation as of February 28, 2021.

3.1 Organizational Structure, Roles and Staffing

Our review of key governance documents indicated that Green Line Program Management had made progress formalizing the Program's organization structure, including documented roles and responsibilities. As set out in their self-assessment (see Section 3.0) the Organizational Chart was 90% complete as of February 28, 2021 and the RASCI (Responsible, Accountable, Support, Consulted, Informed) Chart 75% complete. Green Line Program Management indicated that additional work will be completed during 2021 to finalize these documents and ensure that roles and responsibilities are clearly understood.

We reviewed key documents to assess if roles and responsibilities were clearly understood in the interim, and supported effective communication and decision making at the program and project level. To assign and communicate roles and responsibilities Green Line utilized RASCI charts organizational charts and assigned delegation of authority documents.

We reviewed the interim Green Line Organizational Chart for the Program and Project (Stage 1). The chart included functional teams and distinguished roles at the segment and functional level, including lines of relationship, employee positions and vacant positions. The City's Corporate Project Management Framework highlights that vacant positions not filled may impede Program delivery. The most significant vacant position was the Program Director. Green Line Management indicated they were working with a recruitment firm to fill the position, and in the interim, the General Manager is filling the role as acting Program Director. General Manager position changed to Chief Executive Officer (CEO) and Program Director changed to Chief Operating Officer (COO). Delegation of Authority (Bylaw 43M99) became effective May 12, 2020 and outlines exercise powers within the City of Calgary and approval thresholds. The Green Line Board (21M2020) Bylaw approved by council on July 21, 2020, established the governance model and creation of the Green Line Board, and proxy delegation of authority from Council to the Board.

RASCI charts for Segment 2 construction were completed, key tasks were identified at the functional level and mapped to the respective responsibility owners. Segment 1 RASCI charts were in progress as Green Line Program Management were in the process of identifying all required tasks and position within the segment. Part of the delay for Segment 1 was attributed to finalizing the scope of the work, including input from the Province, which is ongoing as of April 2021 and not yet resolved. A staffing plan was also being finalized that will identify future roles, document job descriptions and timeline to fill positions. Detailed job descriptions for some functional roles were also in progress.

In the interim, while organizational structures and supporting staffing documentation continue to be finalized, to ensure staff know what they are expected to deliver and prioritize, supervisors were in frequent communication with staff via weekly/bi-weekly meetings at functional levels, along with weekly scrums hosted with all Green Line Program staff. The General Manager meets with all Green Line Directors on a weekly basis, formalized with agendas and minutes. We also reviewed the onboarding package of a new hire and noted the presentation included specific slides to illustrate individual expectations of the new hire, which were based on input from their supervisor. We interviewed a sample of three Green Line staff on their roles and responsibilities. These interviews with staff indicated they understood their roles and responsibilities and what they are expected to deliver, which provides assurance regarding the effectiveness of the interim roles and staffing governance processes.

3.2 Governance Framework

In their management response to AC2019-0353 recommendation 1, Green Line Program Management indicated that they would redevelop the governance framework (workstream 2 of their response, see Appendix 1). Our review of key components of the governance framework indicated that Green Line Program Management have made progress developing a Governance Framework, and further enhancements and finalization of documents and supporting processes are in progress and expected to be complete by year-end.
In conducting our review of workstream 2, we determined if the current governance framework supports effective decision-making by reviewing the Program Charter, Program Governance Plan, Program Stakeholder Plan, Program Change and Quality Management Plans, and understanding what KPIs (key performance indicators) had been established for the Program and Project. Green Line Program Management indicated (see self-assessment, Section 3.0) that key documents underpinning the governance framework were anywhere between 10% and 90% complete as of February 28, 2021.

We reviewed the Program Charter against guidance from PMBOK and although the Charter was undergoing a final review (draft), contents of the Charter were consistent with guidance from PMBOK. The Charter included the Program scope, set goals and objectives as directed by Council for their vision of Green Line, identified key stakeholders, validated Program risks and outlined the roles and responsibilities of Green Line's senior management.

The Program Governance Framework Plan supports effective governance by documenting the systems and methods used to monitor, manage and support a Program. Key components of the Plan include defining roles and responsibilities and outlining planned governance meetings. Green Line Program Management indicated that the Plan was 25% complete (see self-assessment, Section 3.0) and was expected to be complete by December 31, 2021. In the interim, Green Line are relying on various terms of references to guide decision making - in particular, the new Board bylaw and most recently announcing the creation of three sub-committees to assist the Board achieve its mandate.

Green Line Program Management indicated they are working on establishing KPIs at the Program and Project level. Preliminary scan of key metrics was completed with finalization of KPI's expected to occur by December 31, 2021. Current construction is limited to enabling works, and Green Line is utilizing weekly reporting to monitor the enabling works budget, which includes weekly burn rate reports. We reviewed the weekly burn rate report for the

week of February 8, 2021 and noted the report categorized costs, including at the functional levels.

Quality over the enabling works is monitored by the Senior Quality Manager. Green Line Program Management are developing a Program Quality Management Plan; the scope of the plan includes establishing project compliance during the design and construction. The plan will provide staff and retained consultants with a guide to the safety, health and regulatory, environmental and quality management systems requirements to be fulfilled by contractors, subcontractors and suppliers.

Green Line Program Management are implementing a Customer Relationship Management (CRM) system to track all touch points with stakeholders and facilitate mass communication to a variety of stakeholders. To date, 5000 stakeholders have been mapped in the CRM system and anticipated full rollout is by Q3 2021. A Program stakeholder engagement plan is also in development which will provide an overarching framework for managing stakeholder engagement. Stakeholders can request to be added to an e-mail distribution list to receive Green Line updates by submitting a request on-line. Green Line Program Management completed a communications plan for Segment 2 and is currently working on the Segment 1 communications strategy. The completed communication plans for stage 1 will provide the framework to guide continuous up to date communication and project updates to keep stakeholders informed and engaged.

Program and Project changes are tracked via a construction project management software. Each change is tracked with supporting documentation and includes the approval status. Green Line Program Management are also working on a Change Management Plan which is about 75% complete (self-assessment, see Section 3.0). The plan will provide a formal framework to identify, assess, approve, track change costs, schedules and outline responsibilities of the Green Line leadership team with respect to change management, in particular: threshold approvals and assigned owners. The Stage 1 Project delivery team is the current owner of change management log, however as vacant roles are filled, the project management software assigned roles will be updated to reflect approval delegation.

Interview results from Green Line staff indicated they received timely status updates on the Project and were able to communicate upwards via many channels. Interviewees indicated there was a lack of formal oversight with respect to governance, however, they indicated they felt that the formation of the new Board addresses the concern and improves Program oversight.

3.3 Risk and Issue Management

In their management response to AC2019-0353 recommendation 1, Green Line Program Management indicated that their third workstream of work would be focused on risk and issue management (see Appendix 1). Our audit results confirmed that the current risk management plan supports effective risk management. Since the initial Green Line Governance audit, Green Line Program Management have made improvements to Green Line's risk management processes by developing a comprehensive risk management plan that aligns with the goals and strategy of Green Line.

We assessed whether the current risk management plan supports effective risk management. In their self-assessment (Section 3.0) Green Line Program Management indicated that as of or

at February 28, 2021, the Risk Management Plan and Risk Registry were both 90% complete, and the Issues Log and Action Log were 75% complete.

We reviewed the Risk Management Plan which included defined program risk thresholds, a risk quantification matrix utilizing Monte Carlo simulation and an initial risk assessment along with risk management objectives; a risk response strategy by risk level categories was included, the plan identified risk updating as one of the most important components of risk management on a project. Green Line Program Management indicated the plan is going through a final review, including review by the new Board as they onboard and get up to speed on the Project. Although in draft form, the Risk Management Plan mirrored best practice guidance from PMBOK.

Green Line Program Management provided an updated risk register, incorporating Program and Project risks, including identified risks, risk ratings, and mitigation strategy. Each month the Risk Manager follows up with the risk owner(s)/group to provide an update on the mitigation strategy. An executive risk dashboard is utilized that includes critical risks to provide a high-level summary.

For issues management Green Line Program Management have created an issues and decision dashboard to track and manage issues that arise in the project and prioritize a response to them. The dashboard includes issue owner, description and comments speaking to mitigation, and categorizes the issue as high/low impact. The Stage 1 Project delivery team is the current owner of the issue log and request weekly status updates from issue owners. Green Line Program Management are currently creating similar issues log dashboard to centralize the Program issues, as in the interim, these issues are dealt with as standing items during weekly meetings with Green Line Directors and General Manager.

Lastly, we interviewed three Green Line staff to get their views on the current risk and issues management process. Participants indicated the risk process as one of the most mature aspects of the governance framework and agreed that risks/issues were dealt with on a timely basis.

3.4 Reassessment of Program Risk

AC2019-0353 recommendation 2 (Appendix 1) focused on performing a reassessment of risk to identifying underlying or previously unknown risks and incorporate into on-going risk management. In response to this recommendation, Green Line Program Management provided an action plan committing to a workshop, and on-going monitoring of risk.

Green Line's new Risk Management Plan infers risk updating as one of the most important components of risk management on a project. Mitigation plans must be regularly tracked and updated to ensure risks are being managed appropriately. We reviewed risk mitigation reports for the months of December 2020 and January 2021. The reports included the latest progress update and history of all updates organized from most recent to least. Finally, the mitigation update reports are incorporated to the risk register.

Furthermore, the Green Line risk manager held risk workshops with staff to assist with risk identification, ranking and quantification of risks. We viewed meeting invites for risk workshops held during December 2020 for Segment 2 risk workshops. Since the initial Green Line Project Governance Audit (AC2019-0353), new emerging risks were identified by Green

Line Program Management and staff and included in the risk register to triage (e.g. Provincial Review, Governance and Vacancies risk). Through these efforts, we conclude that Green Line Program Management have implemented this action plan, and our follow-up activities in relation to this recommendation are complete.

We would like to thank staff from the Green Line Program for their assistance and support throughout this audit.

Appendix 1 – AC2019-0353 Recommendations and Management Responses

Recommendation 1

The Acting Managing Director of Green Line implement an updated Project governance framework, including defined and communicated roles, responsibilities and accountabilities, accompanying project organization structure, documented decision-making framework, and defined risk and issues management framework that supports achievement of Project objectives.

Management Response

Agreed.

Action Plan	Responsibility
This recommendation is being addressed through three related work streams: **Project organization structure, roles and staffing** Work is presently underway to define the needed organization structure, roles, and staffing to deliver the project's activities for 2019. This involves several steps, as follows: Planning and design For the senior leadership positions: Revise and/or refine reporting lines, job descriptions, accountabilities, decision-making authorities. Identify the appropriate personnel to staff the senior leadership positions. For the project's functional teams: Develop a RASCI chart to define roles and responsibilities as it relates to activities requiring cross-functional involvement and decision-making. Develop job descriptions defining the primary functional roles and match appropriate personnel to the positions. Implementation Phased implementation will occur, starting with senior leadership and cascading to functional teams.	Lead: Acting Managing Director, Green Line Support: External consultant (all items); HR Business Partner (item 1); Executive Steering Committee (item 2); Senior Manager, Project Controls and Corporate Risk Leaders (item 3) Commitment Date: May 3, 2019

Action Plan	Responsibility
Project governance framework The project's governance framework is being redeveloped in parallel to the organization design work. This has involved interviews with key, senior corporate stakeholders, undertaken in early Q1 2019. A workshop with the Executive Steering Committee is scheduled for late February 2019 to refine the Terms of Reference for the project's governing roles and bodies. The governance framework and supporting Terms of References will identify decision-making and risk and issues management authorities at the project and oversight levels and will be implemented through a systematic process. **Risk and issues management** The project is currently undertaking a review of its approach to risk and issues management, including its Risk Register. An integrated risk and issues management framework that supports the needs of the project and that is aligned with City standards, is being developed. This involves several steps, as follows: <u>Risk Register</u> Assess current Risk Register content and supporting processes, practices and roles. Define end-to-end desired processes, practices and roles to maintain and use the Risk Register for value-added activities, including reporting and decision support. <u>Overall risk management</u> In consultation with external experts and senior corporate leadership, define and design an overall risk and issues management approach aligned with the needs of the project and City standards. <u>Implementation</u> Phased implementation will occur, starting with end-to-end Risk Register practices, and followed by the overall risk management approach.	

Recommendation 2

Post project governance framework implementation, Acting Managing Director of Green Line lead a reassessment of Project risk to identify underlying or previously unknown risks, and incorporate into on-going risk management.

Management Response

Agreed.

Action Plan	**Responsibility**
Once the detailed risk and issues management process has been created (described in item 3 in response to Recommendation 1 above), a workshop with the Project's senior leadership team will be undertaken to take stock of all current Project risks and issues. These will be evaluated (scored – probability vs. severity), mitigation plans will be developed, and individual risks will be assigned to owners. Monitoring will continue on a biweekly basis through a regular senior leadership risk management meeting, with major risks and issues brought forward to the Project's steering committee for regular update.	Lead: Acting Managing Director, Green Line Support: External consultant; Senior Manager, Project Controls Commitment Date: July 12, 2019

Appendix 2 – Green Line Management Action Plan: Finalization of Governance Framework (May 12, 2021)

Recommendation 1
The General Manager and Director, Business Services, Green Line implement an updated Project governance framework, including defined and communicated roles, responsibilities and accountabilities, accompanying project organization structure, documented decision-making framework, and defined risk and issues management framework that supports achievement of Project objectives.

Updated Management Response

Agreed.

Action Plan	Responsibility
This recommendation is being addressed through three related work streams: **Project organization structure, roles and staffing** Work has been done to define the needed organization structure, roles, and staffing to deliver the project's activities for 2021. This involved several steps, as follows: Planning and design For the senior leadership positions: Revise and/or refine reporting lines, job descriptions, accountabilities, decision-making authorities Identify the appropriate personnel to staff the senior leadership positions. For the project's functional teams: Develop a RASCI chart to define roles and responsibilities as it relates to activities requiring cross-functional involvement and decision-making. Develop job descriptions defining the primary functional roles and match appropriate personnel to the positions. Implementation A provincial review is impacting completion of this work as changes to the procurement strategy may impact organization structure. Recruitment for several senior leadership positions are currently in progress with external recruitment firms and are anticipated to be filled by 2021 Q4. Phased implementation will occur,	Lead: Director, Business Services, Green Line Support: Green Line GM and Director team (all items); Program Management Office (all items); HR Business Partner (item 1); Green Line Board (item 1 – CEO and COO recruitment; item 2); Senior Manager, Project Controls and Corporate Risk Leaders (item 3) New Completion Date: December 31, 2021 due to current recruitment for several senior roles as well as ongoing finalization of the results of the Provincial review.

Action Plan	Responsibility
starting with senior leadership and cascading to functional teams. **Project governance framework** The Green Line (GL) Board was approved as a Committee of Council in July 2020 and candidates for Board members were formally approved by Council in December 2020. In addition to the Board itself, the need for three sub-committees was identified (Governance & HR; Budget and Risk; and Planning) that meet on a regular basis to support the Board. The governance framework and supporting Terms of References identified decision-making and risk and issues management authorities at the project and oversight levels and have been implemented through a systematic process. Subsequent to onboarding the CEO and COO the governance framework and decision-making authorities will be reconfirmed and implemented. **Risk and issues management** The project has undertaken a review of its approach to risk and issues management, including its Risk Register. An integrated risk and issues management framework that supports the needs of the project and that is aligned with City standards has been developed. The risk register is a living document that will continually be updated and reassessed. This process involved several steps, as follows: <u>Risk Register</u> Risk Register content and supporting processes, practices, roles was assessed and updated. Defined end-to-end desired processes, practices and roles to maintain and use the Risk Register for value-added activities, including reporting and decision support. <u>Overall risk management</u> In consultation with external experts and senior corporate leadership, defined and designed an overall risk and issues management approach aligned with the needs of the project and City standards.	

Action Plan	Responsibility
Implementation Implementation has occurred, starting with end-to-end Risk Register practices, and followed by the overall risk management approach. With the introduction of the Green Board, there will be additional review of risk management through the Budget and Risk sub-committee.	

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Green Line Program Governance Follow-up Audit

Why we did this

- Follow-up audit to assess Green Line Program's progress implementing formalized governance structures as of February 28, 2021, in response to the two recommendations raised in AC2019-0353.

What we concluded

- Steps taken to enhance governance structure: recommendation 1 to implement a program governance framework remains in progress and Green Line Program Management have an action plan to finalize the governance framework by December 31, 2021.
- Significant progress in risk management, and we concluded the action plan in response to recommendation 2 in the original audit is completed.

Why it matters

- Green Line Program is the largest infrastructure project in Calgary's history (Stage 1 estimated cost of $4.9 billion).
- Good governance is critical to a program's success.

311 Response Audit

RECOMMENDATIONS:
That the Audit Committee:
1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

HIGHLIGHTS

- Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. In accordance with Bylaw 30M2004 (as amended), the City Auditor reports the outcome of all audits to the Audit Committee (including Administration's response and corrective actions to be taken in regard to specific recommendations). The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 33M2020.

- What does this mean to Calgarians? The City Auditor's Office (CAO) provides independent and objective audit assurance services to add value to The City of Calgary (The City) and enhance public trust.

- Why does it matter? The 311 service connects Calgarians to City information and services they need, through the 311 Calgary mobile app, 311 online or by calling 311 by phone. Since May 2005 311 has received has received more than 16 million calls from Calgarians requesting information and services.

- The objective of this audit was to assess the effectiveness of the service request (SR) response process across the City. The results of our audit of a sample of SR indicated that processes across the City to respond to citizen 311 SR were generally aligned to the criteria supporting an effective response. However, through our sample we identified variation in how SR could be raised by a citizen, tracked and resolved, which could negatively impact response effectiveness and efficiency and citizen experience. Given the number and range of services offered by The City, and the high potential for variation of SR response to grow, we recommended Customer Service & Communications seek direction from City leadership regarding the continuation of the City's strategy of providing citizen information and issue resolution through 311 as the initial point of contact. To the extent City leadership provide direction 311 will continue to be the single point of contact or an option for citizen contact, the future effectiveness and efficiency of SR response across The City can be enhanced through a 311 governance and accountability framework, which will support Business Unit consistency by incorporating a standardized approach to SR resolution, SR timelines, and monitoring expectations, and a working group supporting digital tools implementation.

- Strategic alignment: Citizen Priority – A Well-Run City.

Author: Jing Zhang

311 Response Audit

ATTACHMENTS

1. 311 Response Audit – AC2021-0923 ATT 1
2. 311 Response Audit Presentation Slide – AC2021-0923 ATT 2

DEPARTMENT CIRCULATION

Name	Title, Department or Business Unit	Approve/Consult/Inform
Liz Ormsby	Acting City Auditor	Approve
David Duckworth	City Manager	Inform
Carla Male	Chief Financial Officer	Inform
Jennifer McMurtry	Director, Customer Service & Communications	Inform
Clarke Bellamy	Manager, 311 Citizen Services	Inform

Calgary

City Auditor's Office

311 Response Audit

June 15, 2021

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The City Auditor's Office conducted this audit in conformance with the *International Standards for the Professional Practice of Internal Auditing.*

Executive Summary

In 2005, Calgary was the first Canadian city to launch a 311 service with the objective of improving citizen access and contact management through a consistent customer information and issue resolution process with a primary initial point of contact. Citizens can access 311 through the 311 Calgary mobile app, 311 online or by calling 311 by phone, and request information or submit a service request (SR). Since May 18, 2005, 311 has received more than 16 million calls from Calgarians requesting information and services. 2018 311 customer research identified high overall caller satisfaction with their 311 experience but noted that the principal reason for dissatisfied callers was that callers' issues (the reason for their SR submission) were not resolved.

The objective of this audit was to assess the effectiveness of the SR response process across the City. To complete this evaluation, we utilized seven criteria: simplicity, convenience, expectations, transparency, outcomes, escalation, and accountability. We reviewed a sample of 80 SR covering 10 SR types during the period July 1, 2019 to June 30, 2020, as well as reviewing procedures and conducting the interviews with 311 team staff and Business Unit 311 Subject Matter Experts.

The results of our review of our sample of SR indicated that processes across the City to respond to citizen 311 SR were generally aligned to the criteria supporting an effective response. A "one stop shop" approach (with one exception) was available to citizens to submit SR to support simplicity, and digital tools were being utilized to support convenient citizen submission, with plans for further expansion. FAQ scripts defined SR expectations to citizens and status information was available to citizens to support transparency. In addition, there was a defined SR escalation process and Business Units monitored SR status, which supports accountability for timely SR response.

However, through our sample we identified variation in how SR could be raised by a citizen, tracked and resolved, which could negatively impact response effectiveness and efficiency and citizen experience. Specifically, we identified one instance where an SR was utilizing an alternate initial point of contact to submit the request (not available through 311), and instances of variation regarding resolution where an SR with a status of "closed" may not mean that a citizen's request has been addressed and/or reasons provided as to why it cannot be addressed.

Currently 311 acts as an enabling service, supporting the intake of SR, while BU are individually responsible for responding to the SR by providing the resolution, and setting the parameters of how they do so, as well as monitoring responses and exceptions. The City does not have a current overarching customer services governance and accountability framework in place, defining roles, authorities, responsibilities, and accountability to support consistency of SR response. This approach has led to variation in SR response, and variations in what represents an SR resolution, which have likely occurred over time driven by business requirements and the way BU deliver services.

Given the number and range of services offered by The City, and the high potential for variation of SR response to grow, we recommended (recommendation 1) 311 seek direction from City leadership regarding the continuation of the City's strategy of providing citizen information and issue resolution through 311 as the initial point of contact. To the extent City leadership provide direction 311 will continue to be the single point of contact or an option for citizen contact, a governance and accountability framework incorporating standardized approach to SR resolution, standardized SR timeline and monitoring expectations, and a working group supporting digital

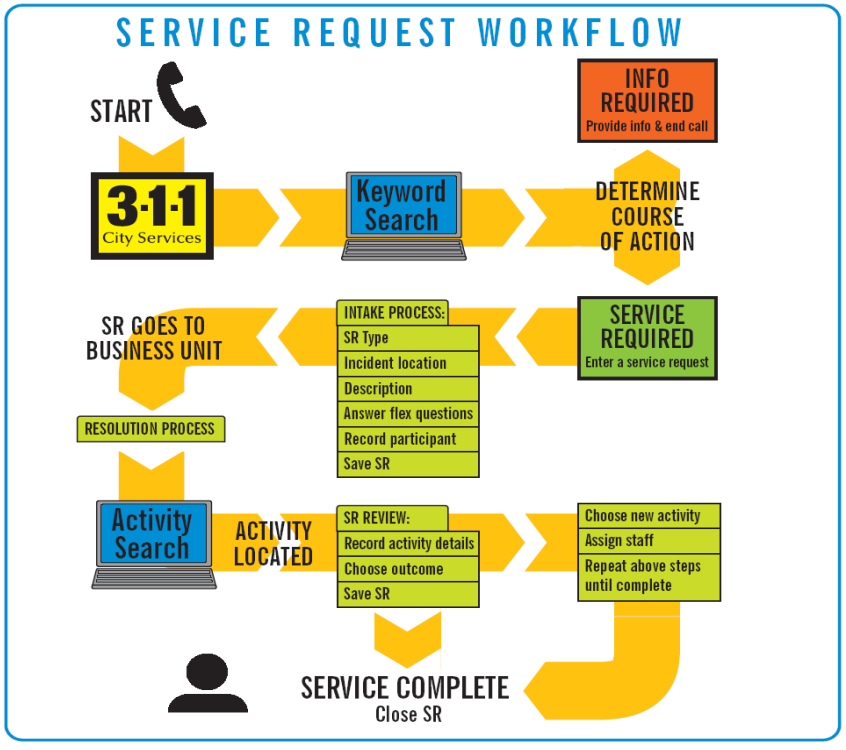
tools implementation (recommendations 2 – 5) would enhance the future effectiveness of SR response across The City through consistency for BU utilizing 311, and also support on-going efficiency.

311 agreed with our five recommendations and set action plan implementation dates no later than September 1, 2022. The City Auditor's Office will follow-up on all commitments as part of our ongoing recommendation follow-up process.

1.0 Background

Calgary was the first Canadian city to launch a 311 service with the objective of improving citizen access and contact management through a consistent customer information and issue resolution process with a primary initial point of contact. Since May 18, 2005, the 311 line has received approximately 16 million calls. The 311 service connects Calgarians to City information and services they need, through the 311 Calgary mobile app, 311 online or by calling 311 by phone. The City's 311 team of over 100 employees within the Customer Service & Communications Business Unit (BU) provide a 24-hour service, responding to 433,799 information calls and 392,569 service requests (SR) from citizens in 2020. The City also received 157,272 SR through the 311 Calgary mobile app and 311 online in 2020[1]. The operating budget for the 311 service was $9.4 million in 2020 which was reduced to $8.9 million in 2021 as part of The City's Solutions for Achieving Value and Excellence (SAVE) program.

Citizen contacts may include requests for information and/or SR for City services. Examples of commonly requested SR included Waste & Recycling cart requests, Community Services tree concerns, Roads snow and ice concerns or Water Services sewage back up requests. The Customer Service Request Workflow is used to manage the SR workflow, including identifying the purpose of the SR, routing to the appropriate BU for resolution, and tracking the SR to completion (see figure 1). 311 Live Maps are accessible through Calgary.ca to provide SR updates and show what the citizens called about, based on ward, community, or location.



The 311 team uses CSR Motorola as the channel for managing citizen requests for information and SR. City BU are responsible for SR resolution for their services including: setting SR response targets, determining what SR completion status information is shared with the citizen, and defining the 311 caller escalation procedures available for each SR. BU use a variety of separate workflow systems to support resolution of SR with different degrees of integration and information sharing with the 311 CSR Motorola system.

Figure 1: 311 Service Request Response Workflow

[1] Number of information calls and SR by source in 2020, and other 311 statistics, provided by the 311 team.

Calgary 311 satisfaction research[2] identified high overall caller satisfaction with their 311 experience but noted that the principal reason for dissatisfied callers is that callers' issues were not resolved. Where a 311 response is ineffective in meeting citizen needs, citizens may escalate issues through 311, to their Councillor, Mayor or the Alberta Ombudsmen, utilizing further City resources to resolve. There is also a reputational impact to the City where 311 responses do not meet citizen needs.

2.0 Audit Objective, Scope and Approach

2.1 Audit Objective

The objective of this audit was to determine whether an effective response process was in place across the City to respond to citizen SR received through 311. The effectiveness of the 311 SR response process was evaluated utilizing the following criteria that were consistent with the original business objectives for launching the 311 service and the 311 City of Calgary Guiding Coalition Report[3]:

1. Simplicity – A "one-stop shop" was available for SR.
2. Convenience – Online tools/apps were provided to citizens where appropriate i.e. high volume "low touch" self-service and "medium touch" assisted SR.
3. Expectations – SR BU response targets were clearly defined.
4. Transparency – Timely and accurate SR status information was available for three common SR stages:
   - Stage 1 – SR has been received.
   - Stage 2 – SR has been reviewed and work assigned if appropriate.
   - Stage 3 – SR has been completed or citizen informed of why the request will not be addressed.
5. Outcomes – BU SR response action addressed the citizen's concern.
6. Escalation – A defined process existed for citizens to escalate overdue SR.
7. Accountability – BU monitored timeliness of SR resolution.

Exceptions to the criteria were reviewed to determine whether alternate processes were supported by an appropriate rationale.

2.2 Audit Scope

The audit scope focused on the responses to SR received through 311 calls, the 311 Calgary mobile app and 311 online during the period July 1, 2019 to June 30, 2020.

2.3 Audit Approach

We evaluated the criteria set out above by conducting interviews with 311 team staff and BU 311 Subject Matter Experts (SME), and reviewing 311 procedure documents, activity reports, as well as 311 system data. We also examined BU system data and/or other supporting records where records contained information documenting the SR response.

[2] 2018 Calgary 311 Satisfaction Research Year-End Report, Ipsos Public Affairs.
[3] City of Calgary 311 Guiding Coalition Report to the Standing Policy Committee on Utilities and Corporate Service, 2013 December 11.

We judgmentally selected a sample of 80 SR representing 10 different types of SR commonly raised by citizens. These ten types of SR represent responses from five BU across The City. For our sample of SR, we reviewed the specific SR response information to determine the effectiveness of the response based on the criteria above.

3.0 Results

Our review of our sample of 80 SR between the period July 1, 2019 and June 30, 2020, and our review of processes and interviews indicated that processes across the City to respond to citizen 311 SR were generally aligned to the criteria supporting an effective response. A "one stop shop" approach (with one exception) was available to citizens to submit SR to support simplicity, and digital tools were being utilized to support convenient citizen submission, with plans for future expansion. FAQ scripts defined SR expectations to citizens, and status information was available to citizens to support transparency. In addition, there was a defined escalation process and BU monitored SR status, which supports accountability for timely SR response.

However, through our sample we identified variation in how SR could be raised by a citizen, tracked and resolved, which could negatively impact response effectiveness and efficiency and citizen experience. In particular, we noted:

- The City's strategy of providing citizen information and issue resolution through 311 as the sole initial point of contact (a "one stop shop") has not been recently reviewed/reconfirmed by City leadership, and without this reconfirmation other touchpoints for citizen SR are being established; and
- The City does not have an overarching customer services governance and accountability framework in place; defining roles, authorities, responsibilities, and accountability to support consistency of SR response. Currently 311 acts as an enabling service, supporting the intake of SR, while BU are individually responsible for responding to the SR by providing the resolution, and setting the parameters of how they do so, as well as monitoring responses and exceptions. This approach has led to variation in SR response, in particular variations in what represents an SR resolution.

At Council's direction for 3-1-1 Response to Citizen Service Requests, the Standing Policy Committee (SPC) on Utilities and Corporate Services approved a draft term of reference for the Customer Service Steering Committee in January of 2014. However, the Customer Service Steering Committee was dissolved, and the specifications in the term of reference (e.g. roles & responsibilities, reporting relationships, decision rights & authority and memberships) have not been fulfilled.

Given the number and range of services offered by The City, and the high potential for variation of SR response to grow, creating multiple channels for citizens to raise SR could, over time, lead to process inefficiency, additional cost to The City, and citizen confusion. To mitigate this risk, we recommended (recommendation 1) 311 seek direction from City leadership regarding the continuation of the City's strategy of providing citizen information and issue resolution through 311 as the initial point of contact.

Variations in SR response have likely occurred over time driven by business requirements and the way BU deliver services. However, as variation increases, the risk of inefficiency increases, as does

the reputational risk to The City if customer service is viewed as ineffective. Establishing a governance and accountability framework outlining authority and accountability to manage exceptions and direct consistent standardized approaches to SR resolution, SR timeline and monitoring expectations, and a working group supporting digital tools implementation (recommendations 2 – 5) would enhance the effectiveness of The City's overall SR response through consistency, and also support on-going efficiency.

3.1 Service Request Submission Process

To support an efficient and effective citizen service, the 311 service consolidated previous multiple points of access to The City into one primary point of contact, and implemented digital tools as options to facilitate SR submission, which allows a citizen to enter certain SR types on line, and route them straight to the BU for resolution.

The relevant criteria underpinning an effective SR submission process are:

1. Simplicity – A "one-stop shop" was available for SR.
2. Convenience – Online tools/apps were provided to citizens where appropriate i.e. high volume "low touch" self-service and "medium touch" assisted SR.

Our review identified that overall, the 311 submission process aligned with the criteria of simplicity, and convenience. However, opportunities exist to enhance citizen experience by reviewing and confirming The City's strategy to utilize 311 as a single point of contact and creating a working group to further support the use of online tools in the future.

3.1.1 Simplicity

There are 430 Service Request types (SR types) available (March 2021) to citizens via the City's 311 channel (CSR Motorola system). In June 2020, one BU moved to a separate channel (website) as the only channel for citizens to report a specific high volume SR type. The channel did not include an escalation process to follow-up where a concern was not resolved or an alternative for citizens without online access. Following a review of the operation of the alternate channel, the BU worked with 311 to reinstate the SR type in the 311 channel by April 2021.

The decision to solely utilize an alternate channel focused on efficiency and effectiveness of the SR response, but did not include formal documented consideration of the impact on The City's prior strategy of providing citizen information and issue resolution through a sole initial point of contact (section 4.1.). While there may be business rationale to support exceptions to using 311 as the sole point of contact, creating multiple channels to raise service requests could, over time, lead to process inefficiency and additional cost, and citizen confusion. We recommended (recommendation 1) that 311 seek direction from City leadership regarding The City's strategy of providing citizen information and issue resolution through 311 as the sole initial point of contact and reconfirm the strategy, or agree on an alternate strategy to support simplicity of access for citizens.

3.1.2 Convenience

To support convenience for citizens, 311 facilitated the establishment of high volume "low touch" (simple transaction - self-service) and "medium touch" (assisted transactions) SR types in digital tools. Digital tools include the 311 Calgary mobile app,

and the 311 Calgary website. Currently (March 2021), 249 SR types are available on the 311 Calgary website and 73 SR types are available on the 311 Calgary mobile app. Examples of SR type set up in digital tools include pothole maintenance and missed garbage collections. Digital tools support an efficient and effective SR response as SR entered by a citizen are directly routed to the BU for resolution without the need to utilize a 311 operator, or for the citizen to wait on hold for a 311 operator at peak volume times.

There is also an option in digital tools to "Report a concern not listed", where 311 manually redirects the SR to the BU for resolution. One SR type in our sample was not established in digital tools, which resulted in more than 1,000 redirections by 311.

There were 43 SR types identified as the top high volume SR based on 2019 311 data, of which 37 (86%) were established in digital tools, while 6 (14%) were not, which included "high touch" (specialized, complex) transactions. We discussed the rationale for not establishing these SR types in digital tools with the BU SME, who provided the following reasons:

- Complexity of the SR/information required from the citizen to support SR resolution;
- Privacy concerns (where citizens need to confirm their identity to access personal information); and
- Integration issues to BU systems.

While appropriate rationale supported this sample of SR exceptions to utilizing digital tools, expanding the City's utilization of digital tools where possible (i.e. where the effectiveness of SR response is not compromised) supports on-going efficiency. We recommended 311 establish a working group (recommendation 5) as part of a governance framework to support further convenience for citizens and efficiency gains through the utilization of digital tools.

3.2 Service Request Response

The relevant criteria underpinning an effective SR response are:

1. Expectations – SR BU response targets were clearly defined.
2. Transparency – Timely and accurate SR status information was available for three common SR stages:
    - Stage 1 – SR has been received.
    - Stage 2 – SR has been reviewed and work assigned if appropriate.
    - Stage 3 – SR has been completed or citizen informed of why the request will not be addressed.
3. Outcomes – BU SR response action addressed the citizen's concern.
4. Escalation – A defined process existed for citizens to escalate overdue SR.

Our sample of 80 SR covering 10 SR types indicated that overall, The City's SR response process aligns to criteria underpinning an effective response: expectations were defined, information was available to citizens, and an escalation process was defined and utilized. However, we identified variation in SR response criteria, particularly regarding outcomes (resolution), which could impact response effectiveness and citizen satisfaction. Further

details on positive results and our recommended standardized approach to better support consistency of response across The City are detailed below.

3.2.1 Expectations

To assess the criteria of expectations, we reviewed whether the FAQ, which are used by 311 operators to respond to citizens in our sample of ten SR types, defined BU response targets that address the completion of the SR, including separate targets for key steps for more complex service requests where information is relevant to citizens.

Based on our sample, the FAQ specify the service expectation by including SR description, creation requirement, timeline to respond and/or review, as well as escalation procedure when SR was not resolved within defined timelines and/or when a citizen was not satisfied. However, our sample review indicated the FAQ did not consistently define SR resolution timelines (e.g. work days or calendar days used for monitoring purposes) or communication of expected timelines to citizens. In addition, for three SR types, a "closed" status of an SR may not represent the completion of the request (section 3.2.3). We recommended (recommendation 3) a standardized approach to SR resolution, including communication of resolution and timelines to citizens.

3.2.2 Transparency

311 maintain SR data on citizens' SR submitted by calling 311 or in digital tools. Each SR has a number of activities to record detailed work performed by responsible BU to support the three stage response noted above (section 3.2). We assessed the criteria of transparency by reviewing whether timely and accurate SR status information was available for the three SR stages.

Per our sample test results, the three stage SR response status was followed for all the samples. SR progress status was maintained in the 311 system and monitored by the responsible BU. However, we noted resolution information was not consistently provided for two of ten SR types, which means citizens may not be able to track their request through to completion. We recommended a standardized approach to SR resolution as part of a governance framework to improve customer service (recommendation 3).

3.2.3 Outcomes

A clear outcome (i.e. resolution) is a key criteria supporting an effective response to a citizen SR. We reviewed the resolutions to our sample of 80 SR and identified inconsistencies in how SR are resolved "closed" in 311 and how citizens can track their SR to resolution (section 4.2).

A status of "closed" for an SR generally means that the SR has been fully resolved. However in our sample of ten SR types, three had a "closed" status that may not represent full resolution of the request and instead reflected an initial response or action had been taken by the BU but that the request had not been fully resolved, or the request had been added to the BU's annual schedule of work or to another wider activity.

As noted above under 3.2.2, eight out of ten SR types had detailed resolution information available in the 311 system to support that the citizen's concerns were addressed, while

two did not include resolution information consistently to enable citizens to track their request to resolution.

311 set expectations regarding resolution and tracking via guidance and training provided to BU 311 SMEs but do not have authority or accountability to implement a standardized approach. We recommended (recommendation 3) that 311 incorporate a standardized approach to SR resolution into a governance and accountability framework.

3.2.4 Escalation

The final criteria underpinning an effective SR response is whether a defined process existed for citizens to escalate overdue SR.

All ten SR types in our sample had a defined escalation process included in the FAQ used by 311 to outline the response to a citizen calling to raise an SR. Our sample testing of 80 SR included 18 where the escalation process had been utilized. In each of these SR, the escalation process was followed. We observed in three cases, the escalation process was initiated by 311 earlier than the FAQ stated. We also noted that the FAQs did not indicate whether escalation timelines represented business days or calendar days (section 4.3) and recommended 311 incorporate standardized escalation timelines and monitoring expectations into a governance and accountability framework to support consistency of response to SR across The City (recommendation 4).

3.3 Service Request Accountability

To evaluate the criteria of accountability of SR response, we reviewed SR monitoring established in our sample of five BU.

311 established a suite of reports available to BU SME that support SR monitoring. A key example is the Open Overdue SR Detailed Report which enables BU to monitor SR that remain open but have exceeded the expected timelines. Another key report identifies unassigned SR, for example where a citizen has entered an invalid address so that the SR cannot be directed to the appropriate work crew. The design of these reports provides an effective means of monitoring resolution of SR.

All five BU in our sample were monitoring SR on a regular basis. Our sample test results indicated that SR were closed between 97% and 100% within configured timelines for nine out of ten tested SR types, while one was at 83% during the audit period between July 1, 2019 and June 30, 2020. Since a status of "closed" for three SR types may not represent full resolution (section 3.2.3), for those SR types, it isn't possible to determine whether the data represents an effective SR response.

We noted performance targets have not been established to measure performance results for SR type, timelines for SR resolution were not reviewed regularly to ensure reasonability, and there was no standard process to generate and review key 311 reports. We noted that although 311 provide BU contacts with training, including suggested monitoring practices, they do not have authority or accountability to implement a standardized approach. Implementing standardized requirements to provide timeline clarity and setting expectations regarding the monitoring of those timelines (including KPIs to support high volume SR) would enhance the efficiency and effectiveness of SR response monitoring, and support on-going accountability for timely SR resolution (recommendation 4).

We would like to thank staff from 311 Services and BU SME who supported the gathering of information from our sample of BU.

4.0 Observations and Recommendations

4.1 Initial Point of Contact Strategy

The City's strategy of providing citizen information and issue resolution through 311 as the sole initial point of contact should be reviewed by City leadership and reconfirmed or an alternate strategy agreed upon.

Simplicity of access is a key criterion underlying the effective response to citizen SR. The 311 service was initially established by the City in 2005 to consolidate previous multiple points of access into the primary customer service touchpoint to support an efficient and effective citizen service.

As at January 2021, all City SR utilize the Motorola 311 system as the initial point of contact for citizens, with the exception of one high volume SR, which requires citizens to go online to raise an SR utilizing an online map. The decision to solely utilize an alternate intake channel in 2020 (prior to this point the SR could be raised through either 311 or the map) focused on efficiency and effectiveness of the SR response, but did not include formal documented consideration of the impact on the City's strategy of providing citizen information and issue resolution through a single initial point of contact. There is no longer an option to report this SR type through 311, which may create concern from citizens without online access. In addition, the map channel does not include an escalation process to allow citizens to follow up or highlight when resolution has not occurred within the expected timeline. In March 2021, the BU requested that 311 reinstate the SR type in the current 311 channel to address these concerns, and reverted back to the previous process of accepting the SR type through 311 in April 2021.

Looking forward, other BU may explore alternate initial points of citizen contact to meet business need and support efficient and effective SR response – one of five BU in our sample indicated in interviews that they were exploring the use of a customer self-service system outside the current 311 SR channel. While rationale such as complexity of specific SR may support exceptions to utilizing 311 as the sole initial point of contact, creating multiple channels for citizens to raise SR could, over time, lead to process inefficiency, additional cost to The City, and citizen confusion.

There has been no recent discussion by City leadership regarding the strategy of a sole initial point of citizen SR contact. Formalizing and documenting City leadership's expectation as to whether the strategy of providing citizen information and issue resolution through 311 as the sole initial point of contact should continue, supports The City's overall approach to simplicity of access and consistency in citizen communication.

<u>Recommendation 1</u>

Director, CSC, seek direction from ELT regarding the continuation of the City's strategy of providing citizen information and issue resolution through 311 as the initial point of contact.

Management Response:

Agreed.

Action Plan	Responsibility
Director, CSC to introduce discussion and review at future ELT meeting to revalidate previous approved council direction for the delivery of citizen service requests and information through the centralized 311 system. If the decision is made not to continue this program, the CSC Director will consult the ELT for direction and approval to implement an alternative system and process. Meeting to be introduced after the current organizational realignment is complete. Manager, 311 Citizen Services to work with the Director, CSC to provide previous documentation from Council and Administration outlining the approval and implementation of the 311 system.	Lead: Director, CSC Support: Manager, 311 Citizen Services Commitment Date: June 1, 2022

To the extent City leadership provide direction 311 will continue to be the single point of contact or an option for citizen contact, establishing an accompanying governance structure to review and manage exceptions, and establishing authority to direct consistent standardized approaches to SR management, is required to support the effectiveness of The City's overall response to citizen communication.

Recommendation 2

Director, CSC, establish a 311 governance and accountability framework, to support a standardized approach to citizen communication.

Management Response:

Agreed.

Action Plan	Responsibility
Subject to the direction of recommendation 1, Director, CSC and Manager, 311 Citizen Services will work to revise and/or update the previous Customer Service Steering Committee, reconstitute the 311 Guiding Coalition or investigate the feasibility of integrating the governance and accountability framework into an existing steering committee.	Lead: Director, CSC Support: Manager, 311 Citizen Services Commitment Date: September 1, 2022

Action Plan	Responsibility
Review and direction of this approach for implementation to be approved by the Executive Leadership Team. Development of terms of reference should include rotational participation from General Managers, Directors and elected officials.	

4.2 Service Request Tracking and Resolution

There is an inconsistent approach across The City regarding whether closing an SR in the 311 system represents the resolution of a citizen's request, and whether the citizen can track their request through to resolution. The SR outcome (resolution) is a high priority to the citizen and impacts their perception of the effectiveness of the response. A lack of consistency in tracking and resolution impacts the effectiveness of customer service provided and citizen satisfaction, which could increase the associated reputational risk to the City.

We included 80 SR representing ten SR types in sample testing. Of the ten SR types in our sample, citizens may not be able to track their request to resolution in two of ten SR types, and in three of ten SR types a status of Closed does not represent full resolution of the request. In our sample of 80 SR, three did not have evidence of resolution in either the 311 system (other than a "closed" status) or in the BU supporting records.

Eight SR types did not include communication of expected timelines for resolution to the citizen in the standard FAQ used by 311 agents. 311 set expectations regarding resolution and tracking via guidance and training provided to BU 311 SME but do not have authority or accountability to implement a standardized approach. 311 encourage BU 311 SME to review high volume SR on a regular basis, but do not have the accountability to formalize a regular cycle of review to resolve emerging challenges regarding SR resolution in a timely manner.

Variations in SR tracking and resolution have likely occurred over time driven by business requirements and the way BU deliver services. However, as variation increases, the risk of inefficiency increases, as does the reputational risk to The City if customer service is viewed as ineffective where citizens cannot track their request to resolution. Standardized requirements for SR tracking and resolution, communication of expected resolution timelines, and conducting a regular review cycle of high volume SR to identify and address resolution issues best supports the mitigation of this risk.

Recommendation 3

Director, CSC, incorporate into a 311 governance and accountability framework (recommendation 2) a standardized approach to SR resolution, including communication of resolution and timelines to citizens, along with an exception process, and a regular review cycle of high volume SR to identify and address resolution issues.

Management Response:

Agreed.

Action Plan	Responsibility
The Service Level Agreements (SLAs) for the service request being requested is defined by the Business Unit Subject Matter Experts (SMEs). The SLAs are displayed as a statement that agents communicate to citizens over the phone when initiating the request for service. These SLAs are also presented on the web for citizens to view. 311 will review the existing service requests online to confirm and validate the SLA defined by the SME is displayed when citizens submit the request. 311 will also add that SLA statement in the service request confirmation message to enhance the existing process. This message will be delivered to a citizen if they provide their email at time of phone or online submission. 311 has implemented a quarterly review for high volume seasonal service requests to ensure consistency in intake, workflow and FAQs. 311 management will work to formalize this process with BU SMEs and Directors as part of the proposed governance and accountability framework (recommendation 2) to ensure service area participation. Closing of a service request: Currently, when a service request is created for the citizen by 311 staff or by the citizen online, it is automatically assigned the business unit for review and action. At that point, Business units are accountable for responding to the requests including updating the service requests while it is being worked (as aligned to the 3 Stages Notice of Motion 2012-29). Business units are accountable for closing the service request. 311 recommends the service request is “Closed” when the work is either completed or the record is updated	Lead: Director, CSC Support: Manager, 311 Citizen Services Commitment Date: September 1, 2022

Action Plan	Responsibility
with information on why the work will not be performed. 311 will work through the proposed governance structure (recommendation 2) to define a common Corporate definition of "Closed" that limits premature closing of records and contributes to inaccurate reporting of resolved service requests.	

4.3 Service Request Monitoring

While BU included in our sample were monitoring open SR to identify and action exceptions, the monitoring process could be enhanced by standardized requirements to provide timeline clarity, and to set expectations regarding the monitoring of those timelines (including KPIs to support high volume SR). Implementing effective monitoring processes supports accountability for timely SR resolution, which mitigates reputational risk.

Monitoring opportunities identified in our sample testing included closed but incomplete SR, timelines, and escalations:

1. Closed SR with Incomplete Activities:
   Reports can be run to extract these SR (i.e. identify situations where SR have been incorrectly closed) but the frequency of this review process is an ad hoc manual process.

2. Resolution Timelines:
   Expected timelines aren't currently being used in the most effective manner to monitor timely SR resolution.
   - FAQs (used by 311 agents to respond to SR calls) do not define whether timelines represent work days (some City services respond 24/7, some follow a shift pattern or respond during regular business hours) or calendar days, and it isn't clear which is being used for monitoring purposes.
   - Timelines are not reviewed for reasonableness on a regular on-going cycle.
   - Per our observation from ten tested SR types between July 1, 2019 and June 30, 2020, nine out of ten SR types had the actual resolution timeline significantly lower than expectations:
     - Three out of ten were between 30% and 40% of expected timeline; and
     - Six out of ten were below 30% of expected timeline.
   - Three BU contacts interviewed as part of our sample testing were either not aware of timeline expectations for individual SR type, or were not actively using them to manage BU responses to SR.
   - Timelines to track closure of the SR do not always represent full resolution (see recommendation 3 above).
   - Although a customized report (e.g. Open Overdue SR Detailed Report) can be generated from 311 CSR Motorola System at a BU's request, a standardized process to monitor the achievement of timelines has not been established.

- BU contacts interviewed as part of our sample testing were not aware of KPI targets set for responding to SR.

More precisely clarifying expected timelines and utilizing timelines/KPIs to monitor SR would support enhanced monitoring effectiveness.

3. Escalation Processes:
   Escalation timelines don't specify whether work days or calendar days are being utilized to track when an escalation can/should occur. We also identified in sample testing that some escalation activities were created by 311 agents prior to the timelines set out in FAQs. While this represents high levels of customer service, there is a trade-off as additional workload for City employees may be created through this process adjustment, impacting efficiency.

311 provide BU contacts with training, including suggested monitoring practices, but do not have authority or accountability to implement a standardized approach. Standardized requirements to provide timeline clarity, and to set expectations regarding the monitoring of those timelines (including KPIs to support high volume SR) would enhance the efficiency and effectiveness of the monitoring of SR responses, and support accountability of the City in responding to SR.

Recommendation 4

Director, CSC, incorporate into a 311 governance and accountability framework (recommendation 2) SR timeline and monitoring expectations.

Management Response:

Agreed.

Action Plan	**Responsibility**
Closed SRs with Incomplete Activities: Running adhoc reports for incomplete activities was developed to assist the cleanup of missed steps in the workflow by business units when actioning citizen requests. 311 commits to running the script on incomplete activities twice per year and will work with BU SMEs seasonally to revise and optimize process as part of season updates aligned within recommendation 2. Resolution Timelines: Resolution timelines are defined by business unit Subject Matter Experts (SMEs). Depending on the service being requested, some are provided 24/7/365 (e.g. watermain breaks) and some only	Lead: Director, CSC Support: Manager, 311 Citizen Services Commitment Date: September 1, 2022

Action Plan	Responsibility
provide service on weekdays (e.g. missed waste pickups). Though the SLAs are configured to accommodate these service variations, 311 will update the statements where required to better define if the response is business days versus days so citizens can better understand the difference. Business Unit SMEs are accountable for and define the KPIs for open/closed as well as the service level agreements for their business unit service requests. Any change in these measures are directed by the SMEs. 311 will work with them to remind them of their responsibility in setting these targets for their service request measures. Escalations: 311 has worked closely with Business units to define a standard Escalation process as directed through the previous 311 Guiding Coalition Committee. Each public facing service request can escalate to a Director, GM or City Manager depending on how much time has elapsed. Some discretion on leveraging the escalations within the business unit or Director or above is warranted based on the conversation with a citizen and the step that it is in, and the severity. In some cases, there may be a previous escalation where the service was closed that requires a new service request to be created and escalated to the next level for an appropriate and timely response. 311 will work through recommendation 2 to validate and enhance the existing escalation model and define business days versus days in the response process.	

4.4 Digital Tools

There is an opportunity to utilize a governance framework to support the future expansion and effective use of digital 311 tools. Establishing high volume low/medium touch SR as options in digital tools allows a citizen to enter an SR and route it straight to the BU, creating an efficiency as a 311 agent is not required to handle the SR call. In completing our fieldwork, we identified challenges regarding the effective use and future expansion of digital tools and identified that the City does not have a working group established to support resolution.

311 has established high volume low/medium touch SR as specific options in digital tools, which allows a citizen to enter an SR and route it straight to the BU, creating an efficiency as a 311 agent is not required to handle the SR. In addition, both the online web and mobile app have been set up with the option of "Report A Concern Not Listed or Contact Us [311]" so that citizens can raise SR not specifically set up in these digital tools. However, where such SR are raised, 311 agents then must manually create and link these SR internally to send the SR to

the appropriate BU. One of the ten SR types in our sample is not currently established as a separate SR in the digital tools, and during the audit period July 1, 2019 – June 30, 2020 there were approximately 477 individual SR redirected by 311 agents from the online web and 749 from the mobile application. This manual redirection creates inefficiency and potential additional cost within the City to resolve each SR. Removing this option or working to minimize its use would support future efficiency at the City. This SR type, along with thirteen other SR types, make up a 2021 SAVE business case intended to realize efficiencies by establishing the SR in digital tools.

SR frequently require specific information input or actions to be taken by the citizen to support the resolution of the SR. In conducting our sample testing, we heard concerns from BU regarding the future use of digital tools, as it was perceived that digital tools did not contain enough process controls to support efficient SR resolution. In the case of the SR type in our sample that had not been established on digital tools, a precise address, and action by the customer are both required to support BU resolution. The BU expressed concerns that these requirements cannot be incorporated fully into digital tools to support them in resolving the SR effectively and efficiently.

While short term implementation of the 2021 SAVE business case establishing digital tools will be supported through the SAVE governance process, establishing a digital tool working group would provide future additional efficiency opportunities by supporting further establishment of SR in digital tools.

Recommendation 5

Director, CSC, incorporate into a 311 governance and accountability framework (recommendation 2) a digital tool working group to support the future establishment of SR in digital tools.

Management Response:

Agreed.

Action Plan	**Responsibility**
CSC Director will investigate the feasibility of a digital working group within the context of recommendation 2.	Lead: Director, CSC Support: Manager, 311 Citizen Services Commitment Date: September 1, 2022

Calgary
City Auditor's Office

311 Response Audit

Why we did this

- To assess the effectiveness of the response process across the City in responding to citizen service requests received through 311.

What we concluded

- Processes across the City in responding to citizen 311 service requests were generally aligned to the criteria supporting an effective response.
- Our sample identified variations in how service requests could be raised by a citizen, tracked and resolved, which could negatively impact response effectiveness and efficiency, and citizen experience.
- We raised five recommendations to support the future consistency of citizen response to service requests.

Why it matters

- The 311 service connects Calgarians to City information and services they need.
- 311 have received in excess of 16 million citizen calls since inception in 2005.

City Auditor's Office 2022 External Assessment

RECOMMENDATIONS:
That the Audit Committee:

1. Direct the City Auditor's Office to initiate procurement of a resource to complete an External Assessment in accordance with the recommendation as provided in the Attachment; and
2. Approve funding the cost of the External Assessment from the Audit Committee's 2022 budget.

HIGHLIGHTS

- Bylaw 30M2004 (as amended) states that the City Auditor shall be subject to the supervision of and accountable to Council and report to Council through Audit Committee.

- Bylaw 33M2020 Schedule C 1(c) states that the Audit Committee "ensures that *City Auditor's* Office undergoes an independent assessment review and confirms professional standards at least every five years;"

- The next independent assessment must be completed no later than Q2 2022. The City Auditor's Office requires approval from Audit Committee to initiate procurement of a resource to complete the independent assessment during the latter half of 2021 to support timely completion. The attachment to this report sets out an analysis of the options available to procure a resource, and the City Auditor's Office recommended approach. The City Auditor's Office also requests approval to fund the assessment from Audit Committee's 2022 budget.

- What does it mean to Calgarians? Delivering audit and advisory services in conformance with professional standards supports greater accountability for stewardship over public funds and achievement of value for money in City operations.

- Why does it matter? An independent and qualified assessment provides assurance to Audit Committee and Council, representing Calgarians, that the City Auditor's Office delivers audit and advisory services in conformance with the Institute of Internal Auditors Professional Standards for Professional Practice of Internal Auditing.

- Strategic alignment to Citizen Priorities – A Well-Run City.

ATTACHMENT

1. Recommendation for External Assessment Provider and Funding – AC2021-0924

Author: Jon Bateman

City Auditor's Office 2022 External Assessment

DEPARTMENT CIRCULATION

Name	Title, Department or Business Unit	Approve/Consult/Inform
Liz Ormsby	Acting City Auditor	Approve

Recommendation for External Assessment Provider and Funding

Every five years, in accordance with Bylaw 30M2020 and The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*), the City Auditor's Office internal audit activity must undergo an independent External Assessment.

The last External Assessment completed in Q2 2017 was conducted by the IIA. Procurement of a resource to complete the next External Assessment must be initiated during the latter half of 2021 to support completion during Q1/Q2 2022. The City Auditor's Office requires Audit Committee approval to initiate procurement.

Standard 1312 states "External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:

- The form and frequency of external assessment.
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest."

Standard 1312 further elaborates that a qualified and independent assessment team should demonstrate competency in two areas: the professional practice of internal auditing, and the external assessment process. Independence is defined in *Standard 1312* as not having either a real or an apparent conflict of interest and not being part of, or under the control of, the organization where the internal audit activity takes place. The *Standard* concludes that "The chief audit executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest."

There are three main types of providers who would be qualified to complete an External Assessment:

- Professional Services firms;
- The Association of Local Government Auditors; and
- The Institute of Internal Auditors.

Based on prior External Assessments, we expect the cost to be in the range of $25,000 - $40,000, which is below the City's threshold for competitive tender of $75,000. In accordance with City procurement policies, we have not contacted potential providers for a more precise estimate. We have assessed each type of provider below considering qualification, independence, availability and cost.

Analysis of Providers

1. Professional Services Firm – Competitive Tender Process

Various professional services firms offer External Assessments. A competitive procurement process would be required to compare offerings, including price.

Considerations to contracting with a professional services firm are:

a. Qualification: The IIA does not provide any oversight of the professional services firm engaged. There is no standardized approach since each firm proposes its own approach, qualification, and independence as part of the response to the competitive tender process. Individual firms may have limited experience in conducting an External Assessment in a Canadian Municipal audit environment.
b. Independence: A firm could be indirectly incentivized to offer further work following the

External Assessment, which could be perceived as compromising independence.
c. Availability: Given the range and size of professional services firms it is likely that an External Assessment could be completed within the required timeframe.
d. Cost: Competitive tender process allows comparison of costs.

2. Association of Local Government Auditors (ALGA) – Single Source

ALGA developed a Peer Review Program in 1991 to assist local government audit organizations in meeting the profession's standards. The IIA have reviewed the Peer Review Program and found that it satisfies the requirements of an External Assessment.

However, due to the COVID-19 pandemic, the ALGA Peer Review Program is currently in a pilot phase and is only conducting External Assessments that were requested by organizations prior to COVID-19. As a result, it is not anticipated a Peer Review could be completed to satisfy the requirement for an External Assessment within the required timeframe.

3. Institute of Internal Auditors – Single Source

IIA Quality Services are part of the IIA and conduct External Assessments using the IIA's Quality Assessment Manual for the Internal Audit Activity.

Considerations to contracting with the IIA are:

a. Qualifications: As part of the professional organization who set the *Standards*, IIA Quality Services provide an authoritative view on conformance. They have experience gained over many years conducting External Assessments, including Canadian Municipal internal audit activities, and can provide relevant opportunities for improvement and best practice suggestions.
b. Independence: The IIA would have no conflict that would impact independence as a standard setting body who do not provide other consultancy services.
c. Availability: The IIA have indicated that they could accommodate an assessment within the required timeframes.
d. Cost: The IIA is a not-for-profit organization. The likely cost is expected to be comparable with costs of a provider contracted through a competitive tender process.

Conclusion and Recommendation

Based on the analysis above, the City Auditor's Office requests approval from Audit Committee to initiate procurement of an External Assessment conducted by IIA Quality Services. Utilizing IIA Quality Services provides Audit Committee with assurance, from the professional standards body itself, that the City Auditor's Office is in conformance with the *Standards*. In addition, IIA Quality Services has experience assessing Canadian Municipal audit activities, has no real or perceived conflict of interest, and can complete the assessment at an expected equivalent cost to a competitive procurement process.

Consistent with previous External Assessments, the City Auditor's Office also requests approval that Audit Committee will provide funds to cover the cost of the 2022 External Assessment from their 2022 budget, based on availability of sufficient funds to meet the likely cost.

Audit Resource Management Report to
Audit Committee
2021 June 24

ISC: UNRESTRICTED
AC2021-0914
Page 1 of 1

External Auditor 2020 Management Letter

RECOMMENDATION(S):

That the Audit Committee:

1. Requests the External Auditor provide an update regarding the implementation status of the recommendations contained in the 2020 Management Letter (Attachment) at the 2022 January Audit Committee meeting; and

2. Recommends that Council receives this Report and Attachment for the Corporate Record.

HIGHLIGHTS

- This report contains the annual Management Letter received from Deloitte LLP, The City's External Auditor, relating to the audit of The City's 2020 consolidated financial statements.
- What does this mean to Calgarians? Calgarians are provided with assurance that recommendations made by the external auditor are followed up and implemented.
- Why does this matter? This provides citizens with transparency on Administration's efforts to mitigate any potential risk and gives assurance that recommended changes are implemented in a timely manner.
- The 2020 External Auditor's Year-End Report was presented at the 2021 April 20 Audit Committee Meeting (AC2021-0560) and was received for the Corporate Record by Council at their 2021 April 26 Strategic Meeting.
- The annual Management Letter to The City's Administration reflects the observations the External Auditor had during the 2020 Audit. These matters were not significant or material in nature in the context of the financial statements taken as a whole and did not impact Deloitte's ability to issue the audit report.
- Audit Committee should ensure that the recommendations made by the External Auditor are implemented after an appropriate interval of time, by directing that the External Auditor prepare a follow-up report for the Audit Committee's 2022 January meeting.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Audit Committee Bylaw 33M2020 provides the authority for Audit Committee to review the External Auditor's Management Letters and request updates.

ATTACHMENT

Deloitte LLP 2020 Management Letter

Department Circulation

Councillor Evan Woolley	Chair of Audit Committee	Approve

Deloitte.

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

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

June 15, 2021

Ms. Carla Male, Chief Financial Officer
The City of Calgary
800 MacLeod Trail SE
Calgary, AB T2P 2M5

Dear Ms. Male:

We have recently completed our audit of the consolidated financial statements of The City of Calgary ("The City") for the year ended December 31, 2020.

We examined the accounting procedures and systems of internal control employed by The City. Our examination would not necessarily disclose all weaknesses in the systems of internal control as these examinations are based on selective tests of the accounting records and related data. Furthermore, this letter does not necessarily include all of those comments of an accounting, internal control or computer systems nature which a more extensive or special examination of these areas might disclose.

During the course of our December 31, 2020 audit, we identified certain matters that may be of interest to Administration which have been summarized in this letter. These matters were not significant or material in nature in the context of the financial statements taken as a whole and did not impact our ability to issue our audit report. The December 31, 2020 observations are included in Appendix A attached to this letter. We have also included an update to matters identified during the fiscal 2017 and 2018 year-end audits, included as Appendix B.

The following summarizes the management letter points included in Appendices A and B:

Year Identified	Appendix	Title of Observation	Status
2020	A	Communication between business units and Corporate Financial Reporting	New
2020	A	Automation of the consolidation process	New
2017 – 2019	B	Review of deferred revenue recognition accounting policies and processes and training at the business unit level	Addressed

The objective of a financial statement audit conducted in accordance with Canadian generally accepted auditing standards ("GAAS") is to express an opinion on the fairness of the presentation, in all material respects, of The City's financial statements for the year ended December 31, 2020 in accordance with Canadian public sector accounting standards ("PSAS") and is not designed to identify all matters that may be of interest to Administration. Accordingly, an audit would not usually identify all such matters. This letter has been prepared to summarize our observations and recommendations regarding business issues, potential efficiencies and internal controls.

We designed our financial statement audit to provide reasonable, but not absolute, assurance of detecting material misstatements whether caused by error or fraud. As part of our examination, we reviewed and evaluated certain aspects of the systems of internal control over financial reporting to the extent we considered necessary in accordance with Canadian GAAS. The main purpose of our review was to assist in determining the nature, extent and timing of our audit tests and to establish the degree of reliance that we could place on selected controls; it was not to determine whether internal controls were adequate for Administration's purposes or to provide assurance on the design or operational effectiveness of internal control over financial reporting.

The identification of weaknesses in internal control in an audit is influenced by matters such as our assessment of materiality, our preliminary assessment of the risks of material misstatement, the audit approach used and the nature, timing and extent of the auditing procedures conducted. For example, where we use a substantive approach for a particular financial statement assertion, we do not generally perform tests of controls, and where we do perform tests of controls we may vary the nature, timing and extent of our control testing from year to year. Accordingly, our understanding of The City's controls is limited in nature.

Had we been requested to extend our testing of controls to additional financial statement assertions or to perform additional substantive testing beyond what we have judged to be necessary to obtain sufficient and appropriate evidence to support the content of our auditor's report, other matters of interest to Administration may have come to our attention. Accordingly, our audit should not be relied upon to identify all significant deficiencies. A significant deficiency is defined in the Canadian Auditing Standards Section 265 as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

This communication is prepared solely for the information and use of, as applicable, Administration, the Audit Committee, members of Council and others within The City. Further, this communication is not intended to be and should not be used by anyone other than these specified parties or summarized, quoted from or otherwise referenced in another "document" or "public oral statement". We accept no responsibility to a third party who uses this communication.

We wish to express our appreciation for the courtesies and cooperation extended to your representatives during the course of our work. We would be pleased to discuss and/or clarify the matters included herein with you further should you wish to do so.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

cc: The Audit Committee of The City of Calgary

Appendix A - December 31, 2020 year-end observations

1. Communication between business units and Corporate Financial Reporting

Year Identified - 2020

Observation:

The City's financial reporting processes require significant effort, coordination and communication between the business units and Corporate Financial Reporting ("CFR"). We observed some isolated instances where communication within the business units, as well as between the business units and CFR was lacking in detailed instructions and/or did not occur on a timely basis. As a result, while these resulted in no material misstatements, there is an increased risk that transactions are not recorded consistently across the organization, which could result in potential misstatements in the consolidated financial statements.

This was evidenced by the following matters identified during our 2020 audit procedures:

a. The City received significant government funding to use for incremental costs and to compensate forgone or reduced revenues resulting from the COVID-19 pandemic. Each business unit was directed by the Corporate Budget Office ("CBO") to calculate its incremental costs and forgone or reduced revenues resulting from the COVID-19 pandemic and submit the calculations to determine the total amount eligible to be recorded in 2020. Instructions with respect to the calculation method for determining the forgone or reduced revenues were not clearly communicated to the business units, which resulted in inconsistent calculations across business units. Additionally, the calculations that were submitted by the business units were not appropriately reviewed by the business unit compiling the calculations. While the amount calculated was determined to be within the appropriate range, there was potential for incorrect calculations to lead to errors in amounts recognized as revenues and deferred as capital deposits.

b. The City opened three bank accounts and issued thirteen promissory notes in 2020 with significant balances as of December 31, 2020. These amounts were reflected in the financial statements appropriately, but the communication to Deloitte for the audit confirmation process was delayed. This resulted in significant delays in completion of these procedures due to processing times required by the banks to provide a response to the audit confirmation letters.

c. The City identified certain immaterial aged amounts in Capital Deposits. As a result, CFR instructed the business unit to investigate the aged deposits and to determine whether it was appropriate to retain these deposits as liabilities. In some instances, the business units within Transportation concluded that no liability exists related to these deposits and associated amounts were recognized into revenues in 2020. However, Deloitte noted that the evaluation criteria used by each business unit in Transportation was unclear resulting in some instances where there was a lack of evidence to support the extinguishment of the liability and recognition of the revenues.

Recommendation:

We understand that The City currently has processes in place to ensure new, unique or material transactions are communicated to CFR by the business units on a periodic basis and are appropriately accounted for in the consolidated financial statements. Based on our observations from the 2020 year-end audit, some of those processes were not operating effectively during the year. As a result, we recommend the following:

a. CFR should perform an annual review of its existing processes to identify potential gaps that could be strengthened and improved. We recommend that on a sampling basis, the business units perform steps to verify that information compiled by the business units is complete and accurate. By strengthening its existing processes, and building in more robust reviews, Administration should ensure appropriate and thorough reviews are taking place at the business unit level and can encourage appropriate and timely communication between all business units, CFR and other relevant stakeholders.

b. For new, unique or material transactions that affect multiple business units, CFR should hold informational sessions with the Finance Leads and Finance Service Leads and provide clear guidance and instructions to ensure consistency of application of policies across all business units, and to ensure timely resolution of items that may impact the consolidated financial statements. With the upcoming implementation of new accounting standards, clear communication within the business units, as well as between the business units and CFR, will be essential to accurate preparation of the consolidated financial statements.

Administration's response:

It is important to note that there were no misstatements in the financial statements as a result of the above observations and Administration feels that adequate controls were in place to mitigate the observations noted above and the risk of misstatement, from Administrations perspective, as a result is low. CFR and the business units will continue to collaborate on an on-going basis to ensure information is shared on a timely basis and accurately assessed.

To strengthen overall communications throughout The City, the following actions will be considered:

a. CFR will work with CBO to provide clear guidance and instructions to Finance personnel when requiring business units to compile financial information in accordance with funding criteria. CFR will work with CBO on review standards when compiling data for the consolidated financial statements.

b. Administration recognizes and agrees that regular communication is important to ensure that Administration is aware of financial reporting changes and impacts. As a result, the CFR team will continue to facilitate communication between business units and corporate functions including timely communication with Deloitte:

    - The CFR team will continue to meet with business units and corporate functions in May, September and December 2021 to discuss operational and financial changes as required.
    - The CFR team will continue to provide information sessions and updates on a regular basis to business units throughout the year to ensure that business units are aware of how accounting policies and standards should be consistently applied by all business units.

c. CFR will meet throughout 2021 to discuss the investigation of the aged Capital Deposits and the evaluation criteria being used by each business unit. In these meetings, CFR will review and advise on the evaluation criteria used by each business unit and make recommendations to help business units understand how to consistently apply and support their determination criteria.

2. Automation of the consolidation process

Year Identified - 2020

Observation:

As noted in a previous recommendation letter for the 2015 year-end audit, The City's consolidation process continues to be a manual exercise. The consolidated financial statements include figures from All Funds Statements ("AFS") and consolidation and elimination entries relating to four funds (operating, capital, tangible capital asset and reserve funds) and the related authorities.

Over the last number of years, the transactions between The City and the related authorities have become increasingly more complex, resulting in additional consolidation and elimination entries. The complexity of transactions will continue to increase in the coming years with the implementation of new accounting standards by The City and the related authorities.

Administration uses excel spreadsheets to prepare The City's consolidated financial statements, which include the AFS's from the ten related authorities and approximately one hundred elimination and consolidation entries, resulting in a complex consolidation exercise. The use of spreadsheets for a complex consolidation is not a best practice as the use of spreadsheets inherently increases the risk of errors relating to incorrect formulas, calculations or simple human error (unintentional deletion or incorrect data entry) and data integrity issues that may go undetected by the preparer or reviewer. Further, reflecting changes from updates to the AFS reports prepared by the related authorities is a manual process that is prone to potential errors and integrity issues.

Additionally, The City undergoes internal reorganizations from time to time. These internal reorganizations may require changes to the disclosures in the consolidated financial statements, including comparative information. To the extent that the consolidation can become more automated, there is a likelihood that generation of supplementary notes and schedules such as segmented disclosures could be done on a timelier basis while freeing up resourcing for Administration to focus on tasks that require manual involvement.

Recommendation:

We recommend that Administration implement an automated process relating to the preparation of the consolidated financial statements. For example, a dedicated consolidation information technology software should be utilized (i.e. SAP, Hyperion, PeopleSoft) to minimize errors, integrity issues, generate useful reports, and to increase efficiency and timeliness of the financial reporting process.

Administration response:

Administration agrees with this recommendation. Currently, there are appropriate internal controls in place to prepare an accurate and complete consolidation; however, CFR will review the current consolidation process in 2021 for additional improvements and consider the available options for the implementation of an automated process for the future. CFR recognizes that given the nature and size of The City, including its related authorities, an automated process for the consolidation would result in the generation of useful reports, increased efficiencies and timeliness of the financial reporting process, and reduce the risk profile of the current manual process. Implementation of a consolidation system is a multi-million dollar commitment by The City and would require capital prioritization in competition with many other high-priority initiatives with benefits primarily qualitative in nature. CFR will prepare a business case by the end of fiscal 2021 and engage with internal IT resources for scope and cost considerations. Dependent on these findings, CFR may submit an application for funding in the next four year budget cycle.

Appendix B – Update to December 31, 2018 and 2017 year-end observations

1. Review of deferred revenue recognition accounting policies and processes and training at the business unit level

Year Identified – 2018 (and 2017 carried forward)

Observation:

The City's accounting and financial reporting processes require significant effort, coordination and communication between Portfolio Finance and CFR. It is important that there is timely performance of internal controls and processes that ensure complete and accurate accounting at the business unit level for the preparation of accurate annual consolidated financial statements. Due to the decentralized organizational structure of The City, each Portfolio Finance Team is responsible for material complex accounting transactions that have a significant impact on The City's annual consolidated financial statements. Thus, it is important that internal controls are operating effectively at the business unit level. Furthermore, it is important that business unit finance personnel have the appropriate level of in-depth knowledge and technical expertise of financial accounting and reporting matters to ensure timely and accurate financial reporting.

The City restated the 2017 financial statements as a result of a material misstatement identified by Administration for the accounting of revenue relating to capital deposits. Administration advised that the restatement was the result of a delay in review of capital projects financing deficits. Through discussions with business unit personnel, CFR and performance of audit procedures, we understand that there were internal controls that existed around capital project financing deficits; however, they were either not designed appropriately or did not work as intended. Following the restatement, we do note that Administration has developed and implemented new controls and procedures to prevent and detect future misstatements relating to capital deposits (these will be subject to audit testing during the fiscal 2019 audit).

Recommendation:

While the restatement was related to certain business units, our recommendations below apply to all business units which are responsible for material, complex deferred revenue transactions:

Review of revenue recognition policies and processes

1. As the restatement related to accounting for capital deposits, reserves and revenue, we recommend Administration perform a review of revenue recognition policies and procedures to ensure internal controls designed to prevent and detect misstatements are operating effectively and there is compliance with internal policies and related accounting guidance.
2. As The City formally prepares consolidated financial statements on an annual basis, operational activity during the last three months of the fiscal year is high. We recommend that Administration perform a review of the annual processes that impact revenue recognition to ensure these are being completed in a timely manner and any gaps in internal controls are rectified.

Training at the business unit level

3. We understand that due to the organizational structure of finance personnel roles, several individuals could be responsible for performing part of the accounting of a full transaction. As such, we recommend the following:

    - All individuals responsible for the accounting of a full transaction for capital deposits or reserves are included in the training sessions to understand the full accounting cycle and implication on the financial statements.
    - Training continues to be held on a regular basis (versus one time) during the year to ensure accounting processes and procedures are fully understood at the business unit level.
    - Training be conducted on a timely basis for individuals new to the role due to staffing changes.

Recommendations carried forward from fiscal 2017, MLP #1:

The December 31, 2017 management letter included recommendations relating to capital deposits and Administration's response in January 2019 was as follows: "During 2018, Administration reviewed current processes and procedures, to ensure consistent application and has developed a work plan for 2019 using a risk-based approach to ensure there is consistency and full compliance with the accounting guidance". The recommendations from 2017 have been carried forward as part of the 2018 recommendation given that both our 2017 and 2018 recommendations relate to capital deposits:

4. The business unit conducts a review of the policy and processes relating to contributions with the objective to ensure consistency in the processes and policies utilized to account for contributions and compliance with the accounting guidance (PS 3100, *Restricted Assets and Revenues*, paragraphs 7 to 11).

5. All contributions have written agreements.

6. All contributions are used in accordance with the stipulations as per the original agreements.

Administration's response:

Administration agrees with the recommendations. To strengthen financial reporting throughout The City a work plan will be developed in 2019 and the following actions will be considered:

1. Administration will perform a review of revenue recognition accounting policies and processes to ensure internal controls are designed to prevent and detect misstatements and they are operating effectively and in compliance with internal policies and related accounting guidance.

2. Administration will perform a review of the annual processes that impact revenue recognition to ensure these are being completed in a timely manner.

3. Administration will work to develop training programs for new and existing staff to ensure the appropriate level of knowledge and technical expertise of financial accounting and reporting matters to ensure timely and accurate financial reporting.

4. Addressed through action #1.

5. Administration will ensure that processes are in place for having written agreements for all contributions.

6. Addressed through action #1 as this is part of revenue recognition standards.

Auditor's update January 2020 (based on 2019 interim audit procedures):
We held discussions with Administration and reviewed the work plan implemented by Administration in fiscal 2019. We note that during fiscal 2019, Administration has implemented processes to address this recommendation as indicated in Administration's response below. Through these discussions and review of the work plan, we understand that the work plan was partially implemented in fiscal 2019, in accordance with the implementation plan, and will continue to be implemented through fiscal 2020. During our year-end fieldwork, we will apply audit procedures as applicable (relating both to internal controls and detailed testing as well as new processes implemented in 2019) and will report any deficiencies or further recommendations to Administration and the Audit Committee upon completion of the 2019 year-end audit. As Administration's work plan will be implemented through fiscal 2020, we will continue to work with Administration in addressing this recommendation in the next fiscal year.

During fiscal 2019, we have also expanded our testing on the offsite levy balance, which is part of the capital deposits balances. We will complete our testing in March 2020 and report back to Administration and the Audit Committee.

Administration's response January 2020 (based on November 2019 interim audit procedures):
Administration continues to agree with these recommendations. During 2019, CFR developed a work plan to address the recommendations and started work to mitigate the risk of revenue recognition misstatements going forward. Actions taken during 2019 include:

a. Leveraged the Hyperion tool to import monthly PeopleSoft actual expenditures and financing entries and refresh the carry-forward balances from all approved capital budgets. Business unit Finance provides a copy of the carry-forward form three times per year indicating that analysis has been performed and financing entries, where appropriate, have been recorded. This ensures that funding for capital projects are recognized in the correct period. This detective control improvement partially addresses recommendations #1, 2 and 4.

b. Using a risk-based approach, business units were analyzed and prioritized based on two factors: their relative deferred revenue balance and prior year restatement amounts. CFR worked with Portfolio Finance and Portfolio and Strategy in 2019 to understand historical processes and procedures, identified gaps in process and procedures and developed new controls to address these gaps. This work will continue in 2020 to ensure that all business units' processes and procedures are reviewed to mitigate the risk of revenue recognition misstatement going forward. This work partially addresses recommendations #1, 2, 5 and 6.

c. CFR held sessions in May, September and December, which included information about the new detective control for financing deficits. This provided Portfolio Finance with an understanding of the new control, its purpose and how it can detect issues pertaining to the recognition of funding. This work partially addresses recommendation #3.

d. During 2019, Operations developed new processes and requirements to ensure that Development Agreements are signed on a timely basis. Starting in 2020, a Developer can only receive a Development Agreement if they have agreed to the "Terms and Conditions" (also known as the Master Development Agreement) between The City and the Developer. The Master Agreement discusses the administrative duties, offsite levy rates, application for certificates, maintenance periods and general provisions. The Master Agreement also details the obligations that The City requires of all land developers to follow. This work addresses recommendation #5.

e. CFR, Portfolio Finance and Portfolio and Strategy have been limited by resource constraints in 2019 but are committed to the review of processes and procedures including internal controls to ensure that revenue recognition is occurring in a timely manner.

Auditor's update June 2020 (based on 2019 year-end audit procedures):
During fiscal 2019, Administration made significant progress with respect to the recommendations relating to revenue recognition of capital deposits identified during the 2018 and 2017 audits based on their work plan.

Administration began reviewing revenue recognition policies and processes and implementing new controls across priority business units (as identified by Administration) in 2019. The most significant of these new controls is the carry-forward form control for financing deficits. We performed an evaluation of the design and implementation of the new carry-forward form control for financing deficits on a test basis, noting appropriate steps are being taken to ensure this new control is designed and implemented effectively. Based on Administration's work plan, in 2020, Administration plans to review the remaining business units' revenue recognition policies and procedures and implement new controls.

Administration also held multiple training sessions in 2019 regarding revenue recognition of capital deposits. As part of our audit procedures, we noted that the training session materials and topics included additional information relating to capital deposits, such as the new carry-forward form control for financing deficits.

New processes and requirements regarding Master Development Agreements will begin in 2020. Based on our 2019 year-end audit procedures performed, we noted that all agreements we selected for testing had a corresponding written agreement.

During the fiscal 2019 audit, we also expanded our testing on the offsite levy balance, which forms part of the capital deposits balance. We performed additional internal control walkthroughs to better understand Administration's processes and we designed more robust substantive procedures to ensure offsite levies which formed part of our audit selections were recognized appropriately. Based on our testing performed, no misstatements were identified.

The following summarizes our update to the prior years' recommendations:

Recommendation #	Status	Update and Completion Timeline
1, 2, 4, 5 and 6	In progress	Consistent with Administration's work plan, these recommendations are still in progress, as the recommendations were not applied across all business units in 2019. In 2020, Administration plans to review the remaining business units' revenue recognition policies and procedures and implement new controls. For recommendation #5, the new process for Master Development Agreements will also commence in 2020. We will evaluate the design and implementation of the new policies and procedures during our 2020 year-end audit procedures and will report any deficiencies or further recommendations to Administration and the Audit Committee.
3	Addressed	Recommendation satisfactorily completed in 2019.

Administration's response:

Administration continues to agree with these recommendations. During 2020, CFR will continue the work plan developed in 2019 to address the recommendations to mitigate the risk of revenue recognition misstatements going forward. Actions taken include:

a. As discussed in the January update above, CFR and the Corporate Budget Office ("CBO") successfully leveraged the Hyperion tool to import monthly PeopleSoft actual expenditures and financing entries and refresh the carry-forward balances from all approved capital budgets. Portfolio Finance provides a copy of the carry-forward working paper three times per year indicating that analysis has been performed and financing entries, where appropriate have been recorded. This detective control improvement ensures that funding for capital projects are recognized in the correct period and continues to partially address recommendations #1, 2 and 4.

b. Using a risk-based approach, business units were analyzed and prioritized based on two factors: their relative deferred revenue balance and previously restatement amounts. In 2020, CFR will continue to work with Portfolio Finance to understand historical processes and procedures, identify gaps in processes and procedures and develop new controls to address these gaps. This work will ensure that all business units' processes and procedures are reviewed to mitigate the risk of revenue recognition misstatement going forward. This work partially addresses recommendations #1, 2, 4, 5 and 6.

c. During 2019, Operations developed new processes and requirements to ensure that Development Agreements are signed on a timely basis. Starting in 2020, a Developer can only receive a Development Agreement if they have agreed to the "Terms and Conditions" (also known as the Master Development Agreement) between The City and the Developer. The Master Agreement discusses the administrative duties, offsite levy rates, application for certificates, maintenance periods and general provisions. The Master Agreement also details the obligations that The City requires all land developers to follow. The 2020 Development Agreement negotiations were finalized in early 2020, and the new process of signing and sealing the development agreements, including terms and conditions and special clauses, are now part of the formal process. This work addresses recommendation #5.

d. CFR and Portfolio Finance continue to be limited by resource constraints. In 2020, further constraints have arisen as a result of the COVID-19 pandemic and could cause delays in execution of the work plan. We remain committed to the review of processes and procedures including internal controls to ensure that revenue recognition is occurring in a timely manner. An assessment of progress against the work plan will be performed in September 2020. We will prioritize this work as much as possible in the current environment and if required, a revised work plan will be presented to Audit Committee on October 22, 2020.

Auditor's update January 2021 (based on November 2020 interim audit procedures):

New processes and requirements regarding Development Agreements became effective in early 2020. A developer can only receive a Development Agreement if they have agreed to the "Terms and Conditions" (also known as the Master Development Agreement). This ensures that the agreements are signed and agreed upon in a timely manner. We performed an evaluation of the design and implementation of the new controls around ensuring all development agreements are signed, including acceptance of the Master Development Agreement, noting appropriate steps are being taken to ensure this new control is designed and implemented effectively. Based on our evaluation of the design and implementation of the new controls in this process, recommendation #5 has been satisfactorily addressed.

Based on discussions with Administration, Administration continues to review the remaining business units' revenue recognition policies and procedures and implement new controls to address recommendations 1, 2, 4 and 6. These remaining recommendations are expected to be addressed in fiscal 2020.

During our year-end fieldwork, we will evaluate the design and implementation of these new policies and procedures and will report any deficiencies or further recommendations to Administration and the Audit Committee upon completion of the 2020 year-end audit.

Administration's response January 2021 (based on November 2020 interim audit procedures):

Administration continues to agree with these recommendations. During 2020, CFR continued the work plan developed in 2019 to address the recommendations to mitigate the risk of revenue recognition misstatements going forward. Actions taken include:

a. As discussed in the June update above, CFR and the CBO continued to successfully leverage the Hyperion tool to import monthly PeopleSoft actual expenditures and financing entries and refresh the carry-forward balances from all approved capital budgets. Portfolio Finance provides a copy of the carry-forward working paper three times per year indicating that analysis has been performed and financing entries, where appropriate have been recorded. This detective control continued in 2020 fiscal year and ensured that funding for capital projects are recognized in the correct period. In addition, CFR and CBO finalized a combined process memo outlining the individual controls implemented by both teams at a corporate level to review and detect any unusual financial carry-forward balances. This memo is provided to Deloitte in December 2020, along with the current management letter response and this work partially address recommendations #1, 2 and 4.

b. Using a risk-based approach, business units were analyzed and prioritized based on two factors: their relative deferred revenue balance and previously restatement amounts. In August 2020, CFR held two comprehensive engagement sessions with Portfolio Finance and successfully presented the work plan designed to address the management letter recommendations. Business units were debriefed and required to prepare detailed process documents by November 30, 2020, including historical processes and procedures, identifying gaps in processes and procedures and outlining controls to address these gaps. In continuance of this workplan, through-out the months of September and October 2020, CFR held follow-up engagement sessions and provided the necessary guidance to the business units. The ongoing collaboration was to assist business units with their queries and comments regarding the process memos. Post November 30th deadline, Financial Reporting reviewed the memos and followed up where additional clarifications were required. These process documents are provided to Deloitte in December 2020 and January 2021 along with the current management letter response. Administration feels that this work along with point a. completely addressed the recommendations #1, 2, 4 and 6.

c. Administration agrees that the recommendation #5 has been satisfactorily addressed.

Auditor's update June 2021 (based on 2020 year-end audit procedures):

During fiscal 2020, Administration continued to make significant progress with respect to the recommendations relating to revenue recognition of capital deposits identified during the 2018 and 2017 audits based on their work plan. The work plan outlined that CFR and all business units conduct a review of the capital deposit revenue recognition policies and procedures with the objective to ensure consistency in the policies and procedures in place to account for contributions and compliance with the accounting guidance.

In December 2020 and January 2021, CFR provided to Deloitte the capital deposit revenue recognition process memos for all business units that included the historical processes and procedures, identified gaps in the historical processes and procedures, and new controls implemented to address those gaps. CFR also provided a process memo outlining the individual controls implemented by the CFR and CBO teams at a corporate level to review and detect any unusual financial carry-forward balances in relation to capital deposits. Deloitte assessed the design and implementation of newly identified relevant controls and we determined that the controls were designed and implemented effectively. Based on discussions held with Administration and through our evaluation of the design and implementation of the relevant controls and substantive procedures performed, recommendations #1, 2 and 4 have been satisfactorily addressed.

Recommendation #6 noted that all contributions are to be used in accordance with the stipulations as per the original agreements. Deloitte assessed the design and implementation of relevant controls and concluded that the controls were designed and implemented effectively. Further, Deloitte selected twenty-four samples of contributions being recognized into revenue as part of our substantive audit procedures. Based on our testing performed, each contribution was appropriately recognized in accordance with the stipulations of the original agreement, and no misstatements were identified from these samples. This recommendation has been satisfactorily addressed.

Based on our work performed prior to and during the 2020 year-end audit, all 6 recommendations have been satisfactorily addressed.

Administration's response June 2021 (based on 2020 year-end audit procedures):
Administration agrees that all 6 recommendations have been satisfactorily addressed.

Chief Financial Officer's Report to
Audit Committee
2021 June 24

ISC: UNRESTRICTED
AC2021-0968

Off-site Levy Schedules and Notes (2020-2016)

RECOMMENDATIONS:

That the Audit Committee:

1) Receive this Report and Attachment for the Corporate Record and consider them in conjunction with Report AC2021-0901 “External Auditor Audit on Off-Site Levy Balances”; and
2) Direct that this Report and Attachment be forwarded to the 2021 July 5 Combined Meeting of Council.

HIGHLIGHTS

- The Off-site levy schedules and notes (2020-2016) Report includes the opening balance, collection, spending, earned interest, other adjustments and closing balance of Off-site levies for the years ended, and as at 2020-2016 which have been audited by Deloitte LLP, Chartered Professional Accountant. The schedules are prepared, in all material respects, in accordance with Canadian public sector accounting except for the possible effects of the matter for the Basis for Qualified Opinion mentioned in the External Auditor Audit of Off-Site Levy Balances (AC2021-0901).
- The Off-site levy schedules and notes (2020-2016) Report was prepared as a result of the Council direction (AC2021-0215) which approved the External Auditor’s Performance of Assurance Procedures for Off-site levies. The External Auditor Audit of Off-Site Levy Balances Report will be brought forward to Council as report AC2021-0901.
- What does this mean to Calgarians? Off-site levy schedules and notes provide information on Off-site levy costs and payments to stakeholders. They also ensure on-going accountability for the funds to deliver infrastructure supporting growth and development in Calgary.
- Why does it matter? Off-site levies are an important capital funding source at a time when there is increased financial pressure resulting from reduced revenue and funding from other orders of government. The City uses the Off-site levy fund balances to continue to deliver infrastructure that supports jobs and economic activity in Calgary.
- Strategic Alignment to Council’s Citizen Priorities: A well-run city

DISCUSSION

The Off-site levy schedules and notes (2020-2016) Report provides readers with financial information for the years ended, and as at 2020-2016. The Off-site levy schedules have been reconciled to the Off-site Levy Annual Report’s for their respective years and the Off-Site Levy Annual Report is published annually and can be found electronically on www.calgary.ca. The Off-site levy Bylaw (2M2016) funds paid by the development industry are a funding stream to build growth infrastructure. The levies collected can be used to pay for all or part of the capital cost of new or expanded infrastructure and facilities including required land and associated financing interest costs. In 2020, a total of $111.7M (Off-site Levy collection of $110.4M and Density Incentive Program of $1.3M) was collected and $138.7M was spent on infrastructure projects through the Off-site Levy program.

Off-site Levy Schedules and Notes (2020-2016)

For the years 2019-2016 the schedules have been previously presented to the Standing Policy Committee on Planning and Urban Development ("PUD") and received for the Corporate record. The 2020 balances will be presented at the 2021 July 7 PUD meeting.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

☐ Public Engagement was undertaken

☒ Public Communication or Engagement was not required

☐ Public/Stakeholders were informed

☐ Stakeholder dialogue/relations were undertaken

IMPLICATIONS

Social

Not applicable.

Environmental

Not applicable.

Economic

The Off-site levy fund supports the long-term economic growth of Calgary through infrastructure investment and job creation. At the same time, the program leverages private investment in redevelopment, while supporting intensification and population growth.

Service and Financial Implications

No anticipated financial impact

There are no anticipated financial implications as a result of implementing these recommendations.

RISK

Not applicable.

ATTACHMENT(S)

1. Attachment 1 - Off-site levy schedules and notes (2020-2016)

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Chief Financial Officer's Department	Approve
Stuart Dalgleish	Planning& Development	Inform

Off-site Levy Schedule

As at and for the years ended December 31, 2016 - 2020

The City of Calgary
Off-site Levy
As at and for the years ended December 31 (in thousands)

Off-site levy balance	**2020**	**2019**	**2018**	**2017**	**2016**
Opening balance, January 1	330,629	375,082	435,733	513,724	363,976
Adjustments [(1)]	2,317	(3)	4,404	-	64,250
Adjusted Opening Balance, January 1	**332,946**	**375,079**	**440,137**	**513,724**	**428,226**
Off-site levies collected	110,396	122,591	69,156	61,199	204,716
Density incentive program	1,293	481	2,232	-	-
Investment income allocation	18,877	9,233	9,678	5,086	-
Internally restricted investment income adjustment	32,774	-	-	-	-
Prior year's investment income adjustment	22,825	-	-	-	-
Off-site levies spent	(138,698)	(176,755)	(146,121)	(144,276)	(119,218)
Ending Balance, December 31	**380,413**	**330,629**	**375,082**	**435,733**	**513,724**

Off-site levy balance per Financial Statements	**2020**	**2019**	**2018**	**2017**	**2016**
Off-site levy per financial statements	330,024	293,381	286,849	375,243	402,194
Internal off-site levy	16,204	15,862	23,461	27,146	43,515
Off-site levy held in reserves	34,185	27,924	81,202	60,615	85,257
Non off-site levy adjustments	-	(6,538)	(16,430)	(27,271)	(17,242)
Ending Balance, December 31	**380,413**	**330,629**	**375,082**	**435,733**	**513,724**

(1): Adjustment in 2020 of $2,000 is a reallocation to Off-site levy fund in the Utilities Sustainment reserve to align with the bylaw and $300 others.
Adjustment in 2018 of $4,500 is a reallocation to Off-site levy fund in the Utilities Sustainment reserve to align with the bylaw and ($100) others.
Adjustment in 2016 of $64,200 in Water Utility to align with accounting policy effective January 1, 2016.

Off-site Levy
As at and for the years ended December 31 (in thousands)

The City of Calgary - Transportation

Off-site Levy Balance	**2020**	**2019**	**2018**	**2017**	**2016**
Opening balance, January 1	80,423	85,064	165,544	212,069	172,539
Adjustments	229	-	(271)	-	-
Adjusted Opening Balance, January 1	**80,652**	**85,064**	**165,273**	**212,069**	**172,539**
Off-site levies collected	31,715	24,393	5,812	19,939	86,268
Investment income allocation	6,757	4,395	6,592	4,670	4,111
Off-site levies spent	(50,598)	(33,429)	(92,613)	(71,134)	(50,849)
Ending Balance, December 31	**68,526**	**80,423**	**85,064**	**165,544**	**212,069**

The City of Calgary - Transit

Off-site Levy Balance	**2020**	**2019**	**2018**	**2017**	**2016**
Opening balance, January 1	13,003	19,703	20,477	19,195	17,245
Adjustments	1	(3)	-	-	-
Adjusted Opening Balance, January 1	**13,004**	**19,700**	**20,477**	**19,195**	**17,245**
Off-site levies collected	899	507	89	864	3,976
Investment income allocation	979	543	635	418	386
Off-site levies spent	(10,500)	(7,747)	(1,498)	-	(2,412)
Ending Balance, December 31	**4,382**	**13,003**	**19,703**	**20,477**	**19,195**

The City of Calgary - Utilities
Off-site Levy
As at and for the years ended December 31 (in thousands)

Off-site Levy Balance	**2020**	**2019**	**2018**	**2017**	**2016**
Opening balance, January 1	55,990	91,580	59,039	90,049	2,409
Adjustments	1,993	-	4,674	-	63,958
Adjusted Opening Balance, January 1	**57,983**	**91,580**	**63,713**	**90,049**	**66,367**
Off-site levies collected	61,008	88,707	61,594	29,070	62,634
Investment income allocation	2,367	4,295	2,450	-	-
Prior year's investment income adjustment	8,033	-	-	-	-
Density incentive program	1,293	481	2,232	-	-
Off-site levies spent	(76,388)	(129,073)	(38,409)	(60,080)	(38,952)
Ending Balance, December 31	**54,296**	**55,990**	**91,580**	**59,039**	**90,049**

The City of Calgary - Community Services
Off-site Levy
As at and for the years ended December 31 (in thousands)

Off-site Levy Balance	**2020**	**2019**	**2018**	**2017**	**2016**
Opening balance, January 1	151,533	146,530	158,640	161,668	147,009
Adjustments	90	-	-	-	-
Adjusted Opening Balance, January 1	**151,623**	**146,530**	**158,640**	**161,668**	**147,009**
Off-site levies collected	15,060	8,052	1,491	10,034	46,161
Investment income allocation	7,409	-	-	-	-
Internally restricted investment income adjustment	28,628	-	-	-	-
Prior year's investment income adjustment	12,348	-	-	-	-
Off-site levies spent	(668)	(3,049)	(13,601)	(13,062)	(31,502)
Ending Balance, December 31	**214,400**	**151,533**	**146,530**	**158,640**	**161,668**

The City of Calgary - Police
Off-site Levy
As at and for the years ended December 31 (in thousands)

Off-site Levy Balance	**2020**	**2019**	**2018**	**2017**	**2016**
Opening balance, January 1	29,680	32,204	32,034	30,743	24,774
Adjustments	2	-	-	-	-
Adjusted Opening Balance, January 1	**29,682**	**32,204**	**32,034**	**30,743**	**24,774**
Off-site levies collected	1,714	932	170	1,291	5,969
Investment income allocation	1,367	-	-	-	-
Internally restricted investment income adjustment	4,146	-	-	-	-
Prior year's investment income adjustment	2,444	-	-	-	-
Off-site levies spent	(544)	(3,456)	-	-	-
Ending Balance, December 31	**38,809**	**29,680**	**32,204**	**32,034**	**30,743**

THE CITY OF CALGARY
OFF-SITE LEVIES

NOTES TO THE OFF-SITE LEVY SCHEDULES
AS AT AND FOR THE YEAR ENDED DECEMBER 31 (in thousands)

1. OFF-SITE LEVIES

The City of Calgary ("The City") charges Off-site levies ("OSL") in accordance with The Municipal Government Act ("MGA"), through a bylaw. The Off-site Levy Bylaw (2M2016), currently in effect, was approved by Council in 2016.

The OSL Bylaw 2M2016 was amended twice since it was first passed:
(i) In 2018, Council approved bylaw 41M2018 to include infrastructure in the levy calculation to support the 14 new communities
(ii) In 2019, Council approved bylaw 2H2019 to include Community Services Charges

Council passed OSL Bylaws and amendments as early as 2004 (34M2004). The levies collected are used to pay for infrastructure, land and interest costs as authorized in the MGA. The unspent OSL collected of each infrastructure type will be used to fund future levy-eligible capital infrastructure projects that align with Council priorities and are allocated through The City's budget process. The capital infrastructure included in the off-site levy bylaw are:

• Water distribution and wastewater collection infrastructure, stormwater systems, and treatment plants;

• Transportation (interchanges, structures over major geographic barriers, skeleton roads, transportation utility road connections etc.);

• Community or Recreation infrastructure (transit, fire, police, recreational, and library facilities).

The OSL schedules include the opening balance, collection, spending, earned interest, other adjustments and closing balance of OSL.

The OSL schedules should be read in conjunction with The City's annual consolidated financial statements ("financial statements").

2. ACCOUNTING POLICIES

Basis of Presentation

The OSL schedules are prepared by Administration for a specific purpose in accordance with standards established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada except those related to presentation and disclosure of

THE CITY OF CALGARY
OFF-SITE LEVIES

NOTES TO THE OFF-SITE LEVY SCHEDULES
AS AT AND FOR THE YEAR ENDED DECEMBER 31 (in thousands)

general purpose financial statements required by PS 1201 *Financial Statement Presentation.* Significant accounting policies are as follows:

Off-site levies collected

OSL are reported as collected in the period for which cash has been received. For subdivision applications, OSL are collected in accordance with the Development Agreement terms and conditions. One year subsequent to entering into the Development Agreement The City invoices the Developer over a 3 year term (Year 1: 30%, Year 2: 30% and Year 3: 40%). The invoiced and collected amounts are not evenly distributed across infrastructure type. For development permits, OSL are collected in accordance with development permit conditions.

OSL are recognized in The City's financial statements as revenues in the period in which the resources are used for the purpose(s) specified. This occurs when the events giving rise to the inflows occur, any stipulations have been met and reasonable estimates of the amounts can be made. Where OSL are received but stipulations are not met, OSL are recognized in capital deposits until stipulations are met. OSL must be expended on capital projects for which they are specified and are recognized as revenue when expenditures are made.

Off-site levies spent

OSL are reported as spent in the period for which eligible OSL expenditures have been incurred.

Water Utility off-site levies usage/spent

Water Utility OSL revenue fluctuates according to economic conditions while debt servicing remains constant once debt is incurred. Therefore, Water Utility OSL usage (or maximum eligible usage) is the lesser of eligible principal and interest or available funds (OSL earned and collected). Water Utility incurs OSL eligible expenditures in advance of the collection of OSL amounts.

Only eligible capital projects with the associated growth percentage specified are included when determining OSL borrowing requirements. The maximum eligible cost is the principal and interest on this debt obligation.

If the OSL balance is in a deficit position, this is temporarily mitigated by Utility rate revenue (collected from Utility customers) and will be recovered from future OSL collections. Utility rate revenue is non OSL revenue.

THE CITY OF CALGARY
OFF-SITE LEVIES

NOTES TO THE OFF-SITE LEVY SCHEDULES
AS AT AND FOR THE YEAR ENDED DECEMBER 31 (in thousands)

Off-site levies held in Reserves

Water Utility OSL earned revenue is transferred to the OSL fund held in the Utility Sustainment reserve to pay future eligible principal and interest.

External Off-site levies

External OSL are funds received from developers external to The City.

Internal Off-site levies (Internal Transfers)

Internal OSL represent charges incurred through development by The City. For the purposes of the financial statements internal OSL are eliminated.

Density incentive program

The Density incentive program assists developers with the levy payment where the combined equivalent population for residential and commercial development is equal or greater than 285 equivalent population in established area. This determines which developments qualify for the density incentive program.

The combined equivalent population calculation is done for all residential and/or commercial developments as part of the levy calculation process. The lesser of the regular levy calculations or the levy calculations under the density incentive program is applied to the application.

Non-OSL Adjustments

These are non-OSL balances such as Centre City levy, Redevelopment levy, Local Improvement levy and others that were subsequently removed from the OSL balances as a correction.

Investment income allocation

Investment income is allocated monthly to the ending balance of the OSL accounts that are eligible to receive investment income by applying the blended yield to that balance. Blended yield is calculated based on the realized income on the assets invested. OSL assets are pooled to achieve economies of scale and to open the opportunity set of investments. Investment income in the schedules is reported using the accrual basis of accounting.

THE CITY OF CALGARY
OFF-SITE LEVIES

NOTES TO THE OFF-SITE LEVY SCHEDULES
AS AT AND FOR THE YEAR ENDED DECEMBER 31 (in thousands)

There have been a number of amendments to the MGA and applicable bylaws from 1995 to 2017 that expanded levies and, in some instances, introduced restrictions to investment income earned. Prior to amendment of the MGA in 2017, the community services levies were voluntary charges and investment income earned on these levies was not attributed and restricted as there was no explicit requirement to do so under the legislation. To ensure consistency of application of accounting policies and underlying legislation, Administration performed a review of investment income for OSL balances. As a result of this review, in 2020, per Council directive PFC2020-1237, Administration allocated $47,566 of investment income earned on OSL from 2006 to 2019 to Community Service and Police capital deposits. Of this amount, $32,774 was internally restricted to reflect consistent accounting policies for investment income earned on OSL amounts pre-2017 on a voluntary basis as there is no requirement under the bylaw to restrict this income.

The remaining $14,792 should have previously been recognized in capital deposits related to investment income earned on OSL from 2017 to 2019 as required by the MGA. Additionally, as result of this review undertaken by Administration, an amount of $8,033 was identified as a reclassification of investment income for Water Utilities OSL from 2004-2015.

Use of Estimates

The preparation of the financial statements requires management to make estimates and use assumptions that affect the reported amounts spent at the date of the schedules. Where estimation uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from estimates. The amounts recorded for accrued liabilities (amounts spent) is where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements.

Measurement Uncertainty

The key assumption concerning the future, and other key sources of measurement uncertainty at the reporting period that may have a risk of causing a material adjustment to the carrying amounts of OSL within the next financial year, is the blended yield rate utilized in allocation of investment income. The investment income allocated represents Administration’s best estimate of realized income recognized on invested OSL funds. The determination of the blended yield rate depends on certain assumptions, which include selection of effective interest rates on average balances of The City’s investment mix during a specific period. This inherent risk arises due to the fact that OSL funds are pooled with other funds that The City actively invests and manages. While investment income earned on total funds invested is easily determinable based on third party information, the allocation of investment incomes earned on OSL funds is

THE CITY OF CALGARY
OFF-SITE LEVIES

NOTES TO THE OFF-SITE LEVY SCHEDULES
AS AT AND FOR THE YEAR ENDED DECEMBER 31 (in thousands)

Administration's best estimate derived by applying the blended yield rate to the proportionate balance of total funds invested. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the investment income allocation.

Audit Resource Management Report to Audit Committee
2021 June 24

ISC: UNRESTRICTED
AC2021-0901

External Auditor Audit on Annual Off-Site Levy Balances

RECOMMENDATION:

That Audit Committee recommends that Council receive this report and Attachment for the Corporate Record.

HIGHLIGHTS

- The External Auditor (Deloitte LLP) is providing the final audit report on the audited annual off-site levy balances undertaken with respect to their Council directed engagement with the Off-Site Levy Governance Committee and industry representatives.
- What does this mean to Calgarians? Citizens are informed on the independent assurance procedures undertaken by the external auditor on concerns with off-site levies.
- Why does this matter? Calgarians should have confidence in City policies and processes. Concerns with off-site levies have been evaluated by Deloitte LLP and recommendations are presented for corrective action (Attachment).
- The City collects off-site levies from developers to fund Calgary's growth-related infrastructure costs and Administration is reviewing the off-site levy bylaw with plans to bring a new bylaw to Council in 2022.
- Industry representatives have expressed concerns with respect to off-site levy stewardship, governance, accounting and project management.
- At their 2021 March 01 Combined Meeting Council approved Deloitte LLP's service proposal to provide assurance procedures on the audit of the off-site levy balances from 2016-2020 (AC2021-0215).
- The Attachment provided by Deloitte LLP contains the findings of their independent audit of the off-site levy balances for 2016-2020.
- Identified matters will be communicated in Deloitte's Administration recommendation letter to be presented to the 2021 July 22 Audit Committee meeting.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Audit Committee was directed by Council, in Motion Arising PFC2021-0035, to engage with the Off-Site Levy Governance Committee and for the external auditor to evaluate the concerns raised by stakeholders. At the January 28, 2021 meeting Audit Committee directed the External Auditor to engage with the Off-Site Levy Governance Committee and stakeholders to understand and evaluate concerns, including those raised by industry representatives.
- The External Auditor provided Audit Committee with updates at the 2021 April 30 Meeting (AC2021-0545) and the 2021 May 20 Meeting (AC2021-0661).

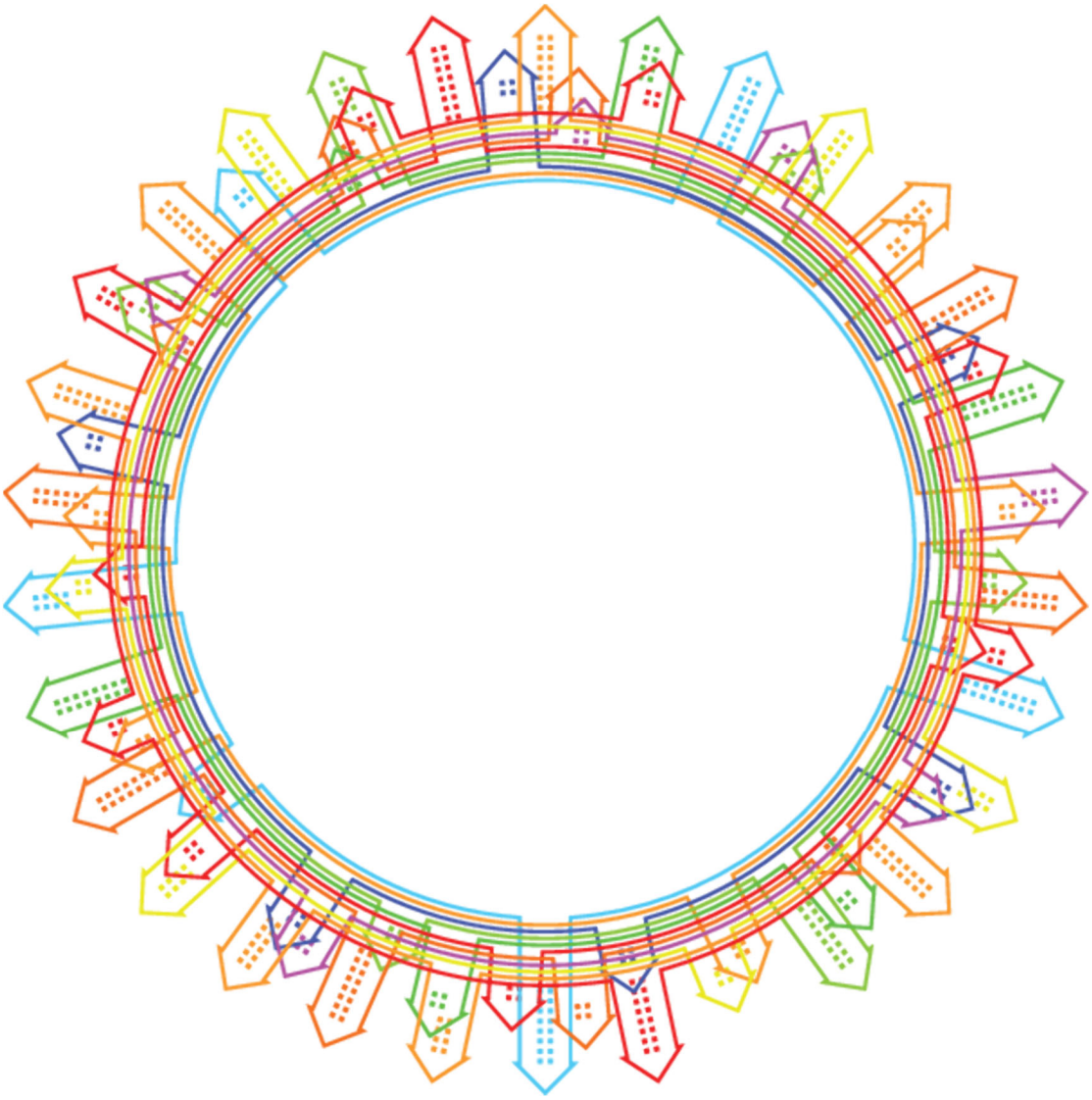
ATTACHMENT

Report to the Audit Committee on the 2016-2020 off-site levy audit

Department Circulation

Councillor Evan Woolley	Chair of Audit Committee	Approve

Deloitte.



The City of Calgary

Report to the Audit Committee on the 2016-2020 off-site levy audit

June 24, 2021

Deloitte.

June 15, 2021

The Audit Committee of The City of Calgary
The City Council of The City of Calgary

Report on audited annual off-site levy balances

Dear Audit Committee Members:

We are pleased to submit this report on the status of our audits of the off-site levy ("OSL") balances of The City of Calgary ("The City") for the 2016-2020 fiscal years. This report summarizes the scope of our audits, our findings to date and reviews certain other matters that we believe to be of interest to you. We are pleased to bring this important body of work to completion and are looking forward to discussing our results with you. We are continuing to work with Administration to complete the outstanding matters summarized on page 1 of this report. We have identified matters to be communicated with those charged with governance which will be communicated in our Administration recommendation letter to be presented by Deloitte at the July 22, 2021 meeting.

As agreed in our engagement letter dated March 24, 2021, we have performed audits of OSL balances of The City as at and for the years ended December 31, 2016 to December 31, 2020, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated July 5, 2021.

Our audits have been conducted in accordance with the audit plan that was presented to Audit Committee at the meeting on February 25, 2021. As described further on page 3 of this report, as of the date of this letter, we have not identified any reportable instances of noncompliance with underlying agreements and bylaw 2M2016. Our audits indicate that OSL has been collected and recognized in accordance with underlying agreements and bylaw and has been spent in accordance with eligibility requirements of the underlying agreements and bylaw. Our audits have been performed largely on a substantive approach. As a result, we have identified improvement areas that we intend to discuss with you at the July 22, 2021 meeting.

This report is intended solely for the information and use of Audit Committee, Administration and others within The City and is not intended to be, and should not be, used by anyone other than these specified parties.

We, at Deloitte, work as one team to provide you with relevant business insights to assist you improving your current practices.

We look forward to discussing this report summarizing the outcome of our audits with you and answering any questions you may have.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

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Executive summary

Audit scope and terms of engagement

We have been asked to perform audits of The City's off-site levy ("OSL") balances in accordance with Canadian Public Sector Accounting Standards ("PSAS") as at and for the years ended December 31, 2016 to December 31, 2020. Our audits were conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the engagement letter dated March 24, 2021. The fees for this engagement are expected to be $750,000. To the extent there are changes to this, we will update you at our July 22, 2021 meeting.

Significant risks

1. Investment income earned
2. Off-site levies collected
3. Density incentive program transfer
4. Off-site levies spent

Materiality

Materiality levels are consistent with those communicated during the April 12, 2021 and May 13, 2021 meetings. See Appendix 2.

Outstanding Matters & Next Steps

Receipt of audit confirmations related to opening balances from 2013 to 2015	**Receipt** of signed Administration representation letter
Approval of the OSL schedule by City Council at the recommendation of the Audit Committee	**Receipt** of evidence to complete minor documentation items including certain agreements and variances
Final audit partner review of select working papers	**Completion** of the Engagement Quality Control review
Review of the final version of the OSL schedule	**Completion** of the Special Partner review

Highlights

Evaluated a high volume of transactions on a sampling basis	**Examined** a significant portion of developer agreements on a sampling basis	**Examined** a majority of eligible projects on a sampling basis
Invested over 300 hours in detailed process reviews and discussion	**Access** provided to FCSM and iNovah to efficiently gather evidence	**Updated** timelines to account for the gathering of information from third parties

Cross-functional collaboration between Calgary Approvals Coordination, Finance including, Portfolio Finance, Corporate Billings and Accounts Receivables, Treasury, Financial Reporting and Business Group teams

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Going Concern

Administration has completed its assessment of the ability of The City to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon The City's ability to continue as a going concern. We agree with Administration's assessment.

Results

As a result of the limitations related to the retention of available records in accordance with local statues and laws, we expect to modify our audit report for a scope limitation to read as follows: "As a result of The City's documentation retention policies, certain documentation relating to periods prior to 2013 have been destroyed. Accordingly, our verification of off-site levies collected in periods prior to 2013 was limited to the amounts recorded in the internal records of The City. Therefore, we were not able to determine whether any adjustments might be necessary to $27,324,745 of off-site levies collected prior to 2013 and unspent as at December 31, 2020. Our audit opinion on off-site levies for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope."

A draft version of our auditor's report is included in appendix 4. No other restrictions have been placed on the scope of our audits.

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Significant audit risks and events

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

Significant risk dashboard

Legend

 Significant level of Administration judgement involved

 Minimal/No Administration judgement involved

D+I: Planned testing of the design and implementation of key controls

OE: Planned testing of the operating effectiveness of key controls

Investment income earned (Completeness, Occurrence, Accuracy, Cut-off)

Fraud Risk	Control Testing Planned	Level of Administration judgement	Specialist, Expert or Innovation Involvement
NO	D+I		N/A

Analysis of risk	Audit Response and Results
• There is a risk that investment income earned for each respective year for the OSL balances is not measured accurately and is not recognized in the correct period. • Furthermore, investments at The City are pooled and earn a blended rate of return. As a result, investment income for OSL balances is based on an allocation of the rate of return on all the pooled investments. There is a risk that the blended rate of return is not supported by the actual interest earned on investments.	• We reperformed Administration's calculation of allocating investment income to OSL balances by year. • We assessed, on a sample basis, the completeness and accuracy of underlying data inputs into Administration's investment income schedule. • We tested, on a sample basis, the underlying rate of return calculation by agreeing to the third-party investment manager statements, where available. • While we concluded that the specific internal controls we evaluated as part of risk assessment procedures were designed and implemented effectively, we noted areas of improvement that we will discuss at our next meeting. • While we identified a number of trivial differences in our testing, none resulted in reportable misstatements. • We obtained sufficient audit evidence to conclude that there were no material misstatements.

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Off-site levies collected (Completeness, Rights and Obligations, Valuation and Allocation)

Fraud Risk	Control Testing Planned	Level of Administration judgement	Specialist, Expert or Innovation Involvement
NO	D+I and OE	⚠	N/A

Analysis of risk	Audit Response and Results
• There is a risk that OSL collected are not recognized in the appropriate period, at the correct amount and as the appropriate levy type by department (Water Resources, Transportation, Police and Community Services).	• We obtained and read a sample of OSL agreements executed in each year under audit to ensure amounts levied were in accordance with the underlying legislation and agreements. • We tested a sample of OSL payments collected in each respective year to ensure they were recognized and measured in accordance with the master development agreement and bylaw. • We agreed a sample of OSL collected to corresponding invoices and bank statements to ensure they were recorded in the correct period and at the appropriate amount. • We sent out audit confirmations to a sample of developers to confirm payments where payment support could not be obtained. • Where payment could not be obtained, we performed alternative procedures and ensured that the invoices were paid per reviews of detailed accounts receivable listings. • We reviewed the unspent OSL balance for each year subject to audit relative to the OSL levies collected and related commitments on unspent balances to understand the relationship between amounts collected and amounts committed. • We tested a sample of the adjustments made between the summary schedules and financial statement balances to ensure they were accurate and complete. • We agreed a sample of internal OSL collections and non-developer deposits to the corresponding developer agreement, invoice and payment. • While we concluded that the specific internal controls we evaluated as part of risk assessment procedures were designed and implemented effectively, we noted areas of improvement that we will discuss at our next meeting. • As noted in Appendix 6, we identified a misstatement related to underbilling of certain OSL amounts. • While we identified a number of trivial differences in our testing, except for the item above, none resulted in reportable misstatements. • We obtained sufficient audit evidence to conclude that there were no material misstatements.

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Density incentive program transfer (Completeness, Existence, Valuation and Allocation)

Fraud Risk	Control Testing Planned	Level of Administration judgement	Specialist, Expert or Innovation Involvement
NO	D+I		N/A

Analysis of risk	Audit Response and Results
• There is a risk that the amounts of density incentive program recognized for each respective year are not complete and accurate. • The density incentive program was included in bylaw 2M2016 to help incentivize redevelopment in established areas. When a development reaches a density at or above 285 equivalent persons per hectare, their levy is capped and they do not need to pay for the additional units or square meters of development space. The difference is paid through Established Area Redevelopment Incentive Budget, which is funded through property tax.	• We tested a sample of the development permits that qualified for the density incentive program in each year under audit and recalculated the amounts recognized. • We tested a sample of all development permits to determine if there were any additional development permits that should have qualified for the density incentive program but were not recognized as such. • We assessed, on a sample basis, the completeness and accuracy of underlying data inputs into the density incentive program calculator. • While we concluded that the specific internal controls we evaluated as part of risk assessment procedures were designed and implemented effectively, we noted areas of improvement that we will discuss at our next meeting. • We obtained sufficient audit evidence to conclude that there were no material misstatements.

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Off-site levies spent (Existence, Rights and Obligations, Valuation and Allocations)

Fraud Risk	Control Testing Planned	Level of management judgement	Specialist, Expert or Innovation Involvement
NO	D+I		N/A

Analysis of risk	Audit Response and Results
• There is a risk that OSL utilized in each year under audit are not recognized in the appropriate period, at the correct amount, and as the appropriate levy type by department (Water Resources, Transportation, Police and Community Services). • Due to the nature of the infrastructure constructed by the Water Resources department, these expenditures are incurred prior to receiving the funds from developers through OSL. As such, these expenditures are typically funded by external debt which can then be repaid through OSL collected.	• We tested a sample of OSL utilized in each respective year under audit to ensure they were recognized and measured in accordance with the master development agreement and bylaw. • We agreed a sample of OSL utilized to corresponding invoices and bank statements to ensure they were recorded in the correct period and at the appropriate amount to substantiate that levies were spent on allowable expenses for allowable projects. • For the Water Resources department, we tested a sample of the debt servicing costs to ensure that the underlying levy and usage of funds was incurred for the appropriate debt based on the bylaw. • We tested a sample of the adjustments made between the summary schedules and financial statement balances to ensure they are accurate and complete. • We agreed a sample of internal OSL and non-developer deposits utilized to the corresponding invoices. • While we concluded that the specific internal controls we evaluated as part of risk assessment procedures were designed and implemented effectively, we noted areas of improvement that we will discuss at our next meeting. • While we identified a number of trivial differences in our testing, none resulted in reportable misstatements. • We obtained sufficient audit evidence to conclude that there were no material misstatements.

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Significant events

Limitations in availability of records

Impact on our 2016-2020 audits

Due to record retention policies, The City informed us that records prior to 2013 would be limited. As a result, we were required to modify the nature and extent of our procedures, and determine what scope limitations, if any, presented themselves in our audits.

- The City was granted the right to collect certain levies based on the 1995 Municipal Government Act ("MGA"); however, The City did not enact bylaws to collect these levies until the 2000's. In 2000, The City introduced a recreation levy of $2000/hectare in accordance with standard development agreement with Urban Development Institute (currently Building Industry and Land Development Association). Since that time, a number of amendments were made to the MGA as well as The City bylaws establishing new levies and regulations. In 2003 the MGA was amended requiring interest income earned from the investment of off-site levies collected for water, sanitary sewage, storm sewer drainage facilities and land required for these services to be accounted for separately from other levies and only be used for the purpose for which the original levy was collected. In 2004, The City enacted an off-site levy bylaw 34M2004 which did not require investment income earned on these balances to be restricted. The current bylaw, 2M2016, enacted by The City came into effect in 2016 and was modified in 2019 to include specific restrictions related to investment income.
- Administration prepared a waterfall analysis to demonstrate levies collected and spent by year, dating back to 2000 by each department. These internal schedules were consistent with schedules prepared and audited as part of our consolidated audit of The City.
- We performed analysis to determine the value of levies collected prior to 2013 which remained unspent at December 31, 2020 to understand the quantum of balances that may be subject to limitations with respect to sufficient, appropriate external audit evidence.
- We determined that to the extent levies were spent on eligible projects, this evidence was sufficient to conclude on the completeness of levies collected; however, where levies were not spent as of December 31, 2020, we determined that we could not obtain sufficient, appropriate audit evidence to conclude on the appropriateness of the recorded balances, and we determined that a scope limitation exists with respect to $27,324,745 of levies related to Community Services and Police. This amount is recorded as a liability within capital deposits of The City's consolidated financial statements and forms part of opening balance at January 1, 2016, the earliest period under audit of this engagement.

Additional procedures performed resulting from risk assessment and further understanding of processes

Audit response

- We examined a sample of projects where there was a resulting surplus or deficit in available OSL funding related to the project, as originally allocated, to ensure that any remaining funds, or fund deficits, are recognized and measured in accordance with the Master Development Agreement and bylaw. We found no issues with respect to how funds were allocated and approved.
- We evaluated operating effectiveness of certain key controls over collections by reviewing a sample of invoices issued and ensuring the total levy amount billed was aligned with the development agreement.
- We evaluated operating effectiveness of certain key controls over collections by reviewing the Master Development Agreement, Interim Indemnity Agreement and Special Clauses Agreement to ensure they are in accordance with the bylaw and are appropriately approved.
- We concluded that the internal controls were operating effectively.
- We obtained sufficient audit evidence to conclude that there were no material misstatements.

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Significant accounting policies, judgements and estimates

The accounting policies described below are those that are most important and representative of The City's financial condition and financial performance.

In the course of our audits of the OSL balances, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the OSL balances.

In our judgement, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of The City.

Accounting estimates are an integral part of the OSL balances prepared by Administration and are based on Administration's current judgements. These judgements are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.

During the years ended December 31, 2016 to December 31, 2020, Administration advised us that there were no significant changes in accounting estimates or in judgements relating to the application of the accounting policies, except for those related to allocation and recognition of investment income as described in Note 2.

In our judgement, the significant accounting estimates made by management are, in all material respects, free of possible management bias and of material misstatement. The disclosure in the OSL balances around estimation uncertainty is in accordance with PSAS and is appropriate to the particular circumstances of The City.

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Appendix 1 – Communication requirements and other reportable matters

The table below summarizes our communication requirements under Canadian GAAS and other communications that we believe would help us achieve an effective audit.

Required communication	Refer to this report or document described below
Audit Service Plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the OSL balances.	Engagement letter dated March 24, 2021.
2. An overview of the overall audit strategy, addressing: a. Timing of the audits. b. Significant risks, including fraud risks. c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk.	Audit plan communicated on February 25, 2021.
3. Significant transactions outside of the normal course of business, including related party transactions.	Not applicable.
4. How those charged with governance exercise oversight over Administration's process for identifying and responding to the risk of fraud and the internal control that Administration has established to mitigate these risks.	We believe adequate internal controls exist to sufficiently mitigate the risk of Administration override of controls at The City. Those charged with governance exercise oversight over Administration's process for identification and response to the risk of fraud by establishing and enforcing a code of conduct, establishing committees to govern various aspects of operations and engaging frequently with key Administration personnel.
5. Any known suspected or alleged fraud affecting The City.	We are not aware of any actual or suspected fraudulent events.

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Required communication	Refer to this report or document described below
6. Whether The City is in compliance with laws and regulations .	Administration is responsible for ensuring that The City's operations are conducted in accordance with the laws and regulations applicable to The City in the jurisdictions in which it operates. The responsibility for preventing and detecting noncompliance rests with Administration. The auditor is not and cannot be held responsible for preventing noncompliance with laws and regulations. Our limited procedures did not identify any areas of material noncompliance with laws and regulations by The City with respect to OSL.
Year End Communication	
7. Fraud or possible fraud identified through the audit process.	We are not aware of any fraudulent events.
8. Significant accounting policies, practices, unusual transactions and our related conclusions.	Significant accounting policies, judgements and estimates section of this report.
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period.	Significant accounting policies, judgements and estimates section of this report.
10. Matters related to going concern.	Executive summary section of this report.
11. Consultation with other accountants.	Administration has informed us that The City has not consulted with other accountants about auditing or accounting matters.
12. Administration judgements and accounting estimates.	Significant accounting policies, judgements and estimates section of this report.
13. Significant difficulties, if any, encountered during the audits.	During the course of our audits, we did not encounter any significant difficulties in dealing with Administration related to the performance of the audits.
15. Material written communications between Administration and us, including Administration representation letters.	Administration representation letter.
16. Circumstances that affect the form and the content of the auditor's report.	Draft auditor's report.
17. Other matters that are significant to the oversight of the financial reporting process.	No other matters to report.
18. Modifications to our opinion.	Executive summary section of this report.
19. Other significant matters discussed with management.	Significant audit risks and events section of this report.
20. Matters involving noncompliance with laws and regulations that come to our attention, unless prohibited by law or regulation, including illegal or possibly illegal acts that come to our attention.	Our limited procedures did not identify any areas of material noncompliance with laws and regulations by The City, that are not otherwise prohibited to be disclosed by law or regulation.
21. Litigation.	No litigation matters to report.

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Required communication	Refer to this report or document described below
22. Significant deficiencies in internal control, if any, identified by us in the conduct of the audits of the OSL balances.	No deficiencies to report. We have identified certain matters that we will bring to your attention at the July 22, 2021 meeting.
23. Uncorrected misstatements and disclosure items.	In accordance with Canadian GAAS, we request that all misstatements be corrected. No uncorrected misstatements and uncorrected disclosure to report.
24. Changes to the audit plan.	The audits were conducted in accordance with our audit plan, which was communicated to the Audit Committee. We confirm that there have been no amendments to the audit scope and approach communicated in the audit plan.
25. Concerns regarding management competence and integrity.	We have not determined any concerns regarding Administration competence and integrity.
26. Disagreements with Administration.	In the course of our audits, we did not encounter any disagreements with Administration.
27. Post-balance sheet events.	At the date of finalizing this report, we are not aware of any significant post balance sheet events.
28. Reliance on service organizations.	Not applicable.
29. Limitations when sending confirmations.	Not applicable.
30. Other significant matters arising from the audits.	No other significant matters to report.

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Appendix 2 – Summary of materiality by business group

Year	2016			
Department	*Community Service*	*Transportation*	*Water*	*Police*
Materiality	2,200,000	3,300,000	1,200,000	420,000
Performance materiality	1,760,000	2,640,000	960,000	336,000
Clearly trivial threshold	110,000	165,000	60,000	21,000

Year	2017			
Department	*Community Service*	*Transportation*	*Water*	*Police*
Materiality	2,200,000	2,900,000	930,000	440,000
Performance materiality	1,760,000	2,320,000	744,000	352,000
Clearly trivial threshold	110,000	145,000	46,500	22,000

Year	2018			
Department	*Community Service*	*Transportation*	*Water*	*Police*
Materiality	2,000,000	1,600,000	1,400,000	440,000
Performance materiality	1,600,000	1,280,000	1,120,000	352,000
Clearly trivial threshold	100,000	80,000	70,000	22,000

Year	2019			
Department	*Community Service*	*Transportation*	*Water*	*Police*
Materiality	2,100,000	1,400,000	870,000	400,000
Performance materiality	1,680,000	1,120,000	696,000	320,000
Clearly trivial threshold	105,000	70,000	43,500	20,000

Year	2020			
Department	*Community Service*	*Transportation*	*Water*	*Police*
Materiality	3,000,000	1,000,000	800,000	530,000
Performance materiality	2,400,000	880,000	640,000	424,000
Clearly trivial threshold	150,000	55,000	40,000	26,000

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Appendix 3 – Audit Committee terms of reference

As the external auditors of The City, we have the privilege of assisting in the fulfillment of your responsibility to follow the Terms of Reference for The City of Calgary's Audit Committee contained in the Audit Committee bylaw 33M2020. The following table outlines our involvement in the fulfillment of specific terms of reference and any reports that we have issued that assist in this process.

Bylaw 33M2020	Description	Related Deloitte Involvement
5(f)	Pre-approve all audit and non-audit services performed by the External Auditor and further provide that: (A) The Chair can pre-approve additional audit or non-audit services performed by the External Auditor, up to $50,000 total annually and must report those approvals to the Audit Committee, and (B) On an annual basis, total fees for non-audit services performed by the External Auditor shall not exceed the total audit fees approved for The City of Calgary consolidated audit, including all subsidiary and related entity audits.	All audit and non-audit services are presented to the Audit Committee for pre-approval prior to the commencement of such work. Fee information included in the Audit Service Plan presented by Deloitte on February 25, 2021.
Schedule A, 2(a)	Reviews and oversees the integrity of the Annual Financial Statements and recommends their approval to Council.	Report of the Independent Auditor on the 2016-2020 OSL balances to be presented by Deloitte to the Audit Committee at the June 24, 2021 meeting.
Schedule A, 2(b)	Reviews and discusses the City's compliance with financial reporting procedures with Administration and the External Auditor.	Report of the Independent Auditor on the 2016-2020 OSL balances to be presented by Deloitte to the Audit Committee at the June 24, 2021 meeting. Letter of recommendations to be presented by Deloitte at the July 22, 2021 meeting.
Schedule A, 2(c)	Engages Administration and the External Auditor in candid discussions regarding issues that may alter judgement or affect the quality of the reporting process and search for insight into the results.	Participation and attendance by Deloitte at Audit Committee meetings throughout the year.
Schedule A, 2(d)	In consultation with the Chief Financial Officer and External Auditor, review and discuss significant new accounting standards and financial reporting developments to understand any material impact on financial results. A detailed analysis, prepared by Administration, on the implications of any changes, as well as the progress made in the adoption of new accounting standards, may be requested.	Audit Service Plan presented by Deloitte on February 25, 2021.
Schedule A, 2(e)	Maintains open lines of communication with the External Auditor and Administration.	Participation and attendance by Deloitte at Audit Committee meetings throughout the year.

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Bylaw 33M2020	Description	Related Deloitte Involvement
Schedule B, 1(c)	Requires the External Auditor to express an opinion on The City's financial statements, in accordance with professional standards.	Communicated in the OSL Audit Report to be presented by Deloitte to the Audit Committee at the June 24, 2021 meeting.
Schedule B, 1(a)	Prior to the commencement of the annual external financial audit, reviews the audit plan and estimated audit fees with the External Auditor and discusses the timing and extent of audit procedures, materiality, significant audit risks and areas of audit focus and overall audit strategy. This report is to be forwarded to Council for information.	Audit service plan presented by Deloitte on February 25, 2021.
Schedule B, 1(b)	In conjunction with Administration's presentation of the annual financial statements, receives and reviews the External Auditor's annual audit report. This report is to be forwarded to Council for information.	Report of the Independent Auditor on the 2016-2020 OSL balances to be presented by Deloitte to the Audit Committee at the June 24, 2021 meeting.
Schedule B, 1(d)	Receives and reviews the External Auditor's Management Letter(s), and reviews Administration responses, and forwards, either in full or in summary, to Council for information. Through query, confirm that any recommendations made by the External Auditor are addressed by Administration in a timely manner.	Administration recommendation letter to be presented by Deloitte at the July 22, 2021 meeting.
Schedule B, 1(e)	Must meet with the External Auditor, in the absence of Administration, at least quarterly.	Closed meetings held with Deloitte at Audit Committee meetings throughout 2020 and 2021.
Schedule B, 1(h)	Receives and reviews the External Auditor's annual independence letter. Through query, confirm the process by which the External Auditor maintains their independence and objectivity.	Communicated in the OSL Audit Report to be presented by Deloitte to the Audit Committee at the June 24, 2021 meeting.

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Appendix 4 – Draft independent auditor's report

We have included an illustrative version of our auditor's report below. This report assumes we have completed audits of the opening balances in accordance with CAS 510 and does not contemplate the inability to test the opening balances due to statutory or legal data retention policies and requirements.

Independent Auditor's Report

To His Worship Mayor Naheed Nenshi and Members of City Council
The City of Calgary

Opinion
We have audited the off-site levy schedule of The City of Calgary ("The City") as at December 31, 2016, 2017, 2018, 2019 and 2020 and notes to the schedule, including a summary of significant accounting policies (collectively referred to as the "schedule").

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying schedule of The City as at December 31, 2016, 2017, 2018, 2019 and 2020 is prepared, in all material respects, in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Qualified Opinion
As a result of The City's documentation retention policies, certain documentation relating to periods prior to 2013 have been destroyed. Accordingly, our verification of off-site levies collected in periods prior to 2013 was limited to the amounts recorded in the internal records of The City. Therefore, we were not able to determine whether any adjustments might be necessary to $27,324,745 of off-site levies collected prior to 2013 and unspent as at December 31, 2020. Our audit opinion on off-site levies for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audits 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 Schedule* section of our report. We are independent of The City in accordance with the ethical requirements that are relevant to our audits of the schedule 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 qualified opinion.

Emphasis of Matter – Basis of Accounting
We draw attention to Note 1 to the schedule, which describes the basis of accounting. The schedule is prepared to assist The City to comply with the requirements of Bylaw 2M2016. As a result, the schedule may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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Responsibilities of City Administration and Those Charged with Governance for the Schedule
City Administration is responsible for the preparation of the schedule in accordance with the PSAS, and for such internal control as City Administration determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

In preparing the schedule, City Administration is responsible for assessing The City'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 City Administration either intends to liquidate The City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The City's financial reporting process.

Auditor's Responsibilities for the Audits of the Schedule
Our objectives are to obtain reasonable assurance about whether the schedule is 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 this schedule.

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

- Identify and assess the risks of material misstatement of the schedule, 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 City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by City Administration.
- Conclude on the appropriateness of City Administration'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 City'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 schedule 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 City to cease to continue as a going concern.

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

Chartered Professional Accountants
July 5, 2021

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Appendix 5 – Draft independence

July 5, 2021

Private and confidential

The Audit Committee of The City of Calgary
The City Council of The City of Calgary

Dear Audit Committee members:

We have been engaged to audit Off-site levy balances of The City of Calgary ("The City") as at and for the years ended December 31, 2016 to December 31, 2020.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between The City, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre and applicable legislation, covering such matters as:

a) Holding a financial interest, either directly or indirectly, in a client.

b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client.

c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.

d) Economic dependence on a client.

e) Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since April 26, 2021, the date of our last letter.

We are not aware of any relationships between the Member Firms of Deloitte Touche Tohmatsu Limited and their respective affiliates (collectively, the "Deloitte Entities") and The City and its affiliates, or persons in financial reporting oversight roles at the Company and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from April 27, 2021 to July 5, 2021.

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We hereby confirm that we are independent with respect to The City in accordance with the Rules of Professional Conduct of the applicable Chartered Professional Accountants of Alberta as of July 5, 2021.

This letter is intended solely for the information and use of the audit committee, the board of directors, management and others within The City and is not intended to be and should not be used for any other purposes.

Yours truly,

Chartered Professional Accountants

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Appendix 6 – Draft Administration representation letter

[The City letterhead]

July 5, 2021

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

Dear Sirs/Mesdames:

Subject: The off-site levy schedule of The City of Calgary for the years ended December 31, 2016, 2017, 2018, 2019 and 2020

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the off-site levy schedule of The City of Calgary ("The City" or "we" or "us") for the years ended December 31, 2016, 2017, 2018, 2019 and 2020**,** and a summary of significant accounting policies and other explanatory information (the "Schedule") for the purpose of expressing an opinion as to whether the Schedule is prepared, in all material respects, the financial information of the off-site levy, and applicable spend over the audit period, of The City in accordance with Canadian Public Sector Accounting Standards ("PSAS") as disclosed in Note 2 of the Schedule.

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial information.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Schedule

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between The City and Deloitte dated March 24, 2021 for the preparation of the Schedule in accordance with PSAS. In particular, the Schedule presents the financial information of the off-site levies of The City as at December 31, 2016, 2017, 2018, 2019 and 2020, and for the years then ended in accordance with PSAS.

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2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

   In preparing the Schedule in accordance with the PSAS, City Administration makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with the PSAS. The City has appropriately disclosed in the Schedule the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Schedule.

   The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect Administration's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2016, 2017, 2018, 2019 and 2020 that require adjustment to the estimates and disclosures included in the Schedule.

   There are no changes in City Administration’s method of determining significant estimates in the current year.

3. We have determined that the Schedule is complete as of July 5, 2021, as this is the date when there are no changes to the Schedule (including disclosures) planned or expected. The Schedule has been approved in accordance with our process to finalize financial statements.

4. We have completed our review of events after December 31, 2020 and up to the date of this letter.

5. The Schedule is free of material errors and omissions.

6. We believe that the effects of any uncorrected misstatements pertaining to the current and comparative prior periods presented, are immaterial, both individually and in the aggregate, to the Schedule taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

Internal controls

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

Information provided

9. We have provided you with:

   a. Access to all information of which we are aware that is relevant to the preparation of the Schedule, such as records, documentation and other matters;

   b. All relevant information as well as additional information that you have requested from us for the purpose of the audit;

   c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and

   d. All minutes of the meetings of shareholder, directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.

10. We have disclosed to you the identity of the entity’s related parties and all the related party relationships and transactions of which we are aware.

11. We have disclosed to you the results of our assessment of the risk that the Schedule may be materially misstated as a result of fraud and error.

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12. We have no knowledge of any information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
    a. City Administration;
    b. Employees who have significant roles in internal control; or
    c. Others where the fraud could have a material effect on the Schedule.
13. We have no knowledge of any information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the entity.
14. There have been no communications with regulatory agencies concerning actual or potential noncompliance with or deficiencies in financial reporting practices. There are also no known or possible instances of noncompliance with the requirements of regulatory or governmental authorities.
15. We have complied with all applicable provisions of the laws pertaining to foreign corrupt practices.

Independence matters

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

16. The City has not caused Deloitte's independence to be impaired by hiring or promoting a former or current Deloitte partner or professional employee in an accounting role or financial reporting oversight role that would cause a violation of the Canadian independence rules or other applicable independence rules. Prior to The City having any substantive employment conversations with a former or current Deloitte engagement team member The City has held discussions with Deloitte and obtained approval from the Audit Committee and Administration.
17. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit Committee and Administration in accordance with their established approval policies and procedures.

Other matters

Except where otherwise stated below, immaterial matters less than the clearly trivial threshold as outlined in Appendix B, are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial information.

18. All transactions have been properly recorded in the accounting records and are reflected in the Schedule.
19. All related party relationships and transactions have been appropriately accounted for and disclosed in the Schedule in accordance with the requirements of PSAS.
20. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Schedule.
21. We have disclosed to you, and The City has complied with all aspects of contractual agreements that could have an effect on the Schedule in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.
22. There are no instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the Schedule.
23. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Schedule. As appropriate, these items have been disclosed and accounted for in the Schedule in accordance with PSAS.

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24. All events subsequent to the date of the Schedule and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Schedule that are impacted by subsequent events have been appropriately adjusted.

Yours truly,
The City of Calgary

_____
Councillor Evan Wooley, Audit Committee Chair

_____
Carla Male, Chief Financial Officer

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Appendix A
The City of Calgary – Audits of the off-site levy schedule of The City of Calgary

Summary of uncorrected misstatements
Years ended December 31, 2016, 2017, 2018, 2019 and 2020

Current year uncorrected errors

(000's)	Assets DR (CR)	Liabilities DR (CR)	Accumulated Surplus DR (CR)	Income DR (CR)
Factual				
Unrecorded OSL collections - cumulative misstatement at December 31, 2020 pertaining to: 2017 – ($5) 2018 – $37 2019 – $34 2020 – $107	173	(173)	-	-
Total	**173**	**(173)**	**-**	**-**

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Appendix B
The City of Calgary – Audits of the off-site levy schedule of The City of Calgary

Summary of clearly trivial threshold
Years ended December 31, 2016, 2017, 2018, 2019 and 2020

Year	**2016**			
Department	*Community Service*	*Transportation*	*Water*	*Police*
Clearly trivial threshold	110,000	165,000	60,000	21,000

Year	**2017**			
Department	*Community Service*	*Transportation*	*Water*	*Police*
Clearly trivial threshold	110,000	145,000	46,500	22,000

Year	**2018**			
Department	*Community Service*	*Transportation*	*Water*	*Police*
Clearly trivial threshold	100,000	80,000	70,000	22,000

Year	**2019**			
Department	*Community Service*	*Transportation*	*Water*	*Police*
Clearly trivial threshold	105,000	70,000	43,500	20,000

Year	**2020**			
Department	*Community Service*	*Transportation*	*Water*	*Police*
Clearly trivial threshold	150,000	55,000	40,000	26,000

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Overview of the Corporate Project Management Framework and its Quality Assurance Process

RECOMMENDATION:

That the Audit Committee recommend that Council receive this report and attachment for the Corporate Record.

HIGHLIGHTS

- This report provides an overview of The City's Corporate Project Management Framework ("CPMF") and the Project Management Quality Assurance ("PMQA") process for information.
- As approved by Audit Committee on 2021 February 25 AC2021-0215, Deloitte was tasked to perform specific procedures related to the CPMF.
- What does this mean to Calgarians? The CPMF was established to strengthen The City's project management practices and support the "on time, on budget" delivery of capital projects.
- Why does this matter? Deloitte has confirmed that The City delivers capital projects that are well aligned to the CPMF standards.
- The CPMF was established in response to Audit Committee/Council findings and includes 12 mandatory Standards that govern the practice of Project Management at The City.
- The PMQA process is undertaken annually to ensure that the processes and practices used to develop/deliver capital projects are in alignment to the CPMF Standards.
- The establishment of the CPMF and PMQA process is a significant achievement and has contributed to The City of Calgary being a recognized leader in municipal project management
- Administration accepts the exceptions noted in Deloitte's report (External Auditor Specified Audit Procedures on the Corporate Project Management Framework, AC2021-0913), recognizes that the improvement of project management maturity is an evolutionary journey and commits that findings will be incorporated as part of the CPMF's continuous improvement.
- Strategic Alignment to Council's Citizen Priorities: A well-run city

DISCUSSION

As directed by the former City Manager, the Corporate Project Management Framework (CPMF) was initiated in 2011 September. The CPMF was established in response to Audit Committee reports AC2011-54 (16 Avenue North Urban Corridor), AC2011-60 (Fire Department Facilities Construction) and Notice of Motion NM2011-33 (Improvements to the Project Management Process) as well as an amendment to LPT2011-99 (West LRT – Project Update and Completion Plan).

The General Manager of the Deputy City Manager's Office acts as the Executive Sponsor for the CPMF. Support and stewardship of the CPMF is provided by Corporate Analytics and Innovation and governance is ensured by the Corporate Project Management Framework Steering Committee, which includes manager-level (or similar accountability) staff from capital

and supporting business units.

Capital delivery business units represented on the Steering Committee include Transportation Infrastructure, Calgary Transit, Roads, Facility Management, Real Estate and Development Services, Water Resources, Waste and Recycling Services, Parks, Recreation, and Information Technology. Finance, Law, City Audit's Office and Supply Management participate as supporting business units.

The CPMF was developed and rolled out as a "standards-based approach" primarily based on the guidance provided by the Project Management Institute's PMBOK (Project Management Body of Knowledge). It was influenced by other leading international practices like PRINCE2 (Projects in Controlled Environments), a process-based method, and the International Standard for Project Management, ISO21500. A standards-based approach identifies mandatory requirements while still allowing some flexibility regarding the application of more detailed processes or procedures. This approach works well within a complex, multifaceted organization like The City of Calgary.

The 12 Standards that make up the CPMF were implemented in a series of phases that spanned three years, as showcased in Attachment 1 – Corporate Project Management Framework (CPMF) Highlights. The "go-live" for the third and final phase of project management Standards occurred on 2015 February 2, marking the formal completion and implementation of all Council-approved deliverables.

Since 2014, trained project assessors and/or City staff undertake annual project reviews to ensure that The City's capital projects adhere to the CPMF Standards. The results are presented to senior management and the CPMF Executive Sponsor in order to guide continuous improvement of the practice.

The development of the CPMF is an innovative approach to governing the practice of municipal project management and has been leveraged by other municipalities across North America. This significant achievement resulted in The City of Calgary being a leader in municipal project management, notably receiving the Project Management Institute's "2014 Project Management Excellence in an Organization" award. Administration also acknowledges that many successful capital projects have benefited from having the CPMF standards in place, including the cross-organizational 2013 Flood Recovery program to name but one.

Notwithstanding recent successes, the improvement of project management maturity is an evolutionary journey that requires a careful and thorough approach. For a complex organization the size of The City of Calgary, improving business maturity is a change that requires time to do it right. Improving project management maturity requires a diligent approach guided by sound process, data, benchmarking and quality management approaches.

Administration recognizes that our evolution towards a fully mature project managing organization is not complete. It is committed to continually building upon the standards and practices to improve its project management maturity, to improve its organizational model to deliver capital projects and to establish ways of achieving and capturing project savings to reinvest into the community.

Administration accepts the exceptions noted on the Specified Procedures Report. It is confident that the findings demonstrate that The City of Calgary is moving in the right

direction with respect to the continuous improvement of project management practices. It is committed to continue to build upon existing internal project management practices and standards, and to work accordingly with our partners and stakeholders as we do so.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

☐ Public Engagement was undertaken

☐ Public Communication or Engagement was not required

☒ Public/Stakeholders were informed

☐ Stakeholder dialogue/relations were undertaken

Specific to this report, the Corporate Project Management Centre and Finance worked closely with Deloitte to liaise with project managers throughout the organization to collect and analyze the necessary information. The Corporate Project Management Framework Steering Committee, the CPMC and Finance wish to formally acknowledge and thank the numerous City staff that directly contributed to this report.

Stakeholder engagement has been essential to the successful development and implementation of the CPMF. A comprehensive change management, communications and engagement strategy and plan guides all program activities, including this most recent Specified Procedures Report. This strategy provided the foundation for the development of the CPMF's innovative governance structure, involving the General Manager of the Deputy City Manager's Office through to front-line project managers. Industry stakeholders, including those third parties that support the design and deliver of The City's capital projects, were engaged as part of the design of the CPMF but not as part of the Specified Procedures review.

IMPLICATIONS

Social

Not applicable.

Environmental

Not applicable.

Economic

Not applicable.

Service and Financial Implications

There are no anticipated service or financial impacts of the exceptions noted in the Specified Procedures Report.

RISK

The risks associated with the CPMC, and the adoption of the findings from the Specified Procedures Report, include:

- Resource constraints could result in slowing the CPMF program, or delaying the

PMQA process in 2021;

- Resistance to change may be encountered from project managers, management teams and others; and
- Lack of strong advocacy and direction from senior management may preclude permanent cultural change within The Corporation.

Having the appropriate program charter, governance, change management and communications plan in place will be the key to mitigating risks related to resources. The program continues to work with the business units to ensure program work is scoped with consideration to available resources.

ATTACHMENT

1. Corporate Project Management Framework Program Highlights

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Chris Arthurs	Deputy City Manager's Office	Approve
Carla Male	Chief Financial Officer	Approve

Corporate Project Management Framework Highlights

The Corporate Project Management Framework (the CPMF) is comprised of an Administrative Policy, The City of Calgary Project Management Practices Guide and specific Standards for the practice of Project Management at The City.

The highlights listed below are aligned with CPMF key results and objectives including:

- Address The City Auditor's recommendations relating to project management;
- Align with Corporate policies and practices as they relate to project management; and
- Utilize an approach focused on engagement, collaboration and communication.

CPMF Overview by Phase

Phase 1 – 2013 February – Laying the Foundation – establishing a solid foundation for proactive project management at The City.

- Project Management Policy (Project Management Policy for Capital Projects) – policy approved
- Project Management Practices Guide – guide updated and aligned with framework
- Standards and Guidance:
  - Business Case – support for project prioritization and selection;
  - Estimating & Contingency – develop estimating and contingency methodologies;
  - Project Charter – develop a standard project charter that outlines the essence of a project;
  - Project Plan –provides an approach and framework to deliver a project;
  - Progress Report – communication of project information including management of budget, performance and schedule;
  - Records and Information Management – support accountability and transparency; and
  - Project Management Quality Assurance – standardized and consistent process for performing PMQA assessments.

Phase 2 – 2014 April – Building Upon Foundation – enhancing sponsorship, risk and change management.

- Stage Gating Analysis and Report – research report and recommendation
- Project Dashboard – pilot project
- Contract Strategies – contracting strategy in Project Plan and guidance
- Project Management Information System (ProMIS) – architecture proposal for information system
- Procurement Guidance Document and Contract Management RACI – guidance
- Project Management Quality Assurance – processes and tools
- Standards and Guidance:
  - Project Governance and Team Roles and Responsibilities – development of governance structures and defined roles;
  - Project Change Control – develop a consistent methodology for project change control; and
  - Risk Management – develop a clear and consistent risk management approach.

Phase 3 – 2015 February – Refining Standards – updating standards and transitioning to CPMC operations.

- Environmental Health and Safety – guidance and updates to existing standards
- Value Management – best practices research and updates to existing standards
- Project Management Quality Assurance – project assessment and formal report to CMO
- Sustainment Project – planning transition of Framework maintenance to CPMC operations
- Dashboard Reporting Pilot – online reporting for select capital projects and expansion to include projects from Executive Information Report
- Stage Gating Project – research related to project selection (upstream discovery) and pilot project

External Auditor Specified Audit Procedures on the Corporate Project Management Framework (CPMF)

RECOMMENDATION(S):

That Audit Committee recommends that Council receive this report and Attachment for the Corporate Record.

HIGHLIGHTS

- The External Auditor (Deloitte LLP) is providing the final audit report (Attachment) on the specified audit procedures completed on the Project Management Quality Assessment (PMQA) process of The City of Calgary Corporate Project Management Framework (CPMF) with respect to their Council directed engagement.
- What does this mean to Calgarians? Citizens are informed on the independent assurance procedures undertaken by the external auditor on concerns with off-site levies and the Corporate Project Management Framework (CPMF).
- Why does this matter? Calgarians should have confidence in City policies and processes.
- The City collects off-site levies from developers to fund Calgary's growth-related infrastructure costs and Administration is reviewing the off-site levy bylaw with plans to bring a new bylaw to Council in 2022.
- Industry representatives have expressed concerns with respect to off-site levy stewardship, governance, accounting and project management.
- Deloitte performed specified audit procedures on the PMQA process of The City's CPMF relating to capital projects for the period 2018 January 1 to 2020 December 31 and details are contained in the Attachment.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Audit Committee was directed by Council, in Motion Arising PFC2021-0035, to engage with the Off-Site Levy Governance Committee and for the external auditor to evaluate the concerns raised by stakeholders. At the January 28, 2021 meeting Audit Committee directed the External Auditor (Deloitte LLP) to engage with the Off-Site Levy Governance Committee and stakeholders to understand and evaluate concerns, including those raised by industry representatives.

ATTACHMENT

Report on Specified Audit Procedures

Department Circulation

Councillor Evan Woolley	Chair of Audit Committee	Approve

Deloitte.



City of Calgary

Report on specified audit procedures
June 24, 2021

AC2021-0913
ATTACHMENT

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

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

Private and confidential

June 16, 2021

The Audit Committee of The City of Calgary
The City Council of The City of Calgary

Report on specified audit procedures

Dear Audit Committee Members:

We are pleased to submit this report on the specified audit procedures completed on the Project Management Quality Assessment process ("PMQA) of The City of Calgary Corporate Project Management Framework ("CPMF") as agreed to in our engagement letter dated March 29, 2021.

This report is intended solely for the information and use of the Audit Committee, City Council and Administration and is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to discussing this report and answering any questions you may have at the June 24, 2021 audit committee meeting.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

Corporate Project Management Framework - Background

The City of Calgary ("The City") has established an internal Corporate Project Management Framework ("CPMF" or "framework") which is a set of standards and guidelines used by The City in managing capital projects through their lifecycle.

Among many other areas covered by the framework, the Project Management Quality Assessment ("PMQA") process is utilized by The City to identify potential project management risks, and provide a consistent approach to all business units to assess and report the degree to which capital projects conform to established CPMF standards. Additionally, the objective of the PMQA process is to provide project managers the ability to identify continuous improvements opportunities through the review and analysis of the PMQA assessments completed by the business units.

The PMQA process is an internal quality control process established by The City and not required by either the Municipal Government Act or any other legislation that may apply to The City.

The City applies the PMQA process to select capital projects which meet established criteria within the CPMF, regardless of funding source. Projects are determined to be in-scope by the Project Management Policy and more specifically, the 'Application of Standard' section included for each individual CPMF standard. Typically, the standards apply to level 3 capital projects. The level (level 1, 2 or 3) of a project is determined by using the Project Classification Tool. This tool measures the complexity of the project based on a number of qualitative factors, and not limited to the dollar value of the project.

The PMQA process covers 12 standards, each standard includes a set of questions which together are considered the "PMQA assessment tool", which is then completed for each in-scope project.

PMQA standards and number of questions in each standard are as followings:

PMQA Standard	Number of questions
Business Case	11
Project Charter	16
Project Plan	23
Estimation, contingency and scheduling	4
Risk Management	14
Governance, roles and responsibilities	5
Progress reporting	9
Change Control	10
Value Management	11
Stage Gate	4
Project Closure	10
Records & Information Management	3

Projects subject to PMQA assessment are selected based on the following criteria per the CPMF PMQA Guidance Document V3.0:

- The complexity of the project, organizational risk, and/or the project manager's experience should be considered.
- The Project Classification Tool may be used to assist in determining the complexity.
- Project managers, project sponsors/project managers' supervisors may recommend which projects should perform a detailed assessment.
- Either new or multi-year projects (post planning stage) may be selected.
- Projects may be reassessed in future years.

Two types of PMQA assessments may be completed:

Project assessment: this assessment is a "self" assessment which is completed by the appropriate project manager and reviewed by the project sponsor. The project assessment evaluates a project's alignment with the 12 PMQA standards (i.e. is performed at the standard level) but does not include an assessment of the detailed questions within each standard. The project assessment will confirm that the project documentation has been created. For example, for standard number 2 Project Charter, the business unit needs to satisfactorily demonstrate whether a project charter exists, but this assessment level does not require addressing the 12 questions within this standard.

The results of the project assessment are reviewed by the business unit, including by the project managers and project sponsors.

Detailed assessment: this assessment is subject to peer review and performed by a qualified assessor independent of the project team and business unit, and performed on a select number of projects. The detailed assessment covers the specific questions within each standard, addressed as Yes/No/Not Required. The detailed assessment includes reviewing supporting documentation and other information related to the project (PMQA assessments, Business Case, Project Plans, Project Charters, Status Reports, Risk Registers, Contingency Documents, Estimation Checklists, Project Change Control Documents and Logs, Risk and Issue Logs, File management structure, etc.).

The results of the detailed assessments are compiled and reported in the annual corporate PMQA report which consolidates the results of all business units. The Corporate Project and Asset Management ('CPAM") division is responsible for reporting the consolidated results for the organization and providing to the City Manager for review.

Deloitte Specified Audit Procedures:

We have been engaged by the Audit Committee to perform specified audit procedures on the PMQA process of The City's CPMF relating to capital projects for the period January 1, 2018 to December 31, 2020 in accordance with Section 9100, *Reports of Results of Applying Specified Procedures to Financial Information Other than Financial Statements ("Section 9100").* A Section 9100 report includes the application of a list of specified procedures with a report that factually reports on the results of applying the procedures. A Section 9100 report does not result in the issuance of an audit opinion.

As described above, the PMQA process includes both project and detailed assessments. The distinction being that project assessments occur within the business unit, are completed at the standard level and results are reviewed with the business unit while the detailed level assessments are completed independent of the business unit and results are compiled in a corporate wide report. Our specified procedures included re-performing each step of the PMQA process for both the detailed and self-assessments.

Deloitte's specified procedures were divided into two parts:

Projects reported in the annual corporate PMQA report:

Specified procedures completed on in-scope, offsite-levy funded capital projects) subject to PMQA detailed assessment (note in 2018 both detailed and project level assessments were completed) and reported in the annual corporate PMQA report for the period January 1, 2018 to December 31, 2020.

Our sample included 75 in-scope projects (25 per year) out of a total of 115 in-scope projects for the period January 1, 2018 to December 31, 2020, with a total budgeted cost of $2.0B for all 75 projects.

Departments	2018	2019	2020
Community Services	6	6	5
Deputy City Manager's Office	1	9	9
Transportation	10	5	5
Utilities and Environment	8	5	5
Chief Financial Office	-	-	1
Total No. of Projects	**25**	**25**	**25**

The draft specified procedures report is included in Appendix A. We note that the exceptions identified through the completion of the specified procedures are minor.

Projects not reported in the annual corporate PMQA report:

Specified procedures completed on in-scope capital projects subject to PMQA project assessment for the period January 1, 2018 to December 31, 2020.

Our sample included 53 projects in total, of which 35 were net new projects (remaining 18 projects were also part of the 75 samples above) with total budgeted cost of $690M.

Department	2018	2019	2020
Community Services	6	-	-
Deputy City Manager's Office		1	2
Transportation	5	9	7
Utilities and Environment	1	11	9
Water	-	-	1
Chief Financial Office	1	**-**	**-**
Total No. of Projects	**13**	**21**	**19**

The draft specified procedures report is included in Appendix B.

Appendix A
Draft Specified Procedures Report

Accountant's Report

To the Audit Committee of The City of Calgary

As requested by the Audit Committee of The City of Calgary, we have performed the following procedures on the Project Management Quality Assurance Process ("PMQA") of the City of Calgary Corporate Project Management Framework ("CPMF") relating to capital projects for the period from January 1, 2018 to December 31, 2020:

For a selection of 75 projects (25 per year) subject to PMQA assessment and reported in the annual corporate PMQA report, which included both Detailed (assessment is completed by a qualified assessor independent of project team) and Project (assessment is completed by project manager) level assessments for fiscal 2018 and only Detailed level assessments for fiscals 2019 and 2020, we completed the following procedures:

1. *Obtained the completed detailed and/or project level PMQA assessment for each project and all supporting documentation and information required to complete the assessment for each project selected. Reviewed the completed PMQA assessment for each PMQA standard and related questions within the standard to confirm the assessment was completed for all established standards as per the CPMF requirements (yes/no/not required). We reviewed supporting documentation for "yes" assertions noted in the PMQA assessments to confirm the "yes' assertion.*

2. *Where variances ("no" assertion) were identified in the PMQA assessment (through either both the City's assessment and/or Deloitte's specified procedures), we followed up with appropriate individuals within the department and/or business unit and reviewed any additional supporting documentation to understand the reason for the variance.*

3. *Compared PMQA assessment results identified through Deloitte's procedures for each department to the annual corporate PMQA report to determine if assessment results are reported correctly in the annual corporate PMQA report.*

4. *Reviewed the PMQA action plans identified to determine if action plans as identified in a year were addressed in a subsequent year's assessment as part of project closure activities.*

5. *Reviewed projects that were subject to PMQA assessment and reported on over multiple years to verify if Project Change Control was continually followed on projects.*

As a result of applying the above procedures, we note the following results:

Procedure	Results
Procedures 1, 2 and 4	We found no exceptions.
Procedure 3	We found one project in the 2018 sample, where the assertions of "No" for 5 questions (from a total of 120 questions) were reported as Yes in the annual corporate PMQA Report. This project was subsequently reviewed in the 2020 sample, we found no exceptions in the 2020 sample.
Procedure 5	We found two projects in the 2019 sample, which were subsequently reviewed in the 2020 sample, for which alignment for 4 questions (total of 10 questions) for each project for Project Change Control changed from "Yes" in 2019 to "No" in 2020.

However, these procedures do not constitute an audit with the objective of expressing a separate opinion regarding the capital projects PMQA process and accordingly, we do not express an opinion on such information. Our procedures further may not necessarily reveal all material facts with respect to the capital projects PMQA process.

This report is intended solely for your use and is not to be referred to or distributed to parties other than the Audit Committee of The City of Calgary or The City of Calgary Administration.

Chartered Professional Accountants
July 5, 2021

Appendix B
Draft Specified Procedures Report

Accountant's Report

To the Audit Committee of The City of Calgary

As requested by the Audit Committee of The City of Calgary, we have performed the following procedures on the Project Management Quality Assurance Process ("PMQA") of the City of Calgary Corporate Project Management Framework ("CPMF") relating to capital projects for the period from January 1, 2018 to December 31, 2020:

For a selection of 53 projects subject to PMQA project level assessments, we completed the following procedure:

1. *Obtained the PMQA project level assessment for each project selected, reviewed the PMQA assessment to ensure the assessment was completed at the standard level as established by the PMQA process.*

As a result of applying the above procedures, we found no exceptions.

However, these procedures do not constitute an audit with the objective of expressing a separate opinion regarding the capital projects PMQA process and accordingly, we do not express an opinion on such information. Our procedures further may not necessarily reveal all material facts with respect to the capital projects PMQA process.

This report is intended solely for your use and is not to be referred to or distributed to parties other than the Audit Committee of The City of Calgary or The City of Calgary Administration.

Chartered Professional Accountants
July 5, 2021