



City of Calgary Audit Committee Meeting




ENMAX Corporation - Annual Report, Governance and Financial Insight

June 24, 2021

CITY OF CALGARY RECEIVED IN COUNCIL CHAMBER JUN 24 2021 ITEM: <u>7.1 AC2021-0941</u> <u>DISTRIBUTION</u> CITY CLERK'S DEPARTMENT



A Diversified Utility Company

Regulated	ENMAX POWER TRANSMISSION & DISTRIBUTION Regulated Wires Business 	Our Alberta-based regulated business responsible for the safe construction and reliable operation of the transmission and distribution system in and around Calgary.	Headquartered in Calgary, with operations across Alberta and Maine, ENMAX Corporation (ENMAX) is a leading electricity utility. ENMAX is a private corporation with The City of Calgary as its sole shareholder. Through its subsidiaries, ENMAX Power and Versant Power, ENMAX owns and operates regulated transmission and distribution utilities. These two subsidiaries safely and reliably deliver electricity to all Calgary homes and businesses and ~159,000 customers in Maine.
	VERSANT POWER TRANSMISSION & DISTRIBUTION Regulated Wires Business 	Our Maine-based regulated business responsible for the safe construction and reliable operation of the transmission and distribution system in northern and eastern Maine.	
Competitive	ENMAX ENERGY POWER SUPPLY RETAIL SERVICES Generation and Wholesale Mass Market & Commercial 	A competitive electricity generation and retail business that provides both electricity and natural gas to customers.	Through its competitive subsidiary, ENMAX Energy, ENMAX owns and operates 1,509 MW of generation and offers electricity and natural gas products to ~674,000 residential, commercial and industrial customers across Alberta.
<div> <div>~\$8.2B in total assets</div> <div>~\$3.5B regulated rate base</div> <div>~\$600-\$700M in EBITDA</div> <div>~2,000 employees</div> </div>			

Shareholder Value Proposition & Strategy

ENMAX has a roadmap in place that defines our mission, values, **Shareholder Value Proposition (endorsed by City Council as Shareholder in 2016)** and **strategic direction (reviewed with City Council as Shareholder in 2017, and regularly since)** to define what matters to us, how we work and where we are going.

Shareholder Value Proposition

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 City of Calgary economic, environmental and social goals

Enabled
Through



Strategic Direction



Continually improve our performance by optimizing our use of technology, capital, people and processes



Focus capital investment on growing and expanding our regulated utility asset portfolio and contracted cash flows

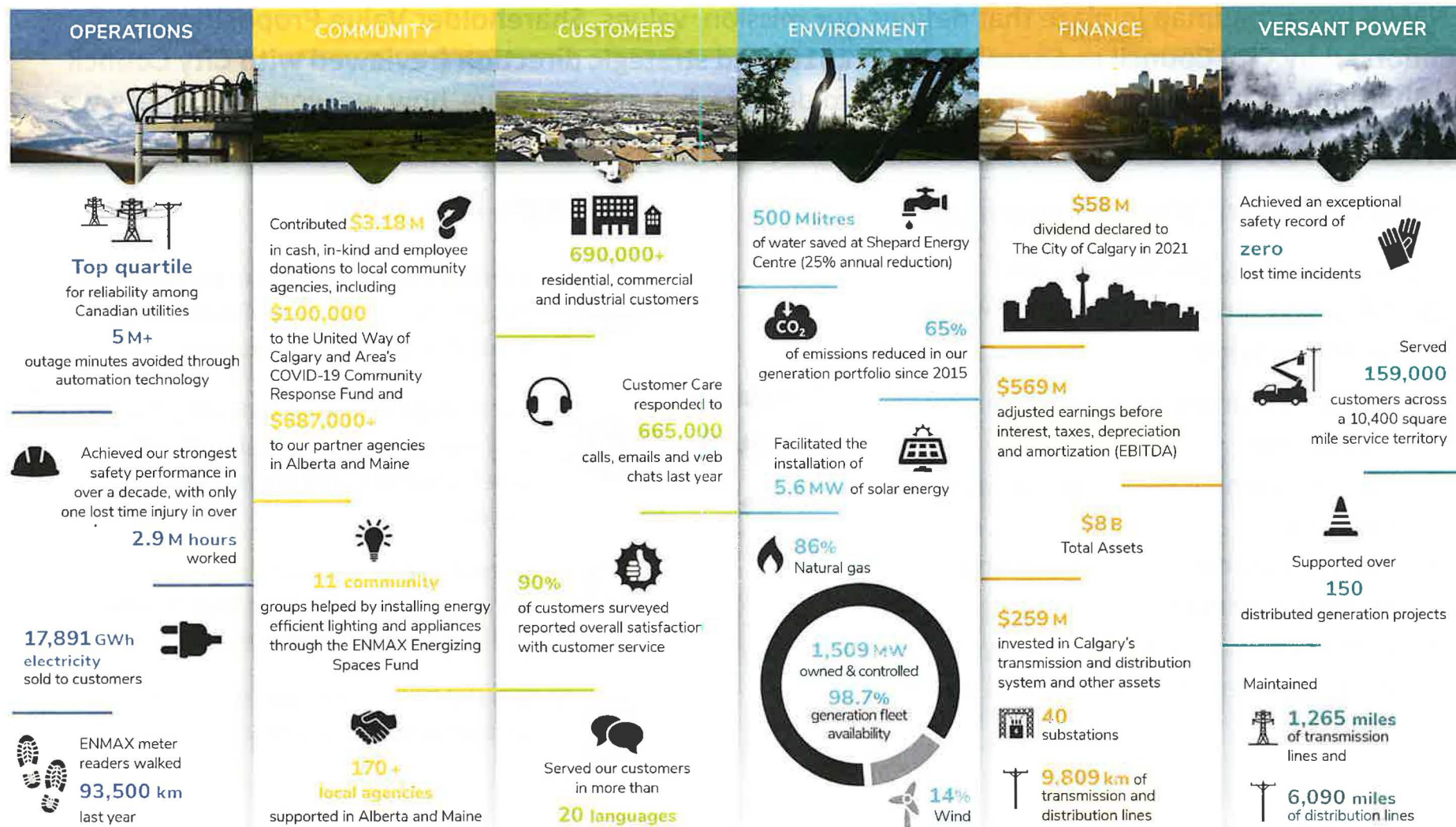


Pursue growth opportunities in services and businesses that reinforce our connection with the customer



Build on our municipal relationships and services experience

2020 Highlights



ENMAX's Governance Approach



In addition to publishing a broad range of governance documents and policies, ENMAX publishes its Annual Report on Corporate Governance and Compensation to all citizens each year.

All information is available on enmax.com and our 2020 Annual Report will be available on our website in tandem with our Annual Shareholder Meeting on June 29, 2021.

ENMAX Governance Role & Responsibilities

ENMAX's Shareholder

- ENMAX is a private corporation incorporated under the Alberta Business Corporations Act whose sole shareholder is The City of Calgary
- Calgary's City Council acts in the capacity of the Shareholder on behalf of Calgarians
- ENMAX does not receive funding from The City of Calgary—we generate our own revenue and profits, and maintain a separate financial standing and credit rating. Each year, ENMAX strives to pay a stable, predictable and growing dividend to the Shareholder consistent with the annual net earnings of ENMAX
- Rigorous Board selection and appointment process is guided by a skills matrix to ensure we have the director expertise and experience required to govern ENMAX effectively

Shareholder Engagement

- Ongoing communication and engagement with The City of Calgary is an integral part of ENMAX's philosophy of good governance
- We communicate with our Shareholder regularly on a variety of business matters, meeting quarterly in person and by phone, and convening a public Annual Shareholder Meeting and an in-camera meeting to review our forward business plans.
- The Chair of our Audit and Finance Committee meets with The City's Audit Committee annually

ENMAX Board of Directors

- Governed by a Board of Directors, comprised of industry, business and community leaders elected annually by Shareholder
- Accountable to the Shareholder to ensure we operate in a prudent and transparent manner that reflects ENMAX's commitment to accountability and corporate responsibility

ENMAX Board Role & Responsibilities

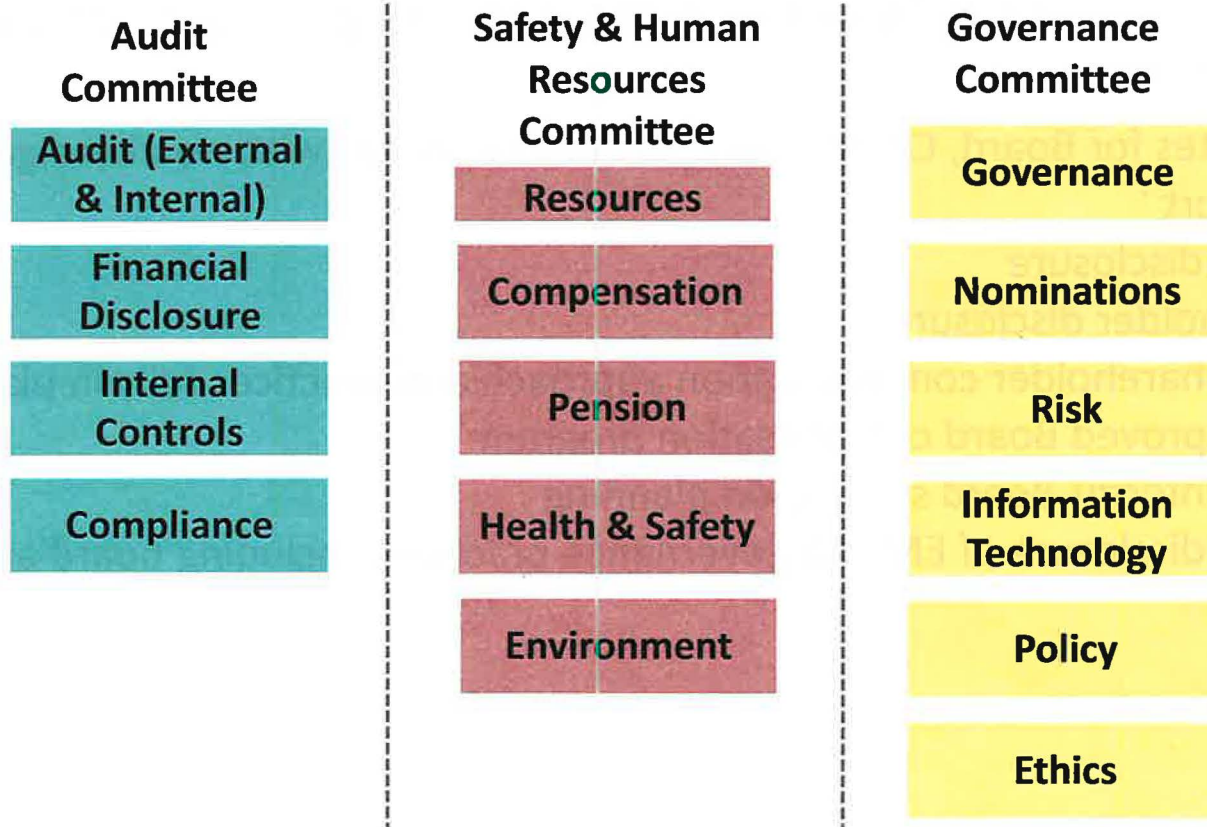
Accountable to City Council, the Board is composed of independent business and energy leaders that bring decades of experience to ENMAX (appointed annually at each AGM)

Under the Board's stewardship, ENMAX adheres to Canadian governance standards (in place for public corporations):

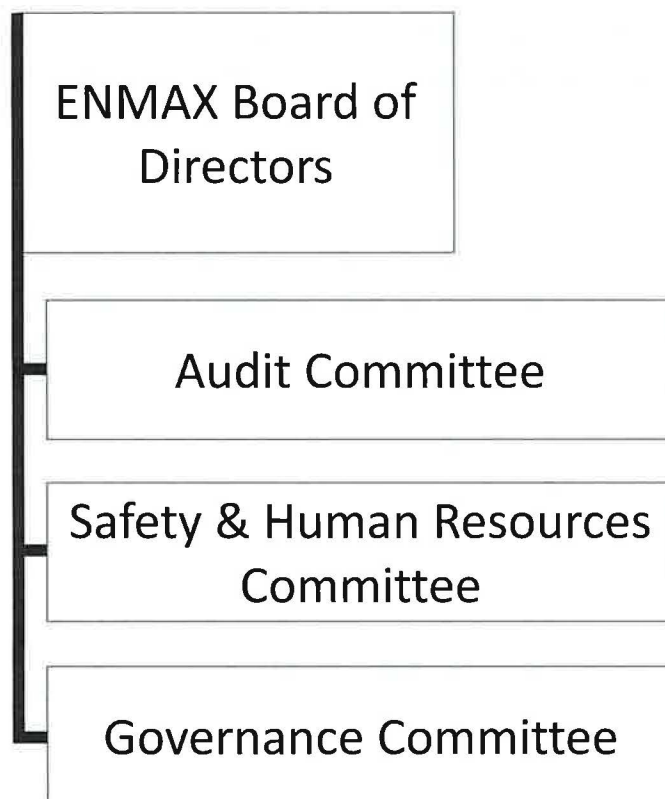
- Written mandates for Board, Committees reviewed annually with no new significant changes to report *
- Public financial disclosure
- Ongoing Shareholder disclosure
- 'No Surprises' Shareholder communication approach and practices fully in place
- Shareholder-approved Board compensation program
- Matrix of skills informs Board succession planning
- Ongoing public disclosure of ENMAX governance practices, including board and executive compensation **

ENMAX Board Governance

Three Committee Structure – in place since 2017



Board Oversight Practices



Rigorous Board Oversight

- **The Board and its Committees have publicly disclosed terms of reference.** The Board evaluates its performance annually as well as that of the President & CEO.
- **The Board meets at least five times per year** and receives **progress reports** from the CEO between meetings, as well as undertaking specialized **deep dive and educational sessions** on specific areas of ENMAX's business.
- **The Board reviews and approves an extensive range of matters annually**, including public Financial Reports, strategy execution and all aspects of business performance, while also setting **annual performance measures**.
- **Of note in 2020**, areas of special focus included monitoring ENMAX's **COVID-19 health and safety protocols**, its response to the **changed economic landscape in Alberta** and the **transition of ENMAX's President & CEO**.

ENMAX Board, Committee and Policy Information

The role of the Board of Directors is to act in the best interest of ENMAX Corporation and ensure we deliver our mandate. The President and CEO and executive team are responsible for the development of ENMAX's strategy and the day-to-day management of the organization. The Board oversees the performance of the CEO and executive and ensures sound systems are in place to manage our risks and operations. The Board, through engagement with the executive team, monitors ENMAX's approach to ethics, compliance with applicable laws and regulatory policies, environmental risks and obligations, health and safety performance, financial practices, and disclosure and reporting.

In support of our commitment to transparency and accountability, ENMAX discloses the mandates in place for the Board, its committees and its individual Directors, as well as the key policies that guide our commitment to good governance—our Principles of Business Ethics Policy and Disclosure and Confidentiality Policy.

These documents can all be found on the ENMAX website.












- ENMAX Board – Mandate
- Director – Mandate
- Audit Committee – Mandate
- Governance Committee – Mandate
- Safety and Human Resources Committee – Mandate
- Board Leadership Expectations
- Principles of Business Ethics
- Disclosure and Confidentiality Policy
- Board Diversity Policy

Environmental, Social & Governance Performance

With a strong track record of sustainable business practices and 14 years of sustainability reporting, ENMAX advanced a formal Environmental, Social and Governance (ESG) framework in 2021 and published a robust ESG report to stakeholders in May 2021. The report contains a full summary of our ESG performance and our forward objectives.





2020 Environmental, Social & Governance Report

Our Environmental, Social and Governance Report tells the story of our sustainability performance in 2020 and how we are preparing for the future.

FULL REPORT		DOWNLOAD 		
 EXECUTIVE SUMMARY	DOWNLOAD 	 ENVIRONMENT	DOWNLOAD 	
 SOCIAL	DOWNLOAD 	 GOVERNANCE	DOWNLOAD 	
APPENDICES		DOWNLOAD 	VERSANT POWER	DOWNLOAD 

ESG Areas of Focus and Commitments

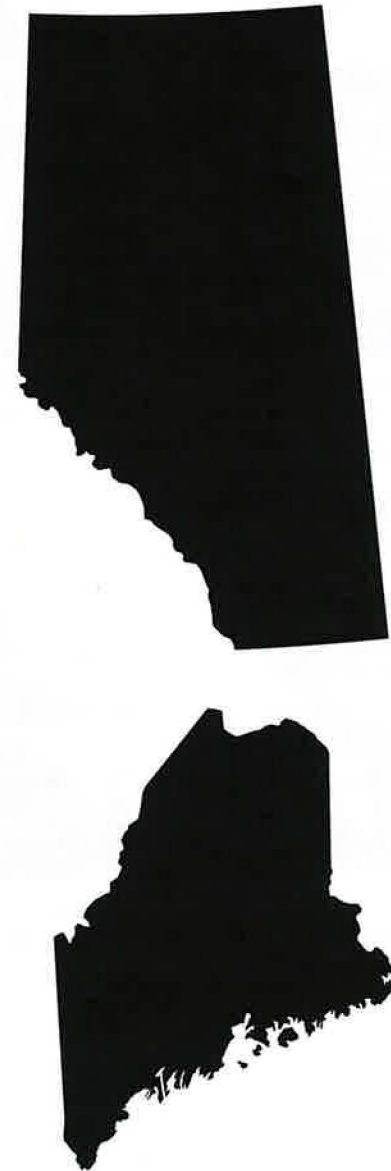
As part of our ESG report communications, we will work to advance stakeholder engagement and awareness around our key ESG areas of focus. These commitments and targets have already been embedded within our business operations, and tracking of our performance overall will be shared with the Board and throughout the organization over the year ahead.

	VISION	FOCUS	TARGETS
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.	<p>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:</p> <ul style="list-style-type: none"> ➤ 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, enable and capitalize on the opportunities presented by decarbonization, electrification and the adoption of distributed energy resources.	<ul style="list-style-type: none"> ➤ 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.	<ul style="list-style-type: none"> ➤ 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.	<ul style="list-style-type: none"> ➤ 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 by 40%. ➤ Deliver 1,000 energy saving kits to Albertans by 2022. ➤ By 2025, conduct 4 pilot projects to test programs or solutions that work towards removing barriers to energy access and affordability.

ENMAX Regulatory Environment

ENMAX has business units that are subject to utility regulation by (Alberta) Provincial and (Maine) State/US Federal regulators:

- **ENMAX Power** – the Alberta Utilities Commission (AUC)
- **Versant Power** – the Maine Public Utilities Commission (MPUC) and US Federal Energy Regulatory Commission (FERC)
- **ENMAX Energy** – most operations under “fair, efficient and open competition” regulations of Alberta competitive energy market and some portions subject to regulation by the AUC



Executive Leadership Team



Wayne O'Connor
President & CEO
(Joined June 22, 2020)



Preet Dhindsa
EVP & Chief Financial Officer
(Joined March 29, 2021)



Jana Mosley
SVP, ENMAX Power



Lonnie Enns
SVP, ENMAX Energy



John Flynn
President, Versant Power
(Joined November 30, 2020)



Erica Young
Chief Legal Officer and EVP,
Corporate Development



Brandie Yarish
SVP, People, Safety and
Culture and Chief Human
Resources Officer



Diana Stephenson
VP, Public Affairs and Sustainability

Gianna Manes resigned from ENMAX as President & CEO effective June 22, 2020

Helen Wesley resigned from ENMAX as CFO effective August 21, 2020

Davin Kivisto was Interim CFO effective August 22, 2020 to March 29, 2020

James McKee resigned from ENMAX effective October 31, 2020

Members of the Board



Greg Melchin
Board Chair



Wayne O'Connor
President & CEO
(Joined June 22, 2020)



Laura Formusa



Eric Markell



Elise Rees



Charles Ruigrok



Kathleen Sendall



Bruce Williamson
(Joined May 22, 2020)



William Taylor
(Joined May 22, 2020)



Richard Shaw
(Retiring June 29, 2021)

Members of the Audit Committee



Chair
Charles Ruigrok



(Ex-officio member)
Greg Melchin



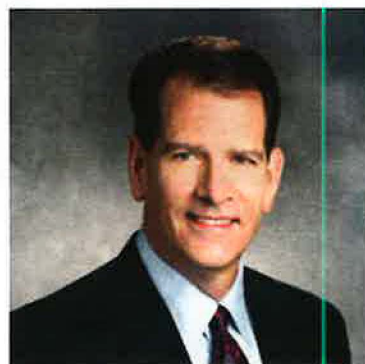
Laura Formusa



Elise Rees



Eric Markell



Bruce Williamson
(Joined May 22, 2020)



William Taylor
(Joined May 22, 2020)

ENMAX Director Skills Matrix

Key Skills	Laura Formosa	Eric Marshall	Gregory Melchin	Wayne O'Connor	Elise Rees	Charles Rudolph	Kathy Sandell	Richard Shaw	Bill Taylor	Bruce Williamson	
Commodities / Wholesale Electricity Trading		✓		✓					✓		
Community Building and Leadership	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Corporate Governance / Legal	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Customer Experience	✓			✓	✓	✓			✓	✓	
Electricity Utility Sector	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Energy Sector	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Environmental	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Financial	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Human Resources	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Political and/or Government	✓	✓	✓	✓	✓	✓	✓		✓		
Project Management, Engineering or Construction	✓	✓		✓	✓	✓	✓		✓		
Risk Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Technology	✓					✓					
Skill Area	Skill Descriptor	Skill Area									
Commodities / Wholesale Electricity Trading	Senior executive or consulting experience in commodity or whole electricity trade operations.	Environmental									
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 nonprofits and the public sector.	Financial									
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									
Customer Experience	Senior executive or consulting experience with retail-level customers in the utility industry or another customer-focused service industry.	Political and/or Government									
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).	Project Management, Engineering or Construction									
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 the regard (e.g. engineering degree).	Risk Management Technology									