ISC: UNRESTRICTED AC2016-0811 ATTACH 2

# **ENMAX CORPORATION**

City of Calgary's Audit Committee Meeting Thursday, October 20, 2016









# **ENMAX's Governance Approach**





# **Shareholder Role & Responsibilities**



 Documented mandate, direction and governance framework in place today – Corporate Bylaws, Unanimous Shareholder Agreement and Memorandum of Understanding with the City

### Shareholder Role & Responsibilities

- Appointment of Board and Auditor
- Approval of Annual Budget
- Transaction Approval (over \$75 million)
- Board Compensation Program Approval

### Annual Shareholder Meeting

- May Annual General Meeting purpose is to elect the Board and approve annual Financial Statements
- December In-Camera Meeting purpose is to receive Board recommendation on ENMAX's Operating Budget

#### AMENDED AND RESTATED BYLAW

A BYLAW RELATING GENERALLY TO THE TRANSACTION OF THE BUSINESS AND AFFAIR:

#### UNANIMOUS SHAREHOLDER AGREEMENT of the shareholder, The City of Calgary, with respect to the business and affairs of The Corporation

The City of Calgary, being the owner of all the issued shares of the Corporation, declares this Agreement to be a Unanimous Shareholder Agreement pursuant to the Act.

This Agreement replaces and superredus in its antirety the Unanimous Shareholds

#### MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING made as of the 12th day of June, 2001.

#### BETWEEN:

THE CITY OF CALGARY, a municipal corporation incorporated under the Municipal

Government Act (Alberta) (the "Shareholder")

and -

ENMAX CORPORATION, a body corporate incorporated under the Business Corporations Act (Alberta) (the "Corporation").

WHEREAS the Shareholder is the legal and beneficial owner of all of the outstanding shares of the Corporation;

AND WHEREAS the Parties wish to set forth the understandings they have reached in respect the manner in which certain aspects of the business of the Corporation will be undertaken.

NOW THEREFORE in consideration of the covenants and agreements herein contained herein, the Parties agree as follows:

### ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

"ABCA" means the Business Corporations Act (Alberta);

# **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
- Public financial disclosure
- 'No Surprises' communication policy
- Shareholder-approved Board compensation program
- Matrix of skills informs Board planning
- Ongoing public disclosure of ENMAX governance practices, including board and executive compensation



Shepard Energy Centre Board & Council Site Tour August 2013

### **Board Governance**



The ENMAX Board recently converted to a three committee structure to improve governance and efficiency. In addition, over the past year, one member of the Board retired (Jim Hankinson) and two members were added (Eric Markell and Elise Rees).

### **Three Committee Structure**

Audit Committee	Human Resources Committee	Governance Committee
Audit (External & Internal)	Human Resources	Governance
Financial Disclosure	Compensation	Nominations
Internal Controls	Pension	Risk
Compliance	Health & Safety	Information Technology
	Environment	Policy
		Ethics

The mandates for these committees are publicly disclosed on the ENMAX website along with key policies and governing documents.

## **Members of the Audit Committee**





Chair Charles Ruigrok Calgary



Sarah Morgan-Silvester Vancouver



Neil Camarta Calgary



Elise Rees Vancouver



Don Lenz Toronto



Richard Shaw Calgary



Eric Markell Bellevue, WA



(Ex-officio member)
Greg Melchin
Calgary

## **Executive Leadership Team and Shareholder Relations**





Gianna Manes
President and Chief Executive
Officer



Pat MacDonald Executive Vice President People, Communications, and Engagement



James McKee Executive Vice President, Technical Services



Erica Young

Executive Vice President, Regulatory
and Chief Legal Officer



Dale McMaster Executive Vice President, Power Delivery



Dave Rehn
Executive Vice President,
Competitive Energy



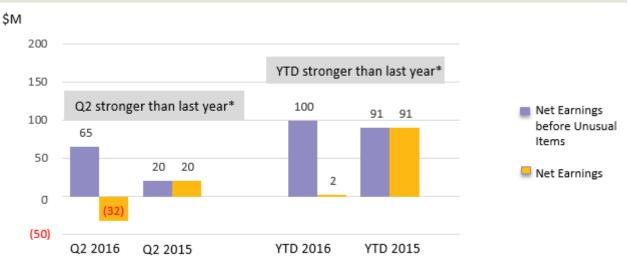
Helen Wesley
Executive Vice President and Chief
Financial Officer



Diana Stephenson Chief of Staff and Shareholder Relations

## **ENMAX Earnings Highlights – Q2 2016**





Relates to net earnings before unusual items.

The business environment remains challenging and uncertain for power producers in Alberta as the economy continues to struggle with persistently low oil and natural gas prices. Both demand and pricing were lower than expected, however, ENMAX's second quarter performance before unusual items was stronger than prior periods and budget. While there are numerous factors which largely offset each other, the majority of the outperformance can be attributed to unrealized mark to market (MTM) gains.

### Q2 2016 vs. Q2 2015

Net earnings before unusual items were \$65M. A net loss of \$32M was the result of a \$51.4M impairment resulting from the turn back of the Keephills Power Purchase Agreement (PPA) and the net \$46M tax re-statement. On a continuing operations basis, ENMAX performed better in the quarter vs. the same

period last year. Unrealized MTM gains in the quarter were \$28.3M vs. \$0.7M in the same quarter last year. In Q2 2015, supply costs were higher as a result of an outage at Shepard.

### YTD 2016 vs. YTD 2015

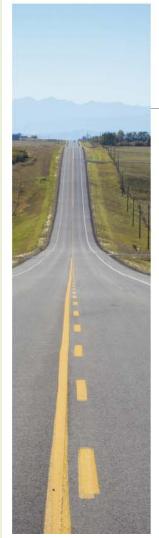
Excluding the positive impact of a \$9.3M increase in unrealized MTM gains on gas and electricity hedges, net earnings before unusual items are flat year-over-year.

### **Unusual Items**

During the second quarter of 2016, ENMAX reported several unusual items: the \$51.4M impairment related to the turnback of the Keephills PPA, and a \$46M net deferred tax asset writedown, neither of which had any cash impact.

# **Our Roadmap**





### **OUR ROADMAP**



To be Canada's leader in the electricity industry



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



### 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 and social goals



### THE BIG PICTURE

ENMAX's Vision, Mission, Values, Shareholder Value Proposition, ENMAX 20/20 and our Strategic Objectives form our roadmap.

This roadmap shows what matters to us, how we work and where we want to go.



### VALUES

SAFETY · Nobody gets hurt

INTEGRITY · Do what's right with courage

### **ACCOUNTABILITY**

Own it

· Act with others in mind

### TEAMWORK

· Together, we are better and stronger

### AGILITY

· Adapt and act

### INNOVATION

Aim high and create possibilities



### ENMAX 20/20

An internal initiative that helps us align and adapt to deliver on our Vision, Mission and Shareholder value proposition. Our 2016 activities cover three areas:

and conviction

- · Shape The Future
- · Drive Effectiveness and Profitability
- · Advance Culture and Engagement



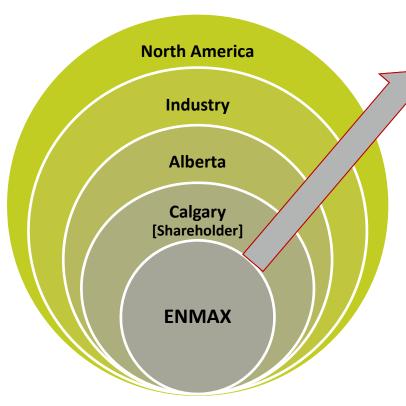
### STRATEGIC OBJECTIVES AND TACTICS

We will reinforce our resiliency and pursue smart growth by:

- · Focusing on optimization and continuous improvement
- · Continuing to grow organically, executing our wires capital plan and preserving generation options while exploring additional future growth opportunities
- · Building stakeholder engagement
- · Achieving financial, operational and regulatory performance goals (corporate and departmental) and maintaining a healthy balance sheet

# Strategic Framework: Proposed Objectives





Strategy Tactics Execution

Long Term Strategy + Smart choices + Executed well = VALUE

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### **Risk Profile in 2016**



ENMAX has experienced a change in several key risks over the last 12-24 months:

- The impact of carbon taxes
- Investment uncertainty emanating from policy changes
- Weak economic conditions

