

Shareholder Alignment Review of Wholly-Owned Subsidiaries Update and ENMAX Performance Measures

PURPOSE

To support effective shareholder governance of ENMAX Corporation (“ENMAX”), this report recommends performance measures to evaluate progress on the ENMAX Shareholder Value Proposition and recommends a process to further support the shareholder in its role. This report also provides an update on other ongoing work to support the ENMAX shareholder as directed in the Shareholder Alignment Review of Wholly-Owned Subsidiaries Report AC2021-1354 (“2021 Alignment Report”).

PREVIOUS COUNCIL DIRECTION

In 2021, Administration was directed to retain utility experts (“Independent Utilities Advisors”) to support the ENMAX shareholder and to collaborate with ENMAX to review and update the Shareholder Value Proposition to better align with City interests. On July 4, 2023, Council approved a new ENMAX Shareholder Value Proposition (“SVP”) and directed Administration to develop performance measures to assess the desired outcomes for the SVP.

RECOMMENDATIONS:

That Council:

1. Approve the performance measures contained in confidential Attachment 3 (“Performance Measures”);
2. Direct that prior to annual shareholder meetings with ENMAX, Administration:
 - a) Request the Independent Utilities Advisors to prepare a confidential expert report for a closed meeting of Council that includes information based on the Performance Measures; and
 - b) Request the Independent Utilities Advisors to attend the annual shareholder meetings; and
3. Direct that Attachments 1, 2 and 3 be held 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). **Review by: 2025 December 31.**
4. Direct that Attachment 4 be held confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party), 23 (Local public body confidences), 24 (Advice from officials), and 27 (Privileged information) of the *Freedom of Information and Protection of Privacy Act* (Alberta). **Review by: No review by date.**

CITY MANAGER/GENERAL MANAGER COMMENTS

City Solicitor & General Counsel Jill Floen concurs with the content of this report.

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HIGHLIGHTS

- Following ENMAX Board endorsement of the SVP, it was approved by Council on July 4, 2023. This report proposes Performance Measures to assess progress on the SVP for Council's review and approval.
- The SVP and Performance Measures were developed to maximize shareholder value and support the shareholder in its governance role.
- The direction to secure expert reports from Independent Utilities Advisors and their attendance at annual shareholder meetings enhances shareholder support.
- Work continues on the remaining recommendations in the 2021 Alignment Report, which is anticipated to return to Council through Audit Committee Q4 2024.

DISCUSSION

The 2021 Alignment Report contained recommendations to enhance alignment between The City and its wholly-owned subsidiaries. The 2021 Alignment Report contained recommendations regarding ENMAX, including an updated SVP, which was approved on July 4, 2023. In connection with that approval, Council directed Administration to develop performance measures to assess desired outcomes of the SVP.

Under the leadership of the Independent Utilities Advisors, meetings with ENMAX have occurred since Q3 2023 to develop the Performance Measures. Administration and the Independent Utilities Advisors are aligned on the Performance Measures detailed in Attachment 3. A report from the Independent Utilities Advisors regarding the Performance Measures is found in confidential Attachment 4.

Administration, with the assistance of the Independent Utilities Advisors, will create materials summarizing the Performance Measures on a regular basis. The materials will be provided to Council prior to ENMAX's annual meeting, accompanied by a report from the Independent Utilities Advisors. The Independent Utilities Advisors will also attend the annual and quarterly shareholders meetings. These resources will provide Council with the background and context of ENMAX's business, outline the significance of the various Performance Measures, and identify any potential areas of interest in preparation for the annual meeting.

As the sole shareholder of ENMAX, The City (through Council) determines the value it expects to receive from its investment in ENMAX. Council's approval of the SVP and the Performance Measures (as Council and not in its formal role as the shareholder) enables it (as a major investor in ENMAX) to make its expectations clear without running the risk of the SVP and Performance Measures being construed as operational direction to ENMAX from the shareholder. In approving the SVP and Performance Measures in this manner, Council is also creating a transparent and publicly accessible corporate record.

Administration is continuing to implement the direction contained in the 2021 Alignment Report. Details on Administration's progress are contained in confidential Attachment 2. In addition to this work, ENMAX has requested Administration to work together to review and revise ENMAX's corporate bylaws. Administration will undertake this work in conjunction with the remaining 2021 Alignment Report directions.

Completion of the 2021 Alignment Report directions is ongoing but progressing slower than planned due to competing demands from other matters such as Green Line and the Debt

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Capital Markets and Private Placement Program. Administration will return to Council in Q4 2024 with an update on Administration's progress.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | | | |
|--------------------------|---|-------------------------------------|---|
| <input type="checkbox"/> | Public engagement was undertaken | <input checked="" type="checkbox"/> | Dialogue with interested parties was undertaken |
| <input type="checkbox"/> | Public/interested parties were informed | <input checked="" type="checkbox"/> | Public communication or engagement was not required |

Administration and Independent Utilities Advisors extensively engaged with ENMAX's management on the development of the Performance Measures.

IMPLICATIONS

Social, Environmental, and Economic

The Performance Measures will provide Council and Administration with greater insight into the social, environmental and economic aspects of ENMAX's business and support for the shareholder in its governance role.

Service and Financial Implications – No anticipated financial impact.

RISK

The Performance Measures assist The City in assessing whether the desired outcomes of the SVP have been met and whether ENMAX remains an attractive investment. With the continued implementation of the 2021 Alignment Report directions, The City will continue to apply best practices in the governance of ENMAX.

ATTACHMENTS

1. Previous Council Direction, Background (Confidential)
2. Summary of EY ENMAX Recommendations (Confidential)
3. Shareholder Value Proposition Performance Measures (Confidential)
4. Advice from Independent Utilities Advisors on Performance Measures (Confidential)
5. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Jill Floen	Law Legislative Services & Security	Approve
Carla Male	Corporate Planning and Financial Services	Inform