

ISC: UNRESTRICTED

AC2017-0385

ATTACHMENT 2

ENMAX CORPORATION

City of Calgary's Audit Committee Meeting
Thursday June 22, 2017



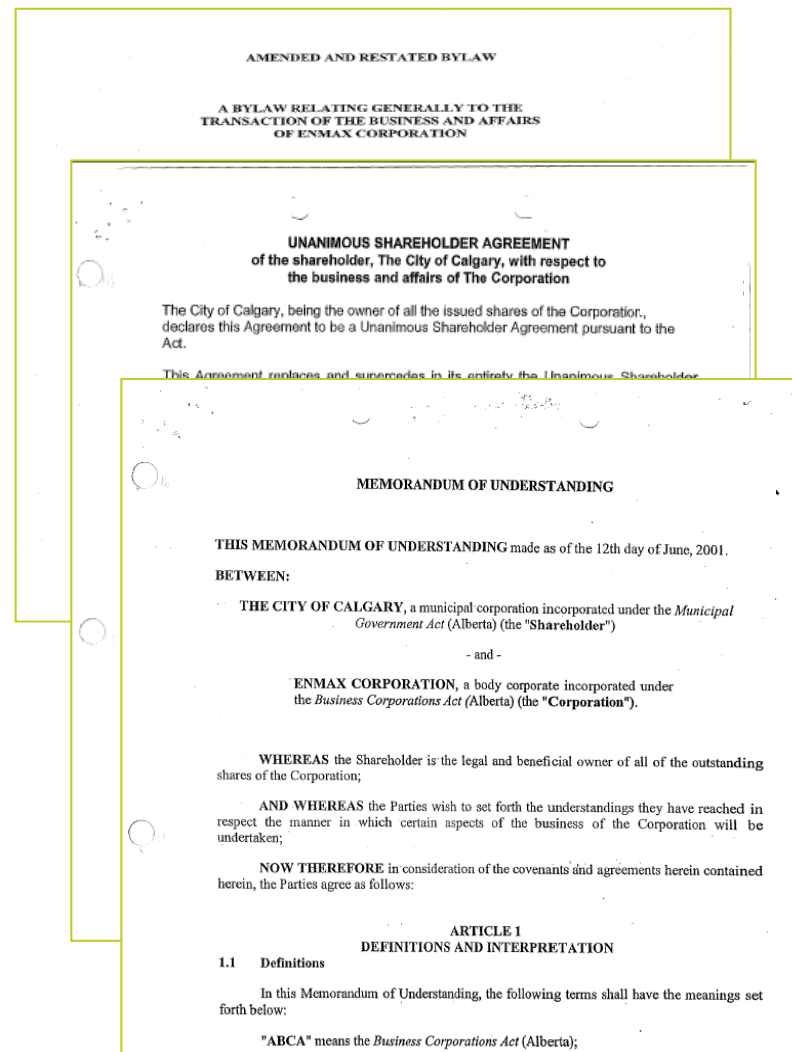
ENMAX's Governance Approach



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
 - Approval of Annual Auditor
 - 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 and approve Board recommendation on ENMAX's Operating Budget



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

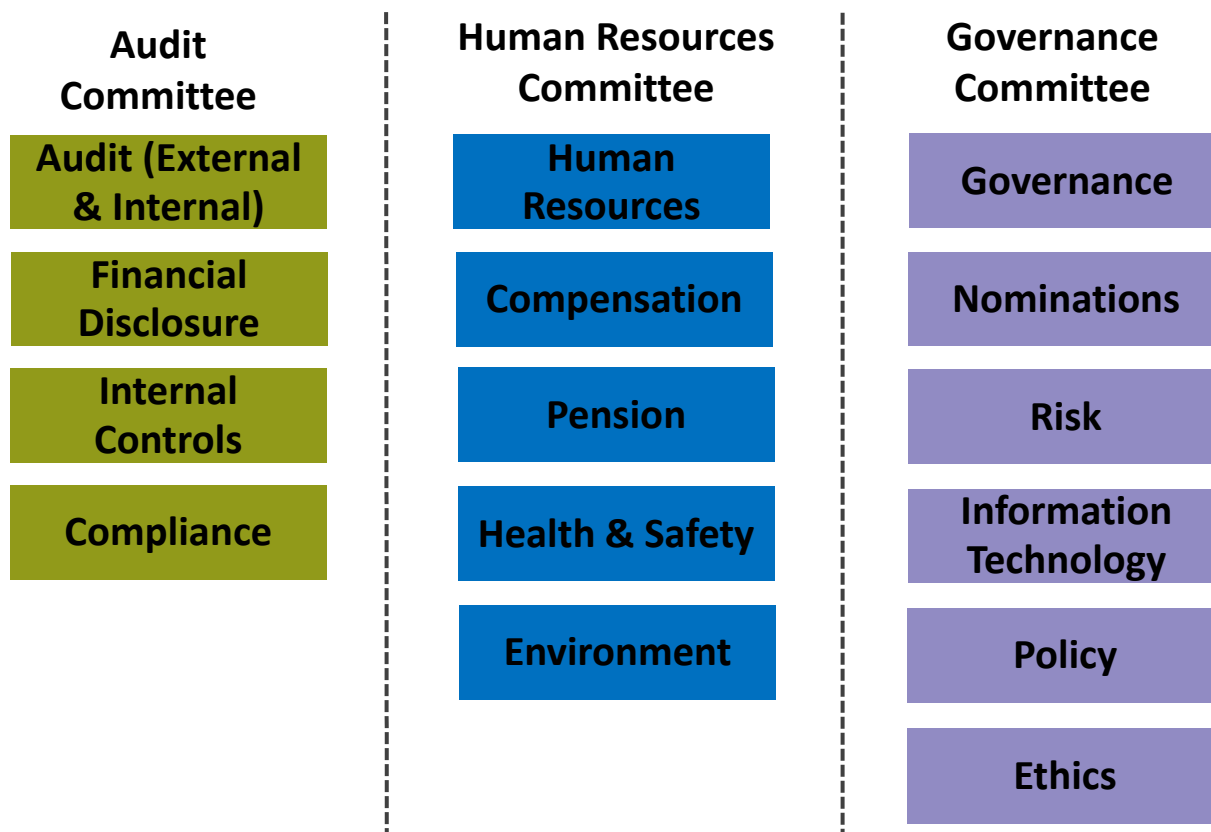


*Shepard Energy Centre Board & Council Site Tour
August 2013*

Board Governance



Three Committee Structure – new in 2017



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

Members of the Audit Committee



With the retirement of Don Lenz and the addition of Laura Formusa, the Audit Committee is now fully populated with qualified individuals.



Chair
Charles Ruigrok
Calgary



Sarah Morgan-Silvester
Vancouver



Neil Camarta
Calgary



Elise Rees
Vancouver



Laura Formusa
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



Lonnie Enns

Acting Executive Vice President,
Competitive Energy



Helen Wesley

Executive Vice President and Chief
Financial Officer

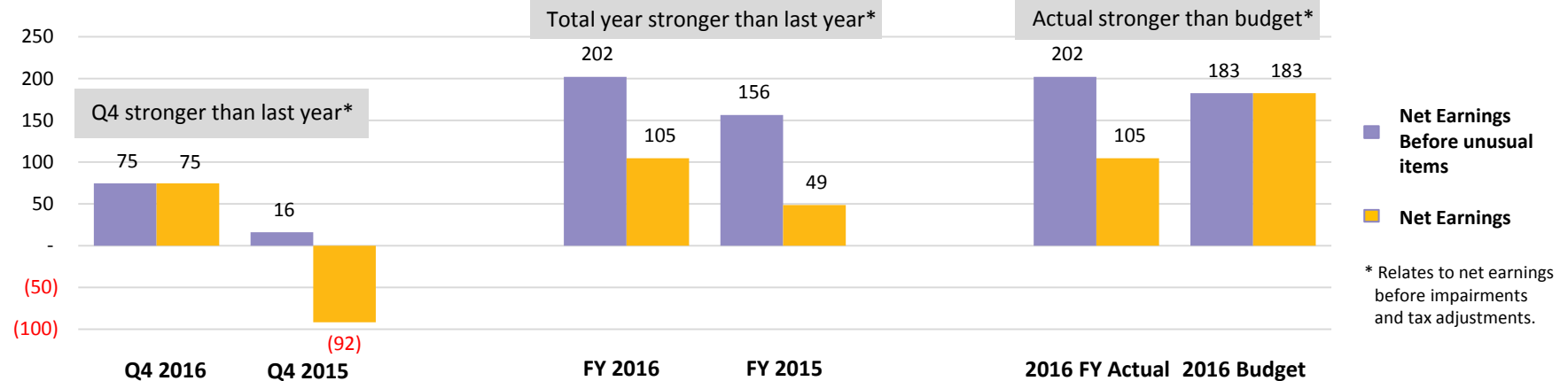


Diana Stephenson

Chief of Staff and Shareholder
Relations



Q4 Financial and Operational Highlights



Operational highlights:

In the quarter, both commodities hit their highest quarterly average for 2016, but spark spreads hit record lows, averaging \$0. Retail volumes remained challenged; Q4 retail fixed contract volumes were 2.4 Million MWH, 21% down from the same quarter last year and 27% lower than budget. The EPSC business continued its strong performance for the year.

In PD, reliability was strong, capital spending stayed on track with earlier patterns in the year, and PD actively managed financial and operational results to end the year on plan.

There were several regulatory announcements late in the quarter. The interim rate decision came in as budgeted, solidifying our revenue for 2016.

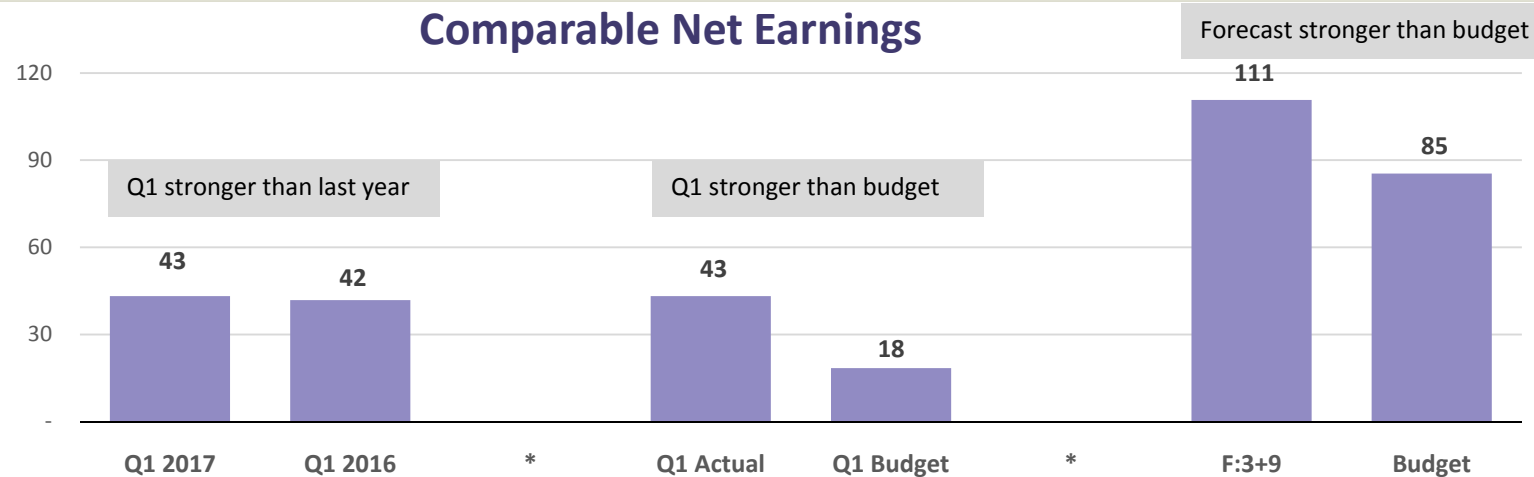
The BFirst project continues on track, ending 2016 with our full design work complete on time and in line with the full notice to proceed business case. Our first round of testing, early this year, has shown strong results.

Financial highlights:

Impairment: During the quarter no indicators existed for impairment and no testing was performed.

Hedge accounting: As signaled previously, we have been reviewing our natural gas hedges for effectiveness (gas purchases which are used to hedge gas sales) per accounting standards. Given we purchase natural gas to fuel our generation plants or we sell it back to the

Q1 Highlights - 2017



Comparable earnings in the first quarter were stronger than budget and on par with last year. Q1 2017 average power prices continued at near historic lows of \$22.38/MWh, with a spark spread of \$3.27/MWh and natural gas at \$2.55/GJ.

Relative to budget, ENMAX performed better than expected as Competitive Energy was able to capture opportunities in carbon offsets and wholesale markets, while Power Delivery achieved lower than budgeted OM&A rates.

Relative to 2016, retail contract volumes remain challenged as consumers seek cost savings through product comparison with competitors. Our full year forecast retail fixed contract volumes on residential and small commercial products are 1.9 Million MWh, or down 14% from Q1 2016 levels and 9% lower than budget as customers switch from fixed price to variable priced products. ENMAX is competing to retain and grow our customer base with competitive fixed price products and variable priced products.

The wholesale business was able to take advantage of market conditions to capture incremental value in the wholesale market. In addition, the Competitive business earned additional revenues through opportunistic transactions with carbon offsets.

Power Delivery reliability remains very strong, and capital spending is seeing pressure from projects delayed from 2016 and “reactive” programs, unplanned projects (e.g. asset replacement) that arise during the course of the year. PD continues to actively manage financial and operational results to end the year on plan.

Power Delivery is currently involved in regulatory proceedings for Capital Tracker, 2016-2017 Transmission Cost of Service and Distribution PBR Rebased. Decisions are expected on these prior to the end of the year.

On a full year basis, ENMAX is currently projecting to be ahead of forecast on the basis of lower than budgeted OM&A costs and operating margins mostly due to benefits achieved in the first quarter.

Our Roadmap



OUR ROADMAP



VISION

To be Canada's leader in the electricity industry



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



SHAREHOLDER VALUE PROPOSITION

Deliver a stable, predictable and growing dividend, enhance long-term value and provide:

- Industry leadership and corporate citizenship
- High standards of efficiency and customer service
- Safe, reliable products, goods and services
- Alignment with City of Calgary economic and social goals



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



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:

- 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



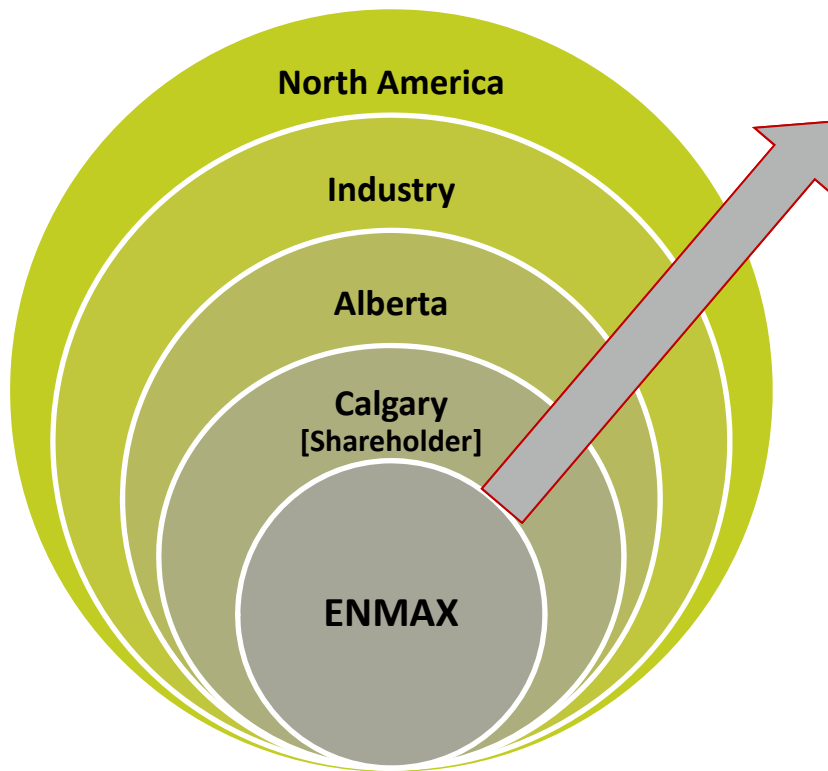
THE BIG PICTURE

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.

Note: Strategy work is currently underway, and these objectives will be updated.

2016 Strategic Framework: Proposed Objectives



ENMAX is currently undertaking a strategic review, reflecting significant changes in the electricity industry and the economic environment in Alberta. We expect to update the Shareholder in Q4 2017.



Strategic Objectives and Tactics

We will reinforce our resiliency and pursue smart growth by:

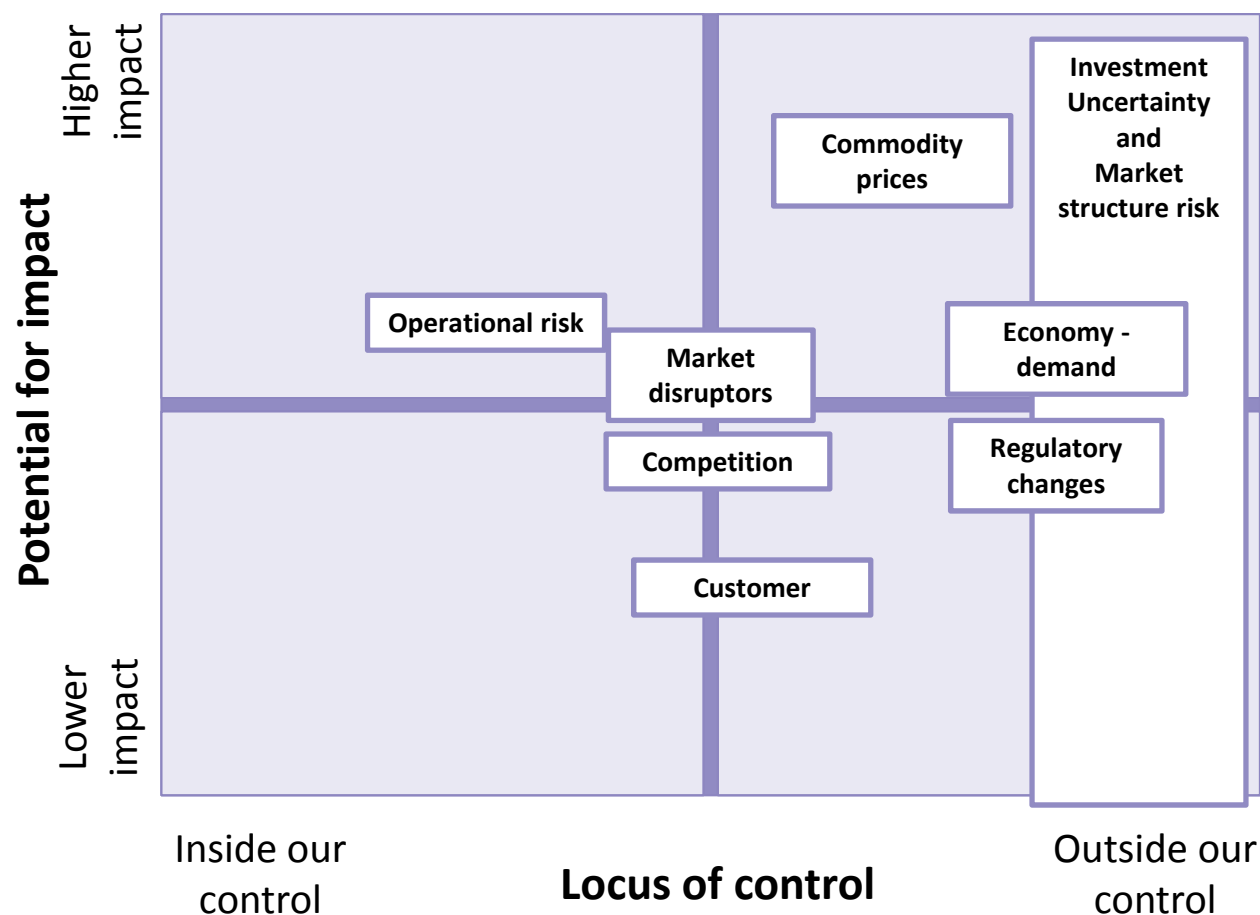
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Risk Profile in 2017



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



ENMAX's strategic review process underway take into consideration this changing risk profile relative to our Shareholder's expectations for a steady and growing dividend. More information will be shared as we complete the review of our strategic direction.