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FINANCIAL REVIEW

ENMAX 2016

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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 Management's Discussion and Analysis (MD&A), dated March 16, 2017, is a review of the results of operations of ENMAX Corporation and its subsidiaries (ENMAX or the Corporation) for the year ended December 31, 2016, compared with 2015, 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 mentioned.

ENMAX's Consolidated Financial Statements have been prepared in accordance with the 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.

Contents

BUSINESS OVERVIEW

ENMAX is a wholly owned subsidiary of The City of Calgary (The City), headquartered in Calgary, Alberta, Canada. ENMAX's vision is to be Canada's leader in the electricity industry through its mission of powering the potential of people, businesses and communities by safely and responsibly providing electricity and energy services in a way that matters to them now and in the future. ENMAX has a proud history of providing Albertans with electricity for over 100 years and continues to explore ways to improve the province's electricity system and provides progressive solutions for its customers.

In order to support the execution of the strategy in serving its customers, its shareholder and stakeholders, ENMAX took steps to streamline its organization in January 2016. The result is a leaner, more efficient operation that will ultimately benefit from the Corporation's cohesive strategy. Some of the benefits from these activities came in 2016, but the Corporation expects further leverage from these improvements for its business going forward.

ENMAX's core operations include the competitive generation and sale of electricity across Alberta through an operating segment named ENMAX Competitive Energy, and the regulated transmission and distribution of electricity in the City through an operating segment named ENMAX Power Delivery:

- ENMAX Competitive Energy carries out competitive energy supply and retail functions through various legal entities and affiliated companies. The ENMAX Competitive Energy integrated strategy is to provide customers with competitive energy products and services with a focus on longer-term fixed electricity contracts. These contracts link customer demand to ENMAX Competitive Energy's generating assets. Further, Competitive Energy manages risks and optimizes margin on market opportunities by managing dispatch, fuel supply, and market position. This strategy results in relatively stable margins, even during times of volatile or low wholesale electricity prices as experienced in 2016. Persistent low power prices will likely negatively impact revenues as longer-term fixed electricity contracts terms expire and renew at lower price. ENMAX Competitive Energy also includes ENMAX Power Services (previously under ENMAX Power) as well as ENCOMPASS Customer Care (previously under ENMAX Corporate).
- ENMAX Power Delivery owns and operates electricity transmission and distribution assets in the Calgary service area. The segment also has the legislated responsibility to provide electricity for customers who have not entered into a contract with a competitive electricity retailer and elected to stay with the Calgary Regulated Rate Option (RRO). ENMAX Power Delivery's objective is to safely and efficiently maintain the high reliability of its transmission and distribution system while meeting Calgary's infrastructure needs. In addition to safety and reliable delivery, cost and capital management continue to be a priority. Other priorities include minimizing regulatory earnings lag and updating critical technology as a platform for future initiatives. The regulated business segment, somewhat insulated from the economic climate of Alberta, provides a stable and predictable earnings base for ENMAX. The need to replace aging infrastructure leads to a growing rate base for the business.

ENMAX Corporate, both directly or indirectly through its subsidiaries, provides shared services and financing to ENMAX Competitive Energy and ENMAX Power Delivery.

Certain comparative figures have been reclassified to conform to the current period's presentation. The year ended December 31, 2016 financial results include results from the Keephills Power Purchase Arrangement (PPA) up to May 5, 2016, when ENMAX notified the Balancing Pool of the decision to terminate the PPA.

MARKET CONDITIONS

The Alberta economy continued to struggle in 2016, impacting both the competitive and regulated segments of ENMAX. The business environment for the competitive energy segment continues to be challenging as lower gas prices and low demand in 2016 continue to put downward pressure on power prices. Low demand growth is related to the general economic conditions in Alberta, which have been impacted by depressed oil prices. As power prices are influenced by gas prices, the wholesale price for power typically reflects the lower generation costs, particularly in a period of weak demand. During 2016, all of the Alberta coal-based PPAs were turned back to the Balancing Pool by the respective PPA buyers. The offer strategy of the Balancing Pool caused further downward pressure on market price. The PPA terminations situation is addressed in more detail in the Significant Events section of this document. While lower load growth and new build has diminished for the Power Delivery segment, the need to replace an aging infrastructure has somewhat mitigated the impact to ENMAX Power Delivery.

On March 8, 2016, the Government of Alberta introduced Bill 27, the *Renewable Electricity Act*, which provides some detail regarding implementation of its Climate Leadership Plan. Details regarding potential online dates of new generation and particulars of the procurement program, expected to be launched in 2017, are not yet certain. On November 3, 2016, the Government announced support for the Renewable Electricity Program, intended to encourage development of 5000 MW of renewable electricity capacity to the Alberta grid by 2030. The first competition for contracts of up to 400 MW is to take place in 2017 and must be operational by 2019. On November 22, 2016, the Government announced the introduction of an electricity rate cap, to be implemented from June 2017 to June 2021 to ensure Albertans who have not entered into contracts pay no more than 6.8 cents per kilowatt hour. On November 23, 2016, the Government announced the introduction of capacity pricing into Alberta's market design. The expected implementation date is by 2021, allowing consultations over the next two to three year period between Alberta market stakeholders and Alberta Electric System Operator. The Alberta power market continues to be in a state of uncertainty in the longer-term horizon.

ENMAX's unique vertically integrated business model, which includes making, moving and marketing electricity, has positioned the Corporation well in these difficult and uncertain circumstances.

OVERALL FINANCIAL PERFORMANCE

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Year ended December 31 (millions of dollars)	2016	2015
Total Revenue	**2,801.0**	3,065.7
Adjusted EBITDA [1]	**460.8**	442.2
EBIT [1]	**225.0**	76.0
Comparable Net Earnings [1]	**125.5**	147.1
Net Earnings	**104.6**	48.7

(1) Non-IFRS financial measure. See discussion that follows in Non-IFRS Financial Measures section.

ENMAX's net earnings for the year ended December 31, 2016 increased by $55.9 million from 2015. The primary drivers for stronger 2016 results were as follows:

- ENMAX Competitive Energy – the Competitive Energy segment succeeded in adapting the business for the challenging market conditions and delivered stronger earnings in 2016 through its integrated strategy. These actions included:
    - Turning back coal PPAs, made unprofitable or more unprofitable due to changes in law, and increasing the flexibility of the generation portfolio cost base
    - Resetting hedge strategy
    - Managing cost and capital spending
- ENMAX Power Delivery – the regulated business's continued growth is underpinned by steady growth in rate base and customer sites that is a result of the City's growth and need to replace aging infrastructure. Power Delivery is actively pursuing its regulatory agenda to minimize regulatory earnings lag. Increases in 2016 earnings reflect the interim capital tracker and interim performance-based regulation (PBR) rate adjustment decisions that were both received in December for Distribution Access Service (DAS). Cost containment and efficiency strategies further contributed to the stronger earnings of Power Delivery in 2016.
- ENMAX Corporate – the slight decrease in earnings was due to a non-capital IT Software as a Service (SaaS) project executed during 2016. The Corporation expects process and cost efficiency to be leveraged from these critical technology investments following go-live in mid-2017.

ENMAX closed the year with a strong balance sheet despite challenging market conditions. ENMAX's balance sheet and cash flow enable the Corporation to continue to achieve growth and profitability in the 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 fluctuating commodity prices, timing of receipt of regulatory decisions, the performance and retirement of existing generation facilities and the addition of new generation facilities.

SIGNIFICANT EVENTS

PPA TERMINATIONS

The Corporation notified the Balancing Pool of its decisions to terminate the Battle River 5 PPA and the Keephills PPA effective January 1, 2016 and May 5, 2016, respectively. As a result of these decisions, the Corporation recorded non-cash impairments of $144.4 million in December 2015 and $51.4 million in May 2016.

The Balancing Pool confirmed the Corporation's termination of the Battle River 5 PPA on January 27, 2016 and assumed full and final operational control of the PPA on July 13, 2016. The Balancing Pool and the Corporation differ in opinion as to the effective date of the termination; the Corporation's position is that the effective date is January 1, 2016. The dispute between the Balancing Pool and the Corporation regarding the effective date of termination of the Battle River 5 PPA is currently before the Court of Queen's Bench.

On July 25, 2016, the Attorney General of Alberta filed an application with the Court of Queen's Bench seeking (1) judicial review of the Balancing Pool's decision to accept the Battle River 5 PPA termination and (2) declaratory relief regarding the validity and interpretation of certain terms within the PPAs and related regulations (Alberta Application). ENMAX PPA Management Inc., an affiliate of ENMAX, is a named respondent in the Alberta Application.

On September 16, 2016, the Balancing Pool notified the Corporation that it would not be completing its investigation of the Keephills PPA until a decision has been made by the Court on the Alberta Application.

On November 9, 2016, the Corporation filed an application seeking summary dismissal of the Alberta Application. No date has yet been scheduled for the hearing of the summary dismissal application or the Alberta Application.

The Government of Alberta has entered into settlement agreements with the other PPA buyer companies named in the Alberta Application and the Alberta Application has been discontinued against those companies.

Notwithstanding the recent settlements, ENMAX strongly believes in its legal position to turn back both its Battle River 5 PPA and its Keephills PPAs. With respect to the Alberta Application, ENMAX will continue to monitor and review the situation, and will take all steps necessary to defend its position, but at this time no provisions have been ascribed to this legal action.

DIVIDEND

On March 16, 2017, the Corporation declared a dividend of $48.0 million payable to The City in quarterly instalments throughout 2017.

ENMAX COMPETITIVE ENERGY BUSINESS AND UPDATE

ENMAX Competitive Energy is an operating segment established to carry out competitive energy supply and retail functions through various legal entities and affiliated companies. ENMAX Competitive Energy also includes ENMAX Power Services as well as ENCOMPASS Customer Care.

ENMAX Competitive Energy's core strategy is to grow its customer base across Alberta and invest in power generation facilities required to serve its electricity customers. ENMAX Competitive Energy supplies electricity through its own wind and natural gas-fuelled generation facilities. Energy portfolio requirements are balanced through the purchase and sale of electricity and natural gas from and into Alberta wholesale markets. ENMAX Competitive Energy provides customers with competitive energy products and services with a focus on longer-term fixed electricity contracts. These contracts link customer demand to ENMAX Competitive Energy's generating assets, which results in relatively stable margins, even during times of volatile or low wholesale electricity prices.

ENMAX Competitive Energy's 2016 generation portfolio underwent significant change from 2015 upon the termination of the PPAs, which were made unprofitable or more unprofitable due to changes in law. The flexibility of the generation portfolio cost base has been increased. Market and other factors are considered to determine whether ENMAX Competitive Energy will use market procurement or its generation capacity to fill its customer demand.

As at December 31, 2016, ENMAX Competitive Energy's capacity ownership interest was 1,614 megawatts (MW) of electricity generation to supply customer demands (down from 2,380 MW as at January 1, 2016, reflecting the termination of the Keephills PPAs on May 5, 2016). The remaining power and natural gas required to meet ENMAX Competitive Energy's consumer electricity and natural gas demand is acquired through the competitive wholesale power and natural gas markets. During times when ENMAX Competitive Energy has excess generation capacity, it sells the energy to the market; when it requires power to meet its retail or wholesale customer needs, it purchases the energy from the market.

In 2016, Alberta's average flat pool price was 45.4 per cent lower than 2015; however ENMAX Competitive Energy's 2016 electricity margins of $369.0 million were $6.0 million (1.6 per cent) less than 2015 electricity margins of $375.0 million. Competitive Energy's integrated strategy and decisions related to its cost base largely insulated this operating segment's results from the Alberta spot market. Strategic management of the portfolio related to the optionality of the asset portfolio enabled ENMAX Competitive Energy to capitalize upon lower power and natural gas prices in 2016, this largely offset the impact of decreased power demand and prices in Alberta.

Looking forward, ENMAX Competitive Energy's results will be affected in the near-term by the weak business environment in Alberta and the oversupply of electricity in Alberta's power market. Significant capital commitments will be deferred until there is more clarity regarding Alberta's electricity market structure.

KEY BUSINESS STATISTICS

	2016	**2015**
Plant availability (%) [1]	**90.81**	94.79
Average flat pool price ($/MWh)	**18.25**	33.41

[1] Plant availability includes planned maintenance and forced outages.

Plant availability was lower during 2016 because of planned outages at four gas generating facilities.

During 2016, the average flat pool power price decreased significantly from 2015 levels. The economic downturn in the Alberta economy combined with lower demand due to warmer weather and lower gas prices (which drove down generation costs), are factors leading to lower realized power prices in the Alberta power market. Additionally, all of the Alberta PPAs have now been turned back to the Balancing Pool by the respective PPA buyers. The offer strategy of the Balancing Pool caused downward pressure on market price.

Spark spread, which represents the notional gross margin of a gas-fuelled power plant from selling a unit of electricity, decreased in 2016 to an average of $2.83/Megawatt hour (MWh) from a 2015 average of $14.19/MWh. The decrease in average natural gas price to $2.06/Gigajoule (GJ) in 2016 from $2.56/GJ in 2015 did not offset the decrease in average flat pool power prices that resulted in the decrease in spark spread compared to the prior year.

ENMAX POWER DELIVERY BUSINESS AND UPDATE

ENMAX Power Delivery's highest priority is providing safe, reliable and efficient delivery of electricity to Calgarians.

ENMAX Power Delivery continues to invest in its electricity transmission and distribution system infrastructure to meet Calgary's growing 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 include capacity upgrades to existing substations, new substations and transmission lines to deliver reliable electricity to meet Calgary's growing demand.

ENMAX Power Delivery submits applications to the Alberta Utilities Commission (AUC) to request the approval for the need to construct or replace transmission utility related facilities, to set rates, or allocate costs related to the operation of providing electric energy-delivery related services to Calgarians.

Power Delivery actively pursues its regulatory agenda to ensure timely approval of funding for the Distribution and Transmission business. As a result, the interim capital tracker and interim PBR rate adjustment decisions were both received in December for DAS that increased the 2016 earnings. Effective cost management, achieved through rigorous management of staffing levels, efficiency programs and asset management programs contributed to increased earnings by lowering operating expenses.

- In September 2016, ENMAX Power Delivery filed a Capital Tracker application seeking approval for a 2015-2017 distribution capital program that will recover capital related costs (interest, depreciation and return) on distribution capital (referred to as the "K" factor) for 2015-2017. If successful, ENMAX Power Delivery would receive approval to collect approximately $50.0 million of capital-related costs over the three-year period. ENMAX Power Delivery expects to receive a final decision on this application in 2017.
- In October 2016, the AUC approved ENMAX Power Delivery's 2016-2017 equity ratio of 37.0 per cent as a placeholder and required it to file an application for approval of its equity ratio on a final basis.
- On November 30, 2016, ENMAX Power Delivery filed an application requesting approval of a 37.0 per cent deemed equity ratio for its distribution and transmission functions for 2016 and 2017 on a final basis. A decision is expected to be issued in mid-2017.
- On December 9, 2016, ENMAX Power Delivery filed an application with the AUC seeking approval of Transmission Revenue Requirements of $75.2 million and $81.9 million for 2016 and 2017, respectively. ENMAX Power Delivery expects that a decision on this application will be issued in 2017.
- On December 16, 2016, the AUC issued a decision with respect to the AUC-initiated proceeding to establish parameters for the next generation of performance-based regulation plans ("Next Generation PBR"). This decision determined the parameters that ENMAX Power Delivery must use to formulate a notional 2017 revenue requirement that will serve as the basis for going-in DAS rates for the 2018-2022 PBR term, as well as the DAS rates during the term. ENMAX Power Delivery must submit its compliance filing to this decision with the AUC by March 31, 2017.
- On December 22, 2016, the AUC released a decision approving ENMAX Power Delivery's 2017 interim DAS rates application as filed. These rates were approved on an interim basis with an effective date of January 1, 2017, which provides for 2017 revenue of $226.4 million. The decision included interim approval of $31.4 million (60.0 per cent of the applied for capital tracker revenue and DAS true-up), of which $14.9 million pertaining to 2015 and 2016 capital tracker and DAS true-up was recognized in 2016.

ENMAX Power Delivery's continued efforts to reduce regulatory lag, promote cost efficiencies and focus on prudent capital expenditures provide a solid rate base for current and future earnings.

KEY BUSINESS STATISTICS

	2016	2015
Distribution volumes (GWh)	**9,295**	9,454
System average interruption duration index (SAIDI) [1]	**0.38**	0.54
System average interruption frequency index (SAIFI) [2]	**0.59**	0.77

[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 the Calgary service area for 2016 was slightly lower than the prior year. The decrease was primarily due to lower demand as a result of a relatively warm winter and the state of the economy in Calgary.

ENMAX has consistently been one of the most reliable transmission and distribution utilities in Canada for many years. Both the system average interruption frequency index (SAIFI) and the system average interruption duration index (SAIDI) improved considerably year over year.

ENMAX FINANCIAL RESULTS

EARNINGS BEFORE INTEREST AND INCOME TAXES (EBIT) COMPARED WITH THE SAME PERIOD IN 2015

(millions of dollars)	ENMAX Competitive Energy	ENMAX Power Delivery	ENMAX Corporate	Consolidated
EBIT[1] for the year ended December 31, 2015	(7.0)	81.1	1.9	76.0
Increased (decreased) margins attributable to:				
Electricity	(6.0)	1.7	0.9	(3.4)
Unrealized mark-to-market gain[2]	21.2	-	-	21.2
Natural gas	1.9	-	-	1.9
Transmission and distribution	-	16.0	-	16.0
Contractual services and other	8.4	3.9	1.7	14.0
Decreased (increased) expenses:				
Operation, maintenance & administration[3]	(2.0)	10.9	(0.7)	8.2
Foreign exchange (FX)	(17.7)	0.1	(0.4)	(18.0)
Amortization	21.0	(6.7)	(0.5)	13.8
Impairment	95.3	-	-	95.3
EBIT for the year ended December 31, 2016	115.1	107.0	2.9	225.0

[1] EBIT is a Non-IFRS measure. See Non-IFRS Financial Measures.
[2] Mark-to-market gains (unrealized) on non-hedged derivatives primarily used as economic hedges for the costs of electricity.
[3] Normalized to exclude impact of intercompany transactions with no consolidated impact.

Electricity margins, for the year ended December 31, 2016 decreased $3.4 million or 0.9 per cent compared to the prior year. In light of a $269.6 million or 14.0 per cent decrease in electricity revenue, the 0.9 per cent decrease in margin reflects the success of ENMAX Competitive Energy's strategy. The decrease in revenue was primarily due to lower consumption volumes on retail contracts as a result of lower economic activity, as well as the impact of contract renewals at lower prices influenced by lower forward power pool prices. The lower electricity and gas prices fuelled by the difficult economic conditions were largely offset by lower portfolio supply and effective economic hedging activities.

Unrealized mark-to-market gains increased $21.2 million for the year ended December 31, 2016 compared to 2015. These unrealized mark-to-market gains relate to fair value revaluation of multi-year derivatives used as economic hedges for the costs of electricity. The favorable variances in the year primarily resulted from an increase in long-term forward prices on forward gas hedge contracts entered into by the Corporation.

Natural gas margins for the year ended December 31, 2016 increased $1.9 million or 4.0 per cent compared to the prior year. The increase is primarily due to increased site acquisitions and higher transaction fees partially offset by lower sales volume as a result of milder temperatures in 2016.

For the year ended December 31, 2016, transmission and distribution margins increased $16.0 million or 5.9 per cent despite low load growth. The favourable margin was due to interim capital tracker and interim PBR rate adjustments decisions received in December for DAS.

For the year ended December 31, 2016, contractual services and other margin increased $14.0 million or 18.9 per cent compared to the prior year. The year-to-date stronger margin was primarily due to a greater proportion of higher margin contracts and a one-time construction performance incentive received in 2016.

Operation, maintenance and administration (OM&A) for 2016 decreased $8.2 million or 2.3 per cent from the prior year due to staff headcount reductions, reduced contractor cost through increased internal staff resourcing of projects, and the review and refinement of the internal labour charge-out rates. These cost savings were partially offset by an increase in IT SaaS project expenditures incurred during the year; the cost of which cannot be capitalized under International Financial Reporting Standards (IFRS).

For the year ended December 31, 2016, a net foreign exchange gain of $1.5 million was recognized compared to a gain of $19.5 million in the year ended December 31, 2015. Foreign exchange gains or losses were primarily the result of long-term service agreements denominated in foreign currencies as well as associated foreign exchange hedges.

Amortization expense for the year ended December 31, 2016 was $215.0 million compared with $228.8 million in 2015. The decrease in expense was primarily due to the reduction in PPA amortization.

Impairment charges decreased by $95.3 million which was primarily related to termination of the PPAs. The impairment of Keephills PPA of $51.4 million in 2016 was significantly less than the impairment of Battle River 5 PPA of 144.4 million in 2015. The remaining difference was due to other impairment charges in 2015.

OTHER NET EARNINGS ITEMS

Finance charges for the year ended December 31, 2016 were $6.2 million or 9.0 per cent higher compared to prior year due to a decrease in capitalized interest costs as Shepard became operational in March 2015.

In 2016, the Corporation reduced a portion of its deferred tax assets to a level for which it estimates the benefit will likely be realized in the future as it takes into account the deductibility of the temporary differences.

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 are reviewed at the end of each reporting period. For the year ended December 31, 2016, management adjusted the income tax provision utilizing its best estimate with considerations including management's 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 the various tax disputes.

OTHER COMPREHENSIVE INCOME

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 period revenues and expenses as well as re-measurement gains and losses on pension retirement benefits.

For the year ended December 31, 2016, OCI had total losses of $65.5 million, compared with gains of $25.4 million for the same period in 2015. The OCI losses partially reflected the unfavorable fair value changes in electricity and commodity positions. The remaining OCI losses related to change in re-measurement gains and losses on retirement benefits, which correlates with changes in discount rate assumptions. A decrease in discount rate assumptions as at December 31, 2016 resulted in re-measurement losses, whereas an increase in discount rate as at December 31, 2015 resulted in re-measurement gains.

NON-IFRS FINANCIAL MEASURES

The Corporation uses adjusted earnings before impairment, unrealized mark-to-market loss (gains) on commodities, interest, income taxes, depreciation and amortization (adjusted EBITDA); earnings before interest and income taxes (EBIT); and, funds from operations (FFO) 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, except otherwise noted.

Adjusted EBITDA

Year ended December 31 (millions of dollars)	2016	2015
Adjusted EBITDA (non-IFRS financial measure)	**460.8**	442.2
Deduct:		
Depreciation and amortization	**214.9**	228.8
Finance charges	**74.9**	68.7
Income tax expense (recovery)	**45.5**	(2.4)
Comparable net earnings (non-IFRS financial measure)	**125.5**	147.1
Impairment	**51.4**	146.7
Income tax (recovery) on impairments	**-**	(39.0)
Unrealized mark-to-market gain on commodities	**(30.5)**	(9.3)
Net earnings (IFRS financial measure)	**104.6**	48.7

Adjusted EBITDA is 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 in various business jurisdictions. Adjusted EBITDA is also used to evaluate certain debt coverage ratios. During Q4 2016, the Corporation changed Adjusted EBITDA to add the adjustment for unrealized mark-to-market gains and losses on commodities. Unrealized mark-to-market gains and 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 and losses do not reflect actual gains and losses that will be realized on settlement. As a result, the Corporation does not consider them reflective of underlying operations for the period presented. The issue is that the generation capacity or future sales to customers are not mark-to-market which creates an earnings mismatch.

EBIT

Year ended December 31 (millions of dollars)	**2016**	**2015**
Operating profit (IFRS financial measure)	**223.9**	119.1
Adjustments for rate-regulated activities	**1.1**	(43.1)
EBIT (non-IFRS financial measure)	**225.0**	76.0
Deduct:		
Finance charges	**74.9**	68.7
Income tax expense (recovery)	**45.5**	(41.4)
Net earnings (IFRS financial measure)	**104.6**	48.7

EBIT is a useful measure of business performance, as it provides an indication of the operating results generated by primary business activities, including the costs of amortization. It does not consider how those activities are financed or how the results are taxed in various business jurisdictions.

FUNDS FROM OPERATIONS (FFO)

Year ended December 31 (millions of dollars)	**2016**	2015
Cash flow from operations (IFRS financial measure)	**463.3**	526.7
Changes in non-cash working capital	**49.8**	(46.6)
Post-employment benefits	**1.2**	0.6
Contributions in aid of construction	**(73.8)**	(43.2)
Funds from operations (non-IFRS financial measure)	**440.5**	437.5

FFO is used as an additional metric of cash flow without regard to changes in the Corporation's non-cash working capital and adjusted for contributions in aid of construction.

FINANCIAL CONDITION

SIGNIFICANT CHANGES IN THE CORPORATION'S FINANCIAL CONDITION

(millions of dollars, except % change)	December 31, 2016	December 31, 2015	$ Change	% Change	Explanation for Change
ASSETS					
Cash and cash equivalents	**117.5**	143.7	(26.2)	(18%)	Primarily due to cash used in purchase of property, plant and equipment, repayment of long-term debt and dividend payment which more than offset the cash flow from operating activities.
Accounts receivable	**507.4**	504.7	2.7	1%	Balance consistent between years.
Property, plant and equipment (PPE)	**4,071.4**	3,960.9	110.5	3%	General capital additions partially offset by amortization.
Power purchase arrangements (PPA)	**-**	55.1	(55.1)	(100%)	Keephills PPA terminated and impaired in 2016.
LIABILITIES AND SHAREHOLDER'S EQUITY					
Accounts payable	**376.5**	367.6	8.9	2%	Increase mainly due to timing.
Financial liabilities [1]	**75.0**	39.6	35.4	89%	Change in fair value of hedged and non-hedged derivatives.
Long-term debt [1]	**1,647.2**	1,712.8	(65.6)	(4%)	Primarily due to repayment of long-term debt

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

LIQUIDITY AND CAPITAL RESOURCES

TOTAL LIQUIDITY AND CAPITAL RESERVES

As at December 31, (millions of dollars)	2016	2015
Committed and available bank credit facilities	**850.0**	850.0
Letters of credit issued:		
Power pool purchases	**52.5**	32.4
Energy trading	**62.2**	52.5
Regulatory commitments	**89.8**	91.4
Asset commitments	**0.9**	0.7
PPAs	**39.2**	57.8
	244.6	234.8
Remaining available bank facilities	**605.4**	615.2
Cash and cash equivalents	**117.5**	143.7
Total liquidity and capital reserves	**722.9**	758.9

Cash on hand decreased to $117.5 million as at December 31, 2016, compared to $143.7 million at the same time last year.

CAPITAL STRATEGY

The business is funded with a view to maintaining a capital structure in line with ENMAX's strategy of maintaining a stable, investment-grade credit rating. As at December 31, 2016, the long-term debt-to-total capitalization ratio is 41.7 per cent compared with 42.7 per cent at year end 2015. Standard & Poor's has assigned ENMAX a BBB+ rating with a stable outlook. Dominion Bond Rating Services has assigned a credit rating of A (low). These ratings provide reasonable access to debt capital markets.

The principal financial covenant in ENMAX's credit facilities is debt to capitalization.

CASH PROVIDED BY OPERATING ACTIVITIES

FFO for the year ended December 31, 2016 were $440.5 million, compared with $437.5 million in the same period in 2015. Cash provided by operating activities for the year ended December 31, 2016 was $463.3 million compared to $526.7 million in the same period in 2015. Both are largely due to improved operating margins.

INVESTING ACTIVITIES

The following table outlines investment in capital additions for the year ended December 31, 2016.

CAPITAL ADDITIONS

(millions of dollars)	**2016**	**2015**
Residential and non-residential developments	**53.3**	55.6
AESO[1] required capital projects	**52.7**	32.8
System infrastructure	**93.9**	35.1
Asset replacement & modification	**8.1**	71.4
Information technology, facilities and tools	**42.7**	32.8
ENMAX Power Delivery	**250.7**	227.7
Shepard	**6.0**	54.4
Other	**39.1**	31.5
ENMAX Competitive Energy	**45.1**	85.9
Other	**22.4**	8.6
Total	**318.2**	322.2

(1) Alberta Electric System Operator.

During the year ended December 31, 2016, ENMAX continued to execute its capital plans to expand the distribution system, reinforce the transmission system and replace aging infrastructure in both systems.

FINANCING ACTIVITIES

ENMAX made regularly scheduled long-term debt principal payments of $66.2 million during the year ended December 31, 2016, compared with $87.2 million in the same period in 2015.

On March 16, 2016, ENMAX declared a dividend of $47.0 million payable to The City in quarterly instalments throughout 2016. All quarterly instalments of this dividend were paid by the end of 2016. On March 16, 2017, a dividend of $48.0 million was declared payable to The City in four quarterly instalments.

ENMAX has historically paid The City annual dividends of the higher of 30.0 per cent of the prior year's net earnings or $30.0 million. Dividends for a fiscal year are established in the first quarter of the same fiscal year. The payment and level of future dividends on the common shares will be affected by such factors as financial performance and ENMAX's liquidity requirements.

In July 2016, ENMAX extended the terms of some of its bi-lateral credit facilities. ENMAX's total credit facilities remain at $850.0 million with no effective changes to pricing, and terms ranging from 2018 to 2021.

RISK MANAGEMENT AND UNCERTAINTIES

ENMAX's approach to risk management addresses risk exposures across all of the Corporation's 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 treatment plans. ENMAX's planning and risk department coordinates an enterprise risk assessment process and provides risk reporting. Risk oversight is delivered through the Board, the Risk Management Committee (RMC), and the Commodity Risk Management Committee (CRMC) which are comprised of senior management 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;
- the use of industry-accepted tools and methodologies for assessing risk exposures; and
- a Safety and Ethics Help Line for employees to anonymously report suspected illegal or unethical behaviour.

These risk management programs and governance structures are designed to manage and mitigate a number of risk factors affecting ENMAX's business.

The following discussion does not consider the result of any inter-relationship among the factors.

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, where ENMAX has fewer fixed-price retail contracts, there is greater exposure to market price risk.

ENMAX Competitive Energy utilizes numerous tools to forecast electricity consumption and generation, as well as the pattern of consumption and generation between peak and off-peak 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 its supply to match generation and market purchases to consumption volumes, and has facilities that allow for quick reaction to unexpected supply and demand factors. ENMAX Competitive Energy may also purchase blocks of electricity in the open market in advance of consumption in order to minimize exposure to price fluctuations between off-peak and peak hours.

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 is based upon predictions about future market conditions and may require a minimum level of market liquidity to actively manage positions.

ENMAX has FX rate exposures arising from certain procurement and energy commodity business activity. ENMAX hedges the majority of its FX risk exposures as such exposures 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 and certain revenue streams from business activities. Substantially all of ENMAX's long-term debt is currently either fixed-rate amortizing debt or fixed-rate bullet debt. 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.

For additional details on ENMAX's market risk exposures and sensitivities, refer to Note 7 in the Notes to the Consolidated Financial Statements.

OPERATIONAL RISK

ENMAX owns, controls or operates a number of 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; 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. Natural 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 the facility 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.

Events that could result from war, terrorism, 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 on 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 incentives, site planning, controls, safety, security and insurance programs, in addition to a number of other measures within certain critical areas. ENMAX has implemented security measures 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 meet their obligation to pay claims. Further, there can be no assurance that available insurance will cover all losses or liabilities that may arise in the conduct of ENMAX business.

Earnings could be affected by a regulated transmission 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 and local authorities with regard to 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 increase environmental expenditures 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.

In 2007, the Government of Alberta passed the *Climate Change and Emissions Management Act* and *Alberta's Specified Gas Emitters Regulation (SGER)* to address the regulation of GHG emissions from certain facilities located in the province. Effective July 1, 2007, facilities emitting more than 100,000 tonnes of GHG per year are required to reduce their emissions intensity from an emissions intensity baseline. In June 2015, the Alberta Government updated SGER increasing the carbon levy from $15.0 per tonne to $20.0 in 2016, and $30.0 in 2017. The carbon-emissions reduction target increased from 12.0 per cent to 15.0 per cent in 2016, and to 20.0 per cent in 2017. The companies responsible for these facilities have been given a number of options to allow them to comply with the SGER requirement, including making operational improvements to the facilities, buying eligible offsets to apply against their emissions, and contributing to a fund established for the purpose of investing in technology to reduce GHG emissions in the province. ENMAX has taken steps to substantially mitigate these GHG regulation impacts. ENMAX terminated both the Battle River 5 and Keephills coal-fired PPAs, which significantly reduces our GHG compliance obligations under SGER. For remaining compliance obligations arising from our gas-fuelled assets, ENMAX has acquired qualified credits from both wind-generation assets and purchases on the wholesale market.

On November 15, 2015, the Government of Alberta released its Climate Leadership Plan (CLP). Key aspects of the plan as it relates to electricity generation facilities are the replacement of SGER with the Climate Competitiveness Regulation (CCR), which is expected to decrease the GHG compliance obligation on natural gas-fuelled generation and increase the GHG reduction obligation on coal-fired generation. As part of the CLP, the Government has announced its intention to end pollution from coal-fired generation by 2030. As ENMAX does not own any coal-fired generation, the increase in the compliance obligation and the anticipated retirement of coal generation by 2030 in Alberta will not directly impact ENMAX's generation portfolio.

As part of the CLP, starting in 2017, the Government has also enacted a $20.0 per tonne, economy-wide carbon levy on the final consumption of fuels including natural gas, gasoline, diesel and propane. The carbon levy is set to rise to $30.0 per tonne in 2018. During 2017, ENMAX's natural gas-fuelled generation fleet will continue to be subject to carbon compliance obligations under SGER, which will be replaced by CCR in 2018. Notwithstanding the replacement of SGER by CCR, the Corporation does not anticipate the carbon levy to have material impact on ENMAX's generation facilities. ENMAX continues to assess and monitor the implications that these changes in legislation may have on its business.

ENMAX mitigates its exposure to environmental regulations by building and acquiring new generation capacity, eliminating its reliance on coal-fired generation, emitting fewer GHGs, purchasing emission reductions offsets, investing in environmentally improved technologies, and developing workplace conservation programs. Overall, moderate earnings variability exposure is possible if ENMAX fails to comply with its Environmental Management System (EMS). Exposure to further moderate volatility is possible due to potential of spills, releases and fire from hazardous materials, or as a result of GHG emissions policy changes.

REGULATORY RISK

ENMAX operates in competitive and regulated sectors of the electricity and natural gas industries and is subject to regulation by federal, provincial and municipal governmental regulatory and market authorities. Oversight of industry regulations is provided by the Alberta Department of Energy, AUC, Market Surveillance Administrator, Alberta Electric System Operator, National Energy Board, North American Electric Reliability Corporation, U.S. Federal Energy Regulatory Commission and other agencies.

Regulations and regulatory decisions affect ENMAX's regulated business, ENMAX Power Delivery, in a number of areas, including: allowed rates of return; capital structure; industry and rate structure; development and operation of transmission and distribution assets; acquisition, disposal, depreciation and amortization; and recovery of certain operating costs. ENMAX Competitive Energy and ENMAX Power Delivery are subject to a number of specific regulations established to help ensure Alberta's wholesale and retail electricity, and natural gas markets operate in a fair, efficient and openly competitive manner. ENMAX Power Delivery is a transmission and distribution system owner and an electrical utility that is regulated by the AUC. It is also subject to AUC regulatory oversight for the provision of the RRO, with ENMAX Competitive Energy being the exclusive RRO provider within The City. ENMAX Competitive Energy is an affiliated retailer of ENMAX Power Delivery and, along with ENMAX Power Delivery, must comply with general energy marketing regulations and the Code of Conduct Regulation, which preserves a level playing field for all retailers.

ENMAX cannot predict the future municipal, provincial or federal governments' policies that may impact the development of regulation over ENMAX business or the ultimate effect that any changes to the regulatory environment may have on its business. The regulatory process or specific decisions by a regulator may restrict ENMAX's ability to grow earnings, recover costs or achieve a targeted ROE in certain parts of its competitive and regulated businesses, or cause delays in or impact business planning and transactions and increase costs.

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.

Regulatory decision timing is expected to result in delays to full revenue recognition, and therefore earnings, although this is mitigated at times by the use of interim rates.

ENMAX actively participates in the various regulatory processes that influence its business environment and operations. ENMAX actively monitors business activity that is subject to regulation and has implemented compliance programs to mitigate regulatory and political risk exposures. ENMAX is potentially exposed to financial impact as it relates to changes to existing as well as 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 impact in regard to regulatory decisions and matters related to generation operations.

HUMAN RESOURCES RISK

ENMAX is subject to workforce factors, 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; and performance of key suppliers and service providers. A number of 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 a number of programs to attract, develop and retain personnel, including recruitment, career development, recognition and competitive compensation and benefits programs.

As at the end of 2016, unionized employees made up approximately 64.0 per cent of ENMAX's workforce. ENMAX believes it has an effective relationship 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 two 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, 2019. The International Brotherhood of Electrical Workers (IBEW) collective bargaining agreement was renegotiated at the end of December 2014 for a three-year term set to expire on December 31, 2017. Exposure in relation to a breakdown in labour relations with either of the two unions is possible.

Earnings variability could result from workforce attraction and retention issues and, an aging workforce. However, initiatives such as employee engagement and a focus on workplace culture help mitigate this risk.

TECHNOLOGICAL RISK

ENMAX operates a variety of complex technologies across the business, from operational technology in our transmission and distribution networks, generation plants and information technology across our business. Technology investment to update and replace aging and obsolete applications will be materially complete in 2017 with many offered as SaaS, redundant or disaster recovery services.

One potential risk identified is that ENMAX Data Centre and infrastructure may not support ENMAX's growing business needs, as well as the ever-changing cyber security requirements or the ability to support disaster recovery. Efforts to remove this risk are over 50 per cent complete with an additional 35 per cent expected to be completed within 2017. Data Centre Services are being provisioned using reliable, secure and cost effective models that provide disaster recovery.

Technology projects to replace out-of-support applications are underway in 2017 to improve operational capabilities and efficiencies.

ENMAX is mitigating current risk exposures through incremental IT investments and workforce training to actively manage prevailing external risks. Financial exposures associated with cyber-attacks are mitigated with Cyber insurance programs.

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 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 offers a defined benefit (DB) pension plan for qualifying employees. Our contributions to the pension plan are based on periodic actuarial valuations, the next of which is being completed for December 31, 2016. For accounting purposes, as at December 31, 2016, the pension plan had an estimated deficit of $42.3 million ($28.3 million at December 31, 2015). 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 adversely 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 of the Board, which also monitors the performance of the pension plan.

Notwithstanding mitigation in place, ENMAX could be exposed to earnings variability if its credit ratings were to be downgraded, covenants were breached on recourse debt or insufficient liquidity was experienced.

For additional details on ENMAX's liquidity risk exposures, refer to Note 7 in the Notes to the Consolidated Financial Statements. For additional details on its pension plan, refer to Note 17 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 and tighter credit markets.

ENMAX has implemented a credit risk management program to mitigate its exposures to credit risk. While it seeks to manage credit risk exposure by considering creditworthiness before and after entering into such agreements, monitoring business activity against pre-defined credit limits and obtaining collateral when it is 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 has credit and collections activities to monitor credit risk exposures and has implemented available measures to protect against any future losses. In specific situations, this includes but is not limited to a reduction of credit limits, requests for additional collateral, 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. For additional details on its credit risk exposures, refer to Note 7 in the Notes to the Consolidated Financial Statements.

DEVELOPMENT RISK

ENMAX's asset ownership strategy requires the development and construction of generation, 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 come to bear, 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 (much like the Corporation's strategy to manage construction costs by contractually fixing the price with contractors), ENMAX may be required to purchase additional electricity or natural gas to fulfill demand obligations until these projects are completed.

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 and regulatory 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's 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, in addition to the effect of new or revised tax laws, rates or policies, accounting standards, securities laws and corporate governance requirements. 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, and programs have been implemented to mitigate ENMAX's legal risk exposures. The Corporation could experience earnings variability as it relates to: legal or regulatory action; an incident of material unauthorized communication; a breach of a material contract; payment in lieu of tax (PILOT) litigation or other litigation; or a material breach of 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 26 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, has full control over its subsidiaries and is the operator of the largest joint arrangement.

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, accounting for pensions and 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. ENMAX has implemented various programs to reinforce its Internal Control over Financial Reporting (ICFR), including periodic assessments of controls by internal and external auditors and review of certain disclosures by the Board.

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). The exemption generally requires corporations be wholly owned by a municipality, and substantially all income must be derived from sources within the geographic boundaries of the municipality. Entities that do not meet these requirements are subject to income tax.

In 2001, the Government of Alberta introduced a PILOT regulation in conjunction with the deregulation of the Alberta utilities industry. 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 taxes equal to what they would have had to pay if they were not tax-exempt. 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. PILOT regulations do not apply to those entities subject to tax under the ITA.

During 2016, ENMAX and Alberta Finance mutually agreed to settle a dispute with respect to the valuation issue thereby foregoing any further litigation on this matter. There remain other matters on which ENMAX and Alberta Finance disagree and for which reassessments and communications were received accordingly. ENMAX has taken the necessary steps to defend its positions through the formal appeals and litigation process. ENMAX will evaluate all options should the appeals and litigation process result in an unfavourable outcome. The Corporation believes the outcome of this litigation will not have a material impact on the operating results or financial position of the Corporation.

When Alberta Finance conducted its 2006 audit of ENMAX Energy Corporation and ENMAX PSA Corporation, it disagreed with the interest expense deducted on the PILOT returns. ENMAX Corporation loaned money to its affiliates, ENMAX Energy Corporation in 2004 and ENMAX PSA Corporation in 2006 and 2007. ENMAX has received reassessments and communications from Alberta Finance in respect of the taxation years from 2006 through 2012. The matter was heard before the Court of Queen's Bench of Alberta with a decision rendered in favour of ENMAX on June 17, 2016 and Alberta Finance appealed the decision to the Alberta Court of

Appeal. ENMAX and Alberta Finance have filed legal briefs in support of their respective positions in the appeal. In the event the outcome is unfavourable, ENMAX will evaluate all options.

The *Alberta Electric Utilities Act* 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.

The determination of the income tax provision is an inherently complex process, requiring management to interpret continually changing regulations and to make certain judgments. Tax filings are subject to audit by taxation authorities, and the outcome of such audits may increase tax liabilities. Issues in dispute for audited years and audits for subsequent years are ongoing and in various stages of completion. The Corporation estimates and monitors any uncertain tax position and recognizes an income tax expense if and when it is probable that the disputes will result in some changes to the tax liability. As a consequence, earnings variability in relation to reassessments from Alberta Finance in regard to prior years' returns and other contingent tax liabilities is possible.

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. In late 2016, the Alberta Government introduced a series of electricity policy and market structure amendments, and the implementation of such policies and amendments may impact ENMAX's strategic direction in future.

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, some of which have significantly greater financial, marketing and procurement resources than ENMAX. ENMAX 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 to remain competitive.

CLIMATE CHANGE AND THE ENVIRONMENT

ENVIRONMENTAL RISKS

Refer to the Risk Management and Uncertainties section for discussion regarding environmental risks.

TRENDS AND UNCERTAINTIES

Environmental matters cause certain trends and uncertainties to exist. Customers are becoming more attuned to the source of their energy. As a result, the need to offer energy from alternative production methods and renewable resources is increasing. Based on ENMAX's asset portfolio, it is positioned to offer consumers choices and progressive technologies that will help increase revenues should this trend continue to develop. The Home Solar program launched in 2011 provides residential and commercial customers the opportunity to generate their own solar power using grid-tied solar photovoltaic technology.

ENVIRONMENTAL LIABILITIES

Environmental liabilities recorded in ENMAX's financial statements include GHG liabilities. The GHG liabilities relate to electricity generated both from ENMAX's PPAs and ENMAX-owned generation facilities. These items have been reflected as liabilities in the Consolidated Financial Statements as at December 31, 2016. ENMAX continues to actively monitor the EMS and will continue to abide with current and future environmental regulations.

ENMAX currently has no outstanding litigation for environmental matters. There are no other material environmental liabilities at this time.

INTEREST OF EXPERTS

INDEPENDENT AUDITOR

ENMAX's external auditor is Deloitte LLP, Chartered 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, Suite 1600, 111 – 5 Avenue SW, Calgary, Alberta, T2P 3Y6. Willis Towers Watson 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

Contents

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 the consolidated financial statements 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 16, 2017. 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 auditors. The external auditors are responsible for examining the consolidated financial statements and expressing their opinion on the fairness of the financial statements in accordance with IFRS. The auditors' report outlines the scope of their audit examination and states their 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 auditors to satisfy itself that 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 auditors have 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 auditors and approving the annual external audit plan.

On behalf of management,

Gianna Manes
President and Chief Executive Officer

Helen Wesley
Executive Vice President and
Chief Financial Officer

March 16, 2017

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ENMAX Corporation:

We have audited the accompanying consolidated financial statements of ENMAX Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in shareholder's equity and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ENMAX Corporation as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
March 16, 2017
Calgary, Alberta

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at *(millions of Canadian dollars)*	**December 31, 2016**	**December 31, 2015**
ASSETS		
Cash and cash equivalents	$ **117.5**	$ 143.7
Accounts receivable (Note 7)	**507.4**	504.7
Income taxes receivable (Note 8)	**132.4**	118.8
Current portion of financial assets (Note 7)	**96.1**	34.6
Other current assets (Note 10)	**81.0**	44.2
	934.4	846.0
Property, plant and equipment (Note 11)	**4,071.4**	3,960.9
Power purchase arrangements (Note 12)	**-**	55.1
Intangible assets (Note 13)	**159.9**	145.8
Deferred income tax assets (Note 8)	**72.0**	93.9
Financial assets (Note 7)	**55.1**	40.7
Other long-term assets (Notes 7 and 10)	**32.9**	21.2
TOTAL ASSETS	**5,325.7**	5,163.6
REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES (Note 9)	**39.8**	34.5
TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES	$ **5,365.5**	$ 5,198.1
LIABILITIES		
Accounts payable and accrued liabilities	$ **376.5**	$ 367.6
Income taxes payable (Note 8)	**0.8**	-
Current portion of long-term debt (Notes 7 and 14)	**67.0**	66.2
Current portion of financial liabilities (Note 7)	**104.2**	61.8
Current portion of deferred revenue (Note 18)	**5.6**	7.7
Other current liabilities (Notes 7 and 10)	**43.9**	39.7
Current portion of asset retirement obligations and other provisions (Note 15)	**2.8**	2.7
	600.8	545.7
Long-term debt (Notes 7 and 14)	**1,580.2**	1,646.6
Deferred income tax liabilities (Note 8)	**98.0**	83.1
Post-employment benefits (Note 17)	**54.6**	39.9
Financial liabilities (Note 7)	**122.0**	53.1
Deferred revenue (Note 18)	**457.1**	395.3
Other long-term liabilities (Notes 7 and 10)	**18.5**	16.8
Asset retirement obligations and other provisions (Note 15)	**125.3**	104.9
TOTAL LIABILITIES	**3,056.5**	2,885.4
REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES (Note 9)	**17.7**	13.5
SHAREHOLDER'S EQUITY		
Share capital (Note 16)	**280.1**	280.1
Retained earnings	**2,100.5**	2,042.9
Accumulated other comprehensive (loss) (Note 19)	**(89.3)**	(23.8)
	2,291.3	2,299.2
TOTAL LIABILITIES, REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES AND SHAREHOLDER'S EQUITY	$ **5,365.5**	$ 5,198.1

Commitments and contingencies (Note 26)
See accompanying Notes to Consolidated Financial Statements.

Gianna Manes, President and Chief Executive Officer

Charles Ruigrok, Audit Committee Chairman

CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31, *(millions of Canadian dollars)*	**2016**	2015
REVENUE (Note 6)		
Electricity	**$ 1,650.2**	$ 1,917.7
Natural gas	**376.1**	358.5
Transmission and distribution	**536.7**	544.3
Local access fees	**87.9**	113.3
Other revenue (Note 20)	**150.1**	131.9
TOTAL REVENUE	**2,801.0**	3,065.7
OPERATING EXPENSES (Note 6)		
Electricity and fuel purchases	**1,225.8**	1,513.4
Natural gas and delivery	**326.7**	311.0
Transmission and distribution	**245.7**	231.8
Local access fees	**87.9**	113.3
Depreciation and amortization	**214.9**	228.8
Impairment (Notes 11, 12 and 13)	**51.4**	146.7
Other expenses (Note 20)	**424.7**	401.6
TOTAL OPERATING EXPENSES	**2,577.1**	2,946.6
OPERATING PROFIT	**223.9**	119.1
Finance charges (Note 23)	**74.9**	68.7
NET EARNINGS BEFORE TAX	**149.0**	50.4
Current income tax (recovery) (Note 8)	**(18.5)**	(17.2)
Deferred income tax expense (recovery) (Note 8)	**64.0**	(24.2)
NET EARNINGS —BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES	**103.5**	91.8
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES (Notes 6 and 9)	**1.1**	(43.1)
NET EARNINGS	**$ 104.6**	$ 48.7

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31, *(millions of Canadian dollars)*		**2016**		**2015**
NET EARNINGS		**104.6**		48.7
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF INCOME TAX				
Items that will not be reclassified subsequently to statement of earnings				
Re-measurement (losses) gains on retirement benefits (Note 17) [(1)]		**(14.8)**		17.7
Items that will be reclassified subsequently to statement of earnings				
Unrealized (losses) on derivative instruments[(2)]		**(87.5)**		(13.3)
Reclassification of losses on derivative instruments to net earnings[(3)]		**36.8**		21.0
Other comprehensive (loss) income, net of income tax		**(65.5)**		25.4
TOTAL COMPREHENSIVE INCOME	**$**	**39.1**	$	74.1

(1) Net deferred income tax expense of $0.1 million for the year ended December 31, 2016 (2015—$nil).
(2) Net deferred income tax recovery of $31.4 million for the year ended December 31, 2016 (2015—$0.6 million tax recovery).
(3) Net deferred income tax recovery of $9.9 million for the year ended December 31, 2016 (2015—$3.1 million tax recovery).

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 Income (Loss)**	**Total**
As at January 1, 2016	$	280.1	2,042.9	(23.8)	2,299.2
Net earnings		-	104.6	-	104.6
Other comprehensive (loss), net of income tax		-	-	(65.5)	(65.5)
Total Comprehensive Income		-	104.6	(65.5)	39.1
Dividends (Note 22)		-	(47.0)	-	(47.0)
As at December 31, 2016		**280.1**	**2,100.5**	**(89.3)**	2,291.3
As at January 1, 2015	$	280.1	2,050.2	(49.2)	2,281.1
Net earnings		-	48.7	-	48.7
Other comprehensive income, net of income tax		-	-	25.4	25.4
Total Comprehensive Income		-	48.7	25.4	74.1
Dividends (Note 22)		-	(56.0)	-	(56.0)
As at December 31, 2015		280.1	2,042.9	(23.8)	2,299.2

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31, *(millions of Canadian dollars)*	**2016**	**2015**
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings	**$ 104.6**	$ 48.7
Contributions in aid of construction	**73.8**	43.2
Amortization of customer contributions (Note 18)	**(14.1)**	(12.7)
Depreciation and amortization	**214.9**	228.8
Impairment	**51.4**	146.7
Finance charges (Note 23)	**74.9**	68.7
Income tax expense (recovery) (Note 8)	**45.5**	(41.4)
Change in unrealized market value of financial contracts	**(36.7)**	(1.3)
Post-employment benefits	**(1.2)**	(0.6)
Change in non-cash working capital (Note 24)	**(49.8)**	46.6
Cash flow from operations	**463.3**	526.7
Interest paid[1]	**(70.2)**	(61.8)
Income taxes paid	**-**	(1.9)
Net cash flow from operating activities	**393.1**	463.0
INVESTING ACTIVITIES		
Purchase of PPE and intangibles[1] (Notes 11 and 13)	**(306.1)**	(352.5)
Cash used in investing activities	**(306.1)**	(352.5)
FINANCING ACTIVITIES		
Repayment of short-term debt	**(80.0)**	(282.3)
Proceeds of short-term debt	**80.0**	255.0
Proceeds of long-term debt	**-**	189.1
Repayment of long-term debt	**(66.2)**	(89.3)
Dividend paid (Note 22)	**(47.0)**	(56.0)
Cash flow (used in) provided by financing activities	**(113.2)**	16.5
(Decrease) increase in cash and cash equivalents	**(26.2)**	127.0
Cash and cash equivalents, beginning of year	**143.7**	16.7
CASH AND CASH EQUIVALENTS, END OF YEAR[2]	**$ 117.5**	$ 143.7
Cash and cash equivalents consist of:		
Cash	**67.5**	103.1
Short-term investments	**50.0**	40.6

(1) Total interest paid during the year was $75.4 million (2015—$76.5 million). Purchase of PPE and intangibles includes $5.2 million of capitalized borrowing costs (2015–$14.7 million).

(2) Cash and cash equivalents include restricted cash of $7.1 million (December 31, 2015 - $2.5 million) relating to margin posted with a financial institution. This margin is required as part of the Corporation's commodity trading activity.

See accompanying Notes to Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE BUSINESS

ENMAX Corporation (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 to carry on the electric utility transmission and distribution operations previously carried on 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 of 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 wires roots to include electricity generation, commercial and residential solar, electricity and natural gas retail businesses.

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

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as set out in Part I of the Chartered Professional Accountants Handbook (CPA Handbook).

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

These consolidated financial statements are presented in millions of Canadian dollars, which is the Corporation's functional currency.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to select appropriate accounting policies and to 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 concern 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.

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
Property, plant and equipment	Note 4 (g)	-	Determination of components and useful lives
Long-lived assets and intangible assets impairment	Note 4 (m)	-	Assessment of impairment indicators and grouping of cash-generating units (CGUs)
Leases	Note 4 (o)	-	Assessment of contracts for lease arrangements
Provisions	Note 4 (q)	-	Determination of probability of outflow of resources
Income taxes	Note 4 (u)	-	Interpretation of uncertain tax positions and application tax regulation

SIGNIFICANT ACCOUNTING ESTIMATES

Financial Statement Area	Accounting Policy		Estimation Uncertainty
Regulatory deferral balances	Note 4 (c)	-	Estimates related to regulatory proceedings or decisions
Impairment of receivables	Note 4 (d)	-	Estimates of allowance for doubtful accounts
Fair value measurements and valuation	Note 4 (d)	-	Estimates of fair value for financial assets and liabilities
Long-lived assets and intangible assets impairment	Note 4 (m)	-	Estimates of recoverable amount of long-lived assets
Post-retirement benefits	Note 4 (n)	-	Estimates of key assumptions used to calculate post-retirement benefits
Asset retirement obligation	Note 4 (p)	-	Estimates of amount and timing of asset retirements
Revenue and costs	Note 4 (r)	-	Estimates of unbilled consumption of electricity revenue and costs
Income tax	Note 4 (u)	-	Estimates of deferred income taxes

4. SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these consolidated financial statements are based on IFRS applicable as at December 31, 2016. These consolidated financial statements are authorized for issuance by the Board of Directors as of March 16, 2017.

(a) CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation, except as disclosed under Note 9 (Regulatory Deferral 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 its returns.

(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) 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 the 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. As well, the net movement in regulatory deferral accounts is presented on a separate line in the statement of earnings.

(d) 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. The Corporation discloses more details about fair value of financial instruments in Note 7. In the case of instruments not measured at fair value through profit or loss, 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 if 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 fair value through profit or loss 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 financial instruments of the Corporation are classified in the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables, available for sale financial assets and other financial liabilities. The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

(i) Financial assets and liabilities at fair value through profit or loss (FVTPL)

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term or when the instrument is a derivative instrument that is not designated in a qualifying hedging relationship.

Financial instruments in this category are recognized initially and subsequently at fair value, with any gains and losses arising from changes in fair value recognized in earnings.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables are comprised of cash and cash equivalents and current and long-term accounts receivables. Cash and cash equivalents and current accounts receivable are included in current assets due to their short-term nature.

Financial instruments in this category are initially recorded at fair value and subsequently carried at amortized cost using the effective interest rate method, with interest and other income earned from these financial assets recorded in earnings.

(iii) Other financial liabilities

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.

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

An impairment of loans and receivables carried at amortized cost is recognized in earnings when the asset's carrying amount exceeds the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. A reduction in an impairment charge may be recognized if the decrease is related objectively to an event occurring after the impairment was recognized.

Estimation Uncertainty

Estimates are made to set up allowance for doubtful accounts which reflects the amount of accounts receivable that are ultimately expected to be non-collectible based on factors, including the aging of accounts receivable, historical write-offs, assessments of the collectability of amounts from individual customers and general economic conditions.

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. Certain derivatives are designated as hedging instruments for accounting purposes when meeting certain effectiveness and documentation requirements at inception of the hedging relationship and on an ongoing basis. Effectiveness is measured with reference to the risk management objective and strategy for the hedged item.

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, ineffectiveness 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.

(e) FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary items and liabilities denominated in foreign currencies are recognized in the statement of earnings, except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses are included on the statements of earnings within other expenses.

(f) 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.

(g) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment (PPE) are measured at cost less accumulated depreciation and any impairment losses. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a condition suitable for their intended use. 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. The carrying amount of a replaced asset is derecognized when replaced. Major overhauls and inspections are capitalized. Repairs and maintenance costs are charged to the statement of earnings in the period in which they are incurred.

Depreciation of PPE is recorded on a straight-line basis over the estimated useful life of the asset class at the following rates:

Asset Class	Depreciation Rates		
Buildings and site development equipment	0.61%	-	5.52%
Generation facilities and equipment	2.00%	-	20.00%
Generation overhauls and inspections	9.02%	-	67.11%
Tools, systems and equipment	4.74%	-	25.00%
Vehicles	2.36%	-	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.

Gains or losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount of PPE and are recognized in earnings.

For transmission, distribution and substation equipment depreciated using the group life depreciation method (regulated depreciable assets), with depreciation rates ranging from 0.00 per cent to 20.00 per cent, gains or losses on the disposal of regulated depreciable assets are typically deferred and amortized over the estimated remaining service life of the related regulated depreciable assets. Gains or losses on the disposal and retirement of regulated depreciable assets outside the course of normal business are charged or credited to other expenses, with the offset recorded as net movement in regulatory deferral account balances in the statement of earnings under IFRS 14.

Significant Judgment

Where significant parts of an item of PPE have different useful lives in relation to the total cost of the item, they are accounted for as separate items of PPE and are depreciated separately. Useful lives are determined based on past experience and current facts, taking into account future expected usage and potential for technological obsolescence. Depreciation methods, useful lives and residual values are reviewed annually and adjusted, if appropriate.

(h) CONTRIBUTIONS IN AID OF CONSTRUCTION (DEFERRED REVENUE)

Under various statutory requirements and agreements with customers and developers, the Corporation receives contributions in aid of construction (CIAC) in the form of cash contributions. Such contributions are recorded as deferred revenue when funds are expended and recognized into other revenue over the useful life of the underlying asset to which the contribution related.

(i) 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 PPE 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.

(j) 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.

(k) POWER PURCHASE ARRANGEMENTS

The costs to acquire the Power Purchase Arrangements (PPAs) were recorded on the statement of financial position as an intangible asset. The costs were amortized based on available capacity per PPA unit over the term of the PPA. The carrying amount of the intangible asset was reviewed for indicators of impairment and tested for impairment when events or changes in circumstances indicated that the carrying amount may not be recoverable. The PPAs were impaired upon termination of the Battle River 5 PPA and Keephills PPA (see Note 12).

(l) 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 and water license			11.00%
Computer systems	2.81%	-	25.00%
Land easements, rights and lease options	1.79%	-	25.86%

Intangible assets with indefinite lives include land easements, renewable energy certificates and water licenses, and 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.

(m) ASSET IMPAIRMENT

Long-lived assets and intangible assets with finite lives are tested for impairment when events or changes in circumstances indicate possible impairment. Test for impairment is performed at the CGU level. 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. The recoverable amount is the higher of fair value less costs of disposal and value in use. 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 statement 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 performed an impairment test of its power generating assets organized into three distinct CGUs. The impairment test was calculated based on the net present value of cash flow projections incorporating estimates of annual revenues, expenses and capital expenditures to the end of each power generating asset's useful life. These estimates incorporate past experience and the Corporation's current view of future generating capacity, natural gas forward pricing as well as electricity pricing. The Alberta power price and the after-tax discount rate are significant inputs used in determining the recoverable amount of each CGU. The Corporation gave consideration to externally available information related to future pricing of electricity and natural gas inputs when developing certain pricing assumptions. These external sources of information include market information from the Alberta Electric System Operator (AESO) and research firms serving the industry. A discount rate was used for each CGU which reflects the market weighted average cost of capital (WACC) using a capital asset pricing model approach, giving consideration to the risks specific to each CGU and the risks embedded in the net cash flow projections. For all CGUs, the estimated recoverable amount exceeded the CGUs' respective carrying value; no impairment expense was required (Note 11). For all CGUs tested for impairment, if the long-term average power price and discount rate used in the impairment model were decreased by 5.00 per cent and increased by 0.50 per cent respectively, the net estimated recoverable amount would decrease by $257.0 million and $121.7 million, respectively, and fall below their respective carrying value. These sensitivity analyses are for illustration purposes and may not be representative, as a change in one variable would potentially be tempered by changes in other variables. For example, a decrease in power price may be offset by a decrease in input costs such as natural gas prices.

(n) 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 pro-rated 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 every three years at December 31. The discount rate applied in arriving at the present value of the pension liability represents yields on high-quality Canadian corporate bonds that have terms to maturity approximating the terms of the related pension liability.

Components of DB costs include service cost, net interest on the net DB liability and re-measurements of the net DB liability. Service cost is recognized as other expenses in the statement of earnings. Net interest is calculated by applying the discount rate to the net DB liability at the beginning of the annual period and takes into account projected contributions and benefit payments during the period. The net interest is recognized as 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 an actuarial specialist 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.

(o) LEASES

When an arrangement is entered into for the use of items of PPE, the Corporation evaluates the arrangement to determine whether it contains a lease. A specific asset would qualify as a lease if fulfillment of the arrangement is dependent on the use of the specific asset. An arrangement constitutes the right to use the asset if the Corporation has the right to control the use of the underlying asset. When an arrangement is determined to be a lease, the Corporation classifies the lease as either operating or financing depending on whether substantially all the risks and rewards of the asset have been transferred.

Significant Judgment

The Corporation assesses contract arrangements to determine if they contain a lease. The Corporation considers all facts and circumstances to determine if substantially all risks and rewards of ownership has been transferred to the lessee to classify the lease arrangement as finance or operating lease.

(p) ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (ARO) are provisions for legal and constructive obligations for decommissioning and restoring the Corporation’s generating assets and the Corporation’s share of jointly-operated generating 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 to 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 PPE.

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.

(q) 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 cost. The Corporation re-measures 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.

(r) 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

Revenue from the sale of electricity and gas is recognized when all of the following conditions are satisfied:

- the Corporation has transferred to the buyer significant risks and rewards of ownership of the commodity sold;
- the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the commodity sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Revenues are recognized in a manner that is consistent with the underlying rate decision as mandated by the Alberta Utilities Commission (AUC).

Revenues are recognized on an accrual basis as services are provided and include an estimate of fees for services provided but not yet billed.

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.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is measured by reference to costs incurred to date as a percentage of total estimated costs for each contract. The estimation of the total costs is reviewed on a monthly basis. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses recognized are recoverable.

Where costs are expected to exceed revenues in a contractual commitment, the loss is recognized immediately in the statement of earnings and a provision made for the onerous amount.

(s) EMISSION CREDITS AND ALLOWANCES

Effective July 1, 2007, the *Climate Change and Emissions Management Amendment Act* (CCEMA Act) was enacted into law in Alberta. The CCEMA Act, and regulations thereunder, such as the Specified Gas Emitters Regulation (SGER), establish baseline emission intensity levels for each large generating facility, and emissions over this baseline are subject to a surcharge. Changes in law provisions in the Corporation's fleet of gas-fuelled assets have the potential to expose the Corporation to significant portions of these compliance costs (see Note 26).

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. Allowances granted to the Corporation or internally generated from approved projects are accounted for as other assets.

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. To the extent compliance costs are charged to the Corporation under the change in law provisions of the Corporation's fleet of gas-fuelled assets, these amounts are recognized as cost of electricity services provided in the period they are levied.

(t) DIVIDEND

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.

(u) INCOME TAXES

The Corporation and its subsidiaries operating in the province of Alberta in the country of Canada are municipally owned and are generally not subject to federal and provincial income taxes. Some subsidiaries exempt from federal and provincial income taxes calculate certain portions of the operations based on the payment in lieu of tax regulation (PILOT) and the *Electric Utilities Act* (EUA). These PILOT payments are made to the Balancing Pool of Alberta. Those subsidiaries that do not meet the criteria for municipal exemption are taxable under the *Income Tax Act* (ITA) and the *Alberta Corporate Tax Act* (ACTA). Any further reference to income tax recognizes the combined obligations under PILOT, the ITA, and the ACTA.

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 can be utilized, with the exception that 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 the 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 can 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.

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 NOT YET ADOPTED

The following standards and interpretations are not yet effective and have not been applied in preparing these consolidated financial statements.

IFRS 9 (July 2014) *Financial Instruments*

The final standard replaces IAS 39 Financial Instruments: Recognition and Measurement and previous versions of IFRS 9. The entire standard provides guidance and requirements on classification and measurement of financial assets and liabilities, impairment and hedging. The standard has introduced a single expected credit loss model for all financial assets measured at amortized cost and fair value through OCI. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is currently assessing the impact of adopting this standard.

IFRS 15 *Revenue from Contracts with Customers*

The new standard provides a framework that replaces existing revenue recognition guidance. Entities will apply a five-step model to determine when to recognize revenue and at what amount. The model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is currently assessing the impact of adopting this standard.

IFRS 16 *Leases*

The new leases standard requires companies to bring most leases on-balance sheet and eliminates the distinction between operating and finance leases. Lessor accounting remains mostly unchanged from previous guidance. The key objective of the new standard is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The standard is effective January 1, 2019. Early application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. The Corporation is currently assessing the impact of adopting this standard and may consider early adopting it on January 1, 2018, at the same time as IFRS 9 and IFRS 15.

6. SEGMENT INFORMATION

Effective January 1, 2016, the Corporation reorganized its structure to enhance its competitiveness and execution of its strategy. ENMAX's core operations include the competitive generation and sale of electricity and natural gas across Alberta through ENMAX Competitive Energy, and the regulated transmission and distribution of electricity in the City through ENMAX Power Delivery. ENMAX Competitive Energy includes ENMAX Power Services (previously under ENMAX Power) as well as ENCOMPASS Customer Care (previously under ENMAX Corporate).

The Corporation uses a shared service allocation model to allocate cost between segments.

ENMAX COMPETITIVE ENERGY

ENMAX Competitive Energy is an operating segment established to carry out competitive energy supply and retail functions through various legal entities and affiliated companies. ENMAX Competitive Energy also includes ENMAX Power Services as well as ENCOMPASS Customer Care.

ENMAX POWER DELIVERY

ENMAX Power Delivery is a regulated operating segment established to carry out electricity transmission and distribution service functions and the Regulated Rate Option (RRO) retail function through various legal entities and affiliated companies.

SEGMENTED TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT BALANCES

As at *(millions of dollars)*	**December 31, 2016**	**December 31, 2015**
ENMAX Competitive Energy	**2,901.5**	2,905.0
ENMAX Power Delivery	**2,268.9**	2,103.0
Corporate and Intersegment Eliminations	**155.3**	155.6
Total Assets	**5,325.7**	5,163.6
Regulatory Deferral Account Debit Balances	**39.8**	34.5
Total Assets and Regulatory Deferral Account Debit Balances	**5,365.5**	5,198.1

COMPARATIVE SEGMENT INFORMATION

Segment information as at and for the year ended December 31, 2015 has been reclassified to reflect the changes in the organization structure effective January 1, 2016. These changes had no impact on reported consolidated net earnings.

Year ended December 31, 2016 *(millions of dollars)*	ENMAX Competitive Energy	ENMAX Power Delivery	Corporate and Intersegment Eliminations	Adjusted Consolidated Totals	Movement in Regulatory Deferral Account	Consolidated Totals
REVENUE						
Electricity	**1,939.3**	**72.9**	**(364.9)**	**1,647.3**	**2.9**	**1,650.2**
Natural gas	**376.9**	**-**	**(0.8)**	**376.1**	**-**	**376.1**
Transmission and distribution	**-**	**554.9**	**-**	**554.9**	**(18.2)**	**536.7**
Local access fees	**-**	**87.9**	**-**	**87.9**	**-**	**87.9**
Other revenue	**168.2**	**31.4**	**(19.1)**	**180.5**	**(30.4)**	**150.1**
TOTAL REVENUE	**2,484.4**	**747.1**	**(384.8)**	**2,846.7**	**(45.7)**	**2,801.0**
OPERATING EXPENSES						
Electricity and fuel purchases	**1,539.8**	**50.1**	**(364.1)**	**1,225.8**	**-**	**1,225.8**
Natural gas and delivery	**326.7**	**-**	**-**	**326.7**	**-**	**326.7**
Transmission and distribution	**-**	**268.0**	**-**	**268.0**	**(22.3)**	**245.7**
Local access fees	**-**	**87.9**	**-**	**87.9**	**-**	**87.9**
Depreciation and amortization	**116.9**	**88.6**	**9.5**	**215.0**	**(0.1)**	**214.9**
Impairment	**51.4**	**-**	**-**	**51.4**	**-**	**51.4**
Other expenses	**334.5**	**145.5**	**(33.1)**	**446.9**	**(22.2)**	**424.7**
TOTAL OPERATING EXPENSES	**2,369.3**	**640.1**	**(387.7)**	**2,621.7**	**(44.6)**	**2,577.1**
OPERATING PROFIT	**115.1**	**107.0**	**2.9**	**225.0**	**(1.1)**	**223.9**
Finance charges				**74.9**	**-**	**74.9**
NET EARNINGS BEFORE TAX				**150.1**	**(1.1)**	**149.0**
Current income tax recovery				**(18.5)**	**-**	**(18.5)**
Deferred income tax expense				**64.0**	**-**	**64.0**
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL BALANCES				**104.6**	**(1.1)**	**103.5**
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES				**-**	**1.1**	**1.1**
NET EARNINGS				**104.6**	**-**	**104.6**

Year ended December 31, 2015 *(millions of dollars)*	ENMAX Competitive Energy	ENMAX Power Delivery	Corporate and Intersegment Eliminations	Adjusted Consolidated Totals	Movement in Regulatory Deferral Account	Consolidated Totals
REVENUE						
Electricity	2,147.4	99.6	(330.1)	1,916.9	0.8	1,917.7
Natural gas	359.3	-	(0.8)	358.5	-	358.5
Transmission and distribution	-	501.4	-	501.4	42.9	544.3
Local access fees	-	113.3	-	113.3	-	113.3
Other revenue	151.0	30.1	(20.8)	160.3	(28.4)	131.9
TOTAL REVENUE	2,657.7	744.4	(351.7)	3,050.4	15.3	3,065.7
OPERATING EXPENSES						
Electricity and fuel purchases	1,763.1	78.5	(328.4)	1,513.2	0.2	1,513.4
Natural gas and delivery	311.0	-	-	311.0	-	311.0
Transmission and distribution	-	230.5	-	230.5	1.3	231.8
Local access fees	-	113.3	-	113.3	-	113.3
Depreciation and amortization	137.9	81.9	9.0	228.8	-	228.8
Impairment	146.7	-	-	146.7	-	146.7
Other expenses	306.0	159.1	(34.2)	430.9	(29.3)	401.6
TOTAL OPERATING EXPENSES	2,664.7	663.3	(353.6)	2,974.4	(27.8)	2,946.6
OPERATING PROFIT (LOSS)	(7.0)	81.1	1.9	76.0	43.1	119.1
Finance charges				68.7	-	68.7
NET EARNINGS BEFORE TAX				7.3	43.1	50.4
Current income tax recovery				(17.2)	-	(17.2)
Deferred income tax recovery				(24.2)	-	(24.2)
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL BALANCES				48.7	43.1	91.8
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES				-	(43.1)	(43.1)
NET EARNINGS				48.7	-	48.7

7. FINANCIAL INSTRUMENTS, HEDGES AND RISK MANAGEMENT

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 its interests in generation facilities, liability positions arising from its commitments to its 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. The issue is that the 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, 2016 and 2015.

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, 2016, holding all other variables constant, an unrealized mark-to-market adjustment on outstanding gas forward contracts related to a 10% increase in forward price of natural gas would increase earnings by $42.8 million (2015 – $9.5 million) and no change in OCI (2015 – increase in OCI by $7.3 million), and vice versa. As at December 31, 2016, holding all other variables constant, an unrealized mark-to-market adjustment on outstanding electricity forward contracts related to a 10% increase in forward price of electricity would increase earnings by $8.8 million (2015 – $nil) and increase OCI by $49.1 million (2015 - $32.4 million), and vice versa. These gas and electricity forward contracts extend out over 5 years.

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 change 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 its 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. As at December 31, 2016, a 10% strengthening in the Canadian dollar in relation to the U.S. dollar, holding all other variables constant, would decrease earnings by $6.7 million (2015 – increase earnings by $1.1 million), and vice versa.

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 dollars)*	**December 31, 2016**	**December 31, 2015**
Cash and cash equivalents (a)	**117.5**	143.7
Accounts receivable (b)	**507.4**	504.7
Current portion of financial assets (c)	**96.1**	34.6
Financial assets (c)	**55.1**	40.7
Long-term accounts receivable (b)	**2.1**	2.7

(a) Cash and Cash Equivalents

Credit risk associated with cash and cash equivalents is minimized substantially 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.

Charges to earnings as a result of credit losses for the Corporation for the year ended December 31, 2016, totalled $11.2 million (2015—$7.3 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.

AGING ANALYSIS OF TRADE RECEIVABLES PAST DUE

As at *(millions of dollars)*	**December 31, 2016**	**December 31, 2015**
1-30 days past due	**13.7**	13.0
31-60 days past due	**3.3**	3.1
61 days or more past due	**17.3**	14.7
Total past due	**34.3**	30.8

CHANGES IN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS

As at *(millions of dollars)*	**December 31, 2016**	**December 31, 2015**
Provision at the beginning of the year	**11.3**	19.1
Increase to allowance	**11.2**	7.3
Recoveries and write-offs	**(7.6)**	(15.1)
Provision at end of the year	**14.9**	11.3

The remainder of the accounts receivable balance outstanding at December 31, 2016, 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 (see Note 26) 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 dollars)*	**December 31, 2016**	**December 31, 2015**
Less than 1 year (includes accounts payable)	**555.1**	539.5
1–3 years	**546.5**	569.7
3–5 years	**194.2**	211.1
More than 5 years	**1,323.3**	1,415.8

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 dollars)*	**December 31, 2016**	**December 31, 2015**
Less than 1 year	**104.2**	61.8
1–3 years	**89.2**	36.5
3–5 years	**31.1**	12.2
More than 5 years	**1.7**	4.4

VALUATION OF DERIVATIVE ASSETS AND LIABILITIES

Financial derivative instruments are recorded on the statement of financial position at fair value. As at December 31, the fair values hedge contracts were as follows:

As at *(millions of dollars)*	**December 31, 2016**		**December 31, 2015**	
	Hedge Instruments	**Non-Hedge Derivatives**	**Hedge Instruments**	**Non-Hedge Derivatives**
Assets				
Current	**27.6**	**68.5**	26.9	7.7
Non-current	**36.5**	**18.6**	38.7	2.0
Liabilities				
Current	**61.7**	**42.5**	49.3	12.5
Non-current	**103.4**	**18.6**	45.0	8.1

For cash flow hedges, there was no impact recognized in electricity and fuel purchases (2015–$nil) as a reflection of the ineffectiveness of the relevant hedges during the year ended December 31, 2016. Gains and losses on cash flow hedges are reclassified immediately to net earnings when a hedged anticipated transaction is no longer likely to occur. During 2016, the Corporation voluntarily de-designated a portion of its cash flow hedges. At the time of de-designation, the accumulated gain in other comprehensive income was $8.8 million and will be reclassified to net earnings in the same period as the anticipated hedged transactions occur.

The Corporation estimates that, of the $78.5 million of net unrealized losses on derivatives designated as cash flow hedges reported in accumulated OCI as at December 31, 2016, losses of $34.1 million are expected to be realized within the next 12 months.

For non-hedge derivatives, there were gains of $36.9 million in the year ended December 31, 2016 (2015–$1.2 million gain) recorded in net 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 are categorized as Level II.

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 power 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 are 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, 2016 *(millions of 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	**56.2**	**68.1**	**24.0**	**148.3**
Foreign currency forward contracts	**-**	**2.7**	**-**	**2.7**
Available for sale securities	**0.2**	**-**	**-**	**0.2**
Financial assets total	**56.4**	**70.8**	**24.0**	**151.2**
Financial liabilities measured at fair value:				
Energy trading forward contracts	**(39.8)**	**(130.3)**	**(55.3)**	**(225.4)**
Foreign currency forward contracts	**-**	**(0.8)**	**-**	**(0.8)**
Financial liabilities total	**(39.8)**	**(131.1)**	**(55.3)**	**(226.2)**
Net derivative assets (liabilities)	**16.6**	**(60.3)**	**(31.3)**	**(75.0)**

[1] Market-observable data are not available. Fair values are determined using valuation techniques.

As at December 31, 2015 *(millions of 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	4.3	45.5	25.4	75.2
Foreign currency forward contracts	-	0.1	-	0.1
Financial assets total	4.3	45.6	25.4	75.3
Financial liabilities measured at fair value:				
Energy trading forward contracts	(8.7)	(87.5)	(14.4)	(110.6)
Foreign currency forward contracts	-	(4.3)	-	(4.3)
Financial liabilities total	(8.7)	(91.8)	(14.4)	(114.9)
Net derivative assets (liabilities)	(4.4)	(46.2)	11.0	(39.6)

[1] Market-observable data are not available. Fair values are determined using valuation techniques.

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:

CHANGE IN FAIR VALUE OF LEVEL III RISK MANAGEMENT ASSETS AND LIABILITIES

(millions of dollars)	Hedges
Net derivative assets as at January 1, 2015	9.2
Changes attributable to:	
Commodity price changes	(0.2)
New contracts entered	5.2
Transfers in/out of Level III	(3.2)
Net derivative assets as at December 31, 2015	11.0
Changes attributable to:	
Commodity price changes	(20.1)
Commodity price changes (de-designated)	(8.5)
New contracts entered	(12.4)
Transfers in/out of Level III	(1.3)
Net derivative (liabilities) as at December 31, 2016	**(31.3)**
Total change in fair value included in OCI	(41.2)
Total change in fair value included in pre-tax earnings	(1.1)

NON-DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Fair values for cash and cash equivalents, accounts receivable, short-term debt, 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

(millions of dollars)

	December 31, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt [(1)] consisting of:				
Debentures, with remaining terms of				
Less than 5 years	**99.2**	**104.2**	62.8	64.6
5–10 years	**10.2**	**10.4**	76.7	83.5
10–15 years	**47.6**	**53.2**	31.1	36.0
15–20 years	**455.4**	**516.0**	387.1	450.4
20–25 years	**532.8**	**540.9**	653.4	683.3
Private debentures				
Series 1 (6.15%)	**299.3**	**321.2**	298.9	333.2
Series 3 (3.81%)	**198.8**	**204.2**	198.6	206.6
Promissory note	**3.9**	**4.1**	4.2	4.5
	1,647.2	**1,754.2**	1,712.8	1,862.1

(1) Includes current portion of $67.0 million (December 31, 2015–$66.2 million). Maturity dates range from June 2017 to June 2040.

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

(millions of dollars)

	December 31, 2016		December 31, 2015	
	Accounts receivable	Accounts payable and accrued liabilities	Accounts receivable	Accounts payable and accrued liabilities
Gross amounts recognized	**-**	**(99.8)**	5.5	(73.1)
Gross amounts set-off	**-**	**24.3**	(4.9)	33.2
Net amounts as presented in the Consolidated Statement of Financial Position	**-**	**(75.5)**	0.6	(39.9)

8. INCOME TAXES

Year ended December 31, *(millions of dollars)*	2016	2015
Current income tax (recovery)		
Recovery for current year	**(5.1)**	(3.6)
Adjustment in respect of prior years	**(7.6)**	(17.2)
Other	**(5.8)**	3.6
Total current income tax (recovery)	**(18.5)**	(17.2)
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**91.4**	(49.0)
Adjustment in respect of prior years	**7.6**	17.6
Other	**(35.0)**	7.2
Total deferred income tax expense (recovery)	**64.0**	(24.2)
Total income tax expense (recovery)	**45.5**	(41.4)

The reconciliation of Statutory and effective income tax expense (recovery)	2016	2015
Net earnings before tax	**149.0**	50.4
Income not subject to tax	**(212.0)**	(247.2)
	(63.0)	(196.8)
Federal and provincial tax rates [1]	**27.0%**	26.0%
Expected income tax recovery	**(17.0)**	(51.1)
Non-deductible expense	**1.5**	1.8
Adjustment for deferred tax reversal and other estimate revisions	**61.0**	7.9
Total income tax expense (recovery)	**45.5**	(41.4)

[1] Alberta has increased the corporate general income tax rate from 10.00 per cent to 12.00 per cent, effective July 1, 2015. The Corporation has tax year end at December 31, 2016. Combined with 15.00 per cent federal corporate income tax rate, the statutory tax rate for 2016 is 27.00 per cent.

The changes in deferred income tax assets and liabilities during the years ended December 31, 2016 and 2015 were as follows:

	January 1, 2016	Recognized in net income	Recognized in other comprehensive income	December 31, 2016
Deferred income tax assets				
Power purchase arrangement	84.1	(84.1)	-	**-**
Property, plant and equipment	(67.1)	36.1	-	**(31.0)**
Eligible capital expenditure	6.1	-	-	**6.1**
Loss carried forward	65.1	9.4	-	**74.5**
Unrealized derivatives	1.8	(8.2)	-	**(6.4)**
Other comprehensive income	1.0	(9.9)	31.3	**22.4**
Other	2.9	3.5	-	**6.4**
Net deferred tax assets	93.9	(53.2)	31.3	**72.0**
Deferred income tax liabilities				
Property, plant and equipment	169.6	(30.2)	-	**139.4**
Eligible capital expenditure	(3.1)	0.2	-	**(2.9)**
Loss carried forward	(20.5)	7.1	-	**(13.4)**
Unrealized derivatives	(1.1)	1.6	-	**0.5**
Other comprehensive income	(0.1)	-	0.1	**-**
Other	(61.7)	36.1	-	**(25.6)**
	83.1	14.8	0.1	**98.0**
Net deferred tax liability	10.8	(68.0)	31.2	**(26.0)**

	January 1, 2015	Recognized in net income	Recognized in other comprehensive income	December 31, 2015
Deferred income tax assets				
Power purchase arrangement	50.7	33.4	-	84.1
Property, plant and equipment	(57.0)	(10.1)	-	(67.1)
Eligible capital expenditure	6.1	-	-	6.1
Loss carried forward	50.9	14.2	-	65.1
Unrealized derivatives	4.0	(2.2)	-	1.8
Other comprehensive income	3.5	(3.1)	0.6	1.0
Other	-	2.9	-	2.9
Net deferred tax assets	58.2	35.1	0.6	93.9
Deferred income tax liabilities				
Property, plant and equipment	96.3	73.3	-	169.6
Eligible capital expenditure	-	(3.1)	-	(3.1)
Loss carried forward	(24.0)	3.5	-	(20.5)
Unrealized derivatives	0.9	(2.0)	-	(1.1)
Other comprehensive income	(0.1)	-	-	(0.1)
Other	(7.6)	(54.1)	-	(61.7)
	65.5	17.6	-	83.1
Net deferred tax liability	(7.3)	17.5	0.6	10.8

The Corporation has the following tax losses carry-forward and deductible temporary differences for which no deferred tax assets have been recognized:

	2016	**2015**
Non-capital loss	**6.8**	4.8
Property, plant and equipment	**52.2**	52.2
Contingent liabilities	**20.5**	22.1
	79.5	79.1

The changes in income taxes receivable and income taxes payable during the years ended December 31, 2016 and 2015 were as follows:

	January 1, 2016	**Adjustments for prior periods**	**Instalments and refunds**	**Current year provision**	**Other**	**December 31, 2016**
Income taxes receivable	118.8	7.6	-	5.9	0.1	**132.4**
Income taxes payable	-	-	-	(0.8)	-	**(0.8)**
Net position	118.8	7.6	-	5.1	0.1	**131.6**

	January 1, 2015	**Adjustments for prior periods**	**Instalments and refunds**	**Current year provision**	**Other**	**December 31, 2015**
Income taxes receivable	96.8	17.2	1.9	3.5	(0.6)	**118.8**
Income taxes payable	(0.6)	-	-	-	0.6	**-**
Net position	96.2	17.2	1.9	3.5	-	**118.8**

As at December 31, 2016, 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)	**2016**
2028	7.7
2029	1.9
2030	2.4
2031	1.7
2032	6.5
2033	1.2
2034	30.3
2035	79.1
2036	80.1

9. REGULATORY DEFERRAL BALANCES

NATURE AND ECONOMIC EFFECT OF RATE REGULATION

ENMAX Transmission and ENMAX Distribution (the Divisions) are divisions of ENMAX Power Delivery segment. The Divisions are regulated operations established to carry out all electrical transmission and distribution service functions in its own right. The AUC approves the Corporation's Transmission and Distribution Tariffs (rates and terms and conditions of service) subject to Sections 37 and 102 of the EUA.

With respect to ENMAX Distribution, the 2015-2017 Distribution Access Service (DAS) rates are set based on a formula approved by the AUC as part of a negotiated settlement agreed to by ENMAX Distribution and interveners. ENMAX Power Delivery filed a Capital Tracker application in September 2016 seeking approval for a 2015-2017 distribution capital program that will recover capital related costs (interest, depreciation and return) on distribution capital (referred to as a "K" factor) for 2015-2017. If successful, ENMAX Power Delivery would receive approval to collect approximately $50.0 million of capital-related costs over the three-year period, of which approximately $30.0 million has been approved through interim rate decisions. ENMAX Power Delivery expects to receive a final decision on this application in 2017.

With respect to Transmission, ENMAX Power Delivery filed an application with the AUC on December 9, 2016 seeking approval of Transmission Revenue Requirements of $75.2 million and $81.9 million for 2016 and 2017, respectively. ENMAX Power Delivery expects that a decision on this application will be issued in 2017.

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 debit and credit balances:

As at *(millions of dollars)*	January 1, 2015	Balances Arising in the Year[1]	Recovery (Reversal)[2]	December 31, 2015	Balances Arising in the Year[1]	Recovery (Reversal)[2]	December 31, 2016	Expected Recovery/ Reversal Period
Regulatory deferral account debit balances								
Accounts receivable (a)	18.5	120.5	(119.2)	19.8	122.2	(142.0)	**-**	2 Mo
Un-eliminated inter-company profit (b)	1.5	0.5	-	2.0	6.9	(0.1)	**8.8**	24 Yr
Other regulatory debits (c)	46.6	4.1	(38.0)	12.7	16.8	1.5	**31.0**	12 Mo
Total regulatory deferral account debit balances	66.6	125.1	(157.2)	34.5	145.9	(140.6)	**39.8**	

As at *(millions of dollars)*	January 1, 2015	Balances Arising in the Year[1]	Recovery (Reversal)[2]	December 31, 2015	Balances Arising in the Year[1]	Recovery (Reversal)[2]	December 31, 2016	Expected Recovery/ Reversal Period
Regulatory deferral account credit balances								
Other regulatory credits (d)	2.5	13.7	(2.7)	13.5	7.5	(7.8)	**13.2**	12 Mo
Accounts payable (a)	-	-	-	-	4.5	-	**4.5**	2 Mo
Total regulatory deferral account credit balances	2.5	13.7	(2.7)	13.5	12.0	(7.8)	**17.7**	

(1) "Balances Arising in the Year" column consists of new additions to regulatory deferral debits and credit balances.
(2) "Recovery (Reversal)" column 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 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 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.

(a) Accounts receivable and payable

Accounts receivable and payable represent a price-only deferral account for transmission charges from the AESO. In the absence of rate regulation and the interim 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 Delivery at a profit. Such profit is deemed for regulatory purposes 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 interim 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. 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 relating to the ultimate authority of the regulator in determining the item's treatment for rate-setting purposes. For example, the Corporation's treatment of purchased-power costs is dependent on the continued use of an automatic adjustment mechanism for regulatory purposes and would require reconsideration if the regulator decided to discontinue the use of this mechanism or to require ENMAX Power Delivery to absorb cost variances in a particular year. Similarly, 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. Any impairment related to regulatory deferral account debit balances are recorded in the period in which the related regulatory decisions are received.

10. OTHER ASSETS AND LIABILITIES

As at *(millions of dollars)*	December 31, 2016	December 31, 2015
Other current assets		
Prepaid expenses	**10.2**	12.3
Collateral paid	**31.5**	0.7
Deferred asset	**0.3**	0.3
Other	**39.0**	30.9
	81.0	44.2
Other long-term assets		
Prepaid expenses	**4.5**	3.8
Long-term accounts receivable	**2.1**	2.7
Deferred asset	**3.8**	4.1
Long-term collateral paid	**7.8**	-
Other	**14.7**	10.6
	32.9	21.2
Other current liabilities		
Capital lease	**0.7**	0.6
Deposits	**33.8**	31.7
Other	**9.4**	7.4
	43.9	39.7
Other long-term liabilities		
Capital lease	**4.6**	5.6
Other	**13.9**	11.2
	18.5	16.8

11. PROPERTY, PLANT AND EQUIPMENT (PPE)

	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, 2015	1,556.5	1,468.7	243.3	87.7	37.0	39.2	24.7	997.5	(20.0)	4,434.6
Additions	-	-	0.5	1.3	-	4.3	-	283.8	-	289.9
Transfers	243.2	752.8	164.9	12.3	12.1	-	2.4	(1,188.6)	-	(0.9)
Disposals	(4.8)	(0.1)	(0.4)	(1.4)	-	-	(1.0)	(6.5)	-	(14.2)
Changes to asset retirement costs	-	4.3	-	-	-	-	-	-	-	4.3
As at December 31, 2015	1,794.9	2,225.7	408.3	99.9	49.1	43.5	26.1	86.2	(20.0)	4,713.7
Additions	-	-	-	-	-	3.1	-	284.1	-	287.2
Transfers	155.2	34.2	14.6	6.9	(0.4)	-	2.4	(211.8)	-	1.1
Disposals	(4.2)	-	-	0.4	-	-	(0.6)	(5.9)	-	(10.3)
Changes to asset retirement costs	-	17.3	-	-	-	-	-	-	-	17.3
As at December 31, 2016	**1,945.9**	**2,277.2**	**422.9**	**107.2**	**48.7**	**46.6**	**27.9**	**152.6**	**(20.0)**	**5009.0**
Accumulated Depreciation										
As at January 1, 2015	(64.3)	(418.7)	(52.4)	(55.5)	-	-	(6.3)	-	3.0	(594.2)
Depreciation	(70.3)	(84.3)	(10.5)	(8.1)	-	-	(2.0)	-	0.7	(174.5)
Transfers	-	-	-	-	-	-	-	-	-	-
Disposal	12.2	-	1.4	1.4	-	-	0.9	-	-	15.9
As at December 31, 2015	(122.4)	(503.0)	(61.5)	(62.2)	-	-	(7.4)	-	3.7	(752.8)
Depreciation	(73.9)	(92.9)	(11.4)	(11.2)	-	-	(3.0)	-	0.6	(191.8)
Transfers	-	0.7	-	(1.3)	-	-	-	-	-	(0.6)
Disposals	7.5	-	-	(0.4)	-	-	0.5	-	-	7.6
As at December 31, 2016	**(188.8)**	**(595.2)**	**(72.9)**	**(75.1)**	**-**	**-**	**(9.9)**	**-**	**4.3**	**(937.6)**
Net Book Value										
As at December 31, 2015	1,672.5	1,722.7	346.8	37.7	49.1	43.5	18.7	86.2	(16.3)	3,960.9
As at December 31, 2016	**1,757.1**	**1,682.0**	**350.0**	**32.1**	**48.7**	**46.6**	**18.0**	**152.6**	**(15.7)**	**4,071.4**

Real property, including land and buildings, with a carrying amount of $398.6 million as at December 31, 2016 (December 31, 2015–$395.8 million), was subject to a right of first refusal to purchase held by The City.

For the year ended December 31, 2016, capitalized borrowing costs amounted to $5.2 million (2015–$14.7 million), with capitalization rates ranging from 3.89 per cent to 5.36 per cent. Interest is capitalized based on the actual costs of debt used to finance the capital construction projects. Interest rates ranged from 0.75 per cent to 6.31 per cent (2015–0.62 per cent to 6.31 per cent).

During 2015, the Corporation wrote off a project of $2.3 million in construction in progress. During 2016, the Corporation performed an impairment test of all of its CGUs (Note 4(m)). No impairment expense was required as a result of these procedures.

12. POWER PURCHASE ARRANGEMENTS (PPA)

On May 5, 2016, the Corporation issued a notice to the Balancing Pool of its decision to terminate the Keephills PPA effective May 5, 2016, pursuant to the change in law provisions of the PPA. As a result of the decision, the Corporation recorded a non-cash impairment of $51.4 million in the second quarter of 2016.

In December 2015, the Corporation issued a notice to the Balance Pool of its decision to terminate the Battle River 5 PPA effective January 1, 2016, pursuant to the change in law provision of the PPA. As a result of this decision, the Corporation recorded an impairment on the Battle River 5 PPA of $144.4 million in the fourth quarter of 2015.

	Battle River 5	Keephills	Total
Cost			
As at January 1, 2015	572.0	256.5	828.5
Additions	-	0.9	0.9
As at December 31, 2015	572.0	257.4	829.4
As at December 31, 2016	**572.0**	**257.4**	**829.4**
Accumulated Amortization			
As at January 1, 2015	(401.7)	(191.3)	(593.0)
Amortization	(25.9)	(11.0)	(36.9)
Impairment	(144.4)	-	(144.4)
As at December 31, 2015	(572.0)	(202.3)	(774.3)
Amortization	-	(3.7)	(3.7)
Impairment	-	(51.4)	(51.4)
As at December 31, 2016	**(572.0)**	**(257.4)**	**(829.4)**
Net Book Value			
As at December 31, 2015	-	55.1	55.1
As at December 31, 2016	**-**	**-**	**-**

13. INTANGIBLE ASSETS

	Computer Systems	Renewable Energy Certificates and Water Licenses	Land Easements, Rights and Lease Options	Work in Progress	Total
Cost					
As at January 1, 2015	199.7	12.4	2.7	59.7	274.5
Additions	-	-	-	34.3	34.3
Transfers	42.9	-	30.5	(73.4)	-
Disposals	(18.2)	-	-	-	(18.2)
As at December 31, 2015	224.4	12.4	33.2	20.6	290.6
Additions	-	-	-	34.0	34.0
Transfers	25.1	-	0.3	(26.5)	(1.1)
Disposals	(3.1)	-	-	-	(3.1)
As at December 31, 2016	**246.4**	**12.4**	**33.5**	**28.1**	**320.4**
Accumulated Amortization					
As at January 1, 2015	(134.4)	(8.9)	(2.3)	-	(145.6)
Amortization	(15.3)	(1.0)	(1.1)	-	(17.4)
Disposals	18.2	-	-	-	18.2
As at December 31, 2015	(131.5)	(9.9)	(3.4)	-	(144.8)
Amortization	(16.9)	(1.1)	(1.4)	-	(19.4)
Disposals	3.1	-	-	-	3.1
Transfers	1.3	(0.7)	-	-	0.6
As at December 31, 2016	**(144.0)**	**(11.7)**	**(4.8)**	**-**	**(160.5)**
Net Book Value					
As at December 31, 2015	92.9	2.5	29.8	20.6	145.8
As at December 31, 2016	**102.4**	**0.7**	**28.7**	**28.1**	**159.9**

14. LONG-TERM DEBT

As at *(millions of dollars)*	December 31, 2016	Weighted Average Interest Rates	December 31, 2015	Weighted Average Interest Rates
City debentures [1] with remaining terms of:				
Less than 5 years	**99.2**	**3.63%**	62.8	2.53%
5 – 10 years	**10.2**	**2.31%**	76.7	4.20%
10 – 15 years	**47.6**	**4.36%**	31.1	4.65%
15 – 20 years	**455.4**	**4.41%**	387.1	4.49%
20 – 25 years	**532.8**	**3.25%**	653.4	3.37%
Private debenture [1]	**498.1**	**5.21%**	497.5	5.21%
Promissory note	**3.9**	**5.00%**	4.2	5.00%
	1,647.2		1,712.8	
Less: current portion	**67.0**		66.2	
	1,580.2		1,646.6	

(1) Unsecured debentures.

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 of 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 2016, the Corporation did not obtain any additional Alberta Capital Finance Authority (ACFA) borrowings.

The Corporation is required to reimburse The City for all principal repayments and interest payments with respect to the debentures on the same day as The City disburses the payments to ACFA. In addition, 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 ACFA debenture balance held by The City on behalf of the Corporation.

PRIVATE DEBENTURES

No private debentures were issued in 2016. The outstanding unsecured private debentures of $300.0 million and $200.0 million at December 31, 2016, bear interest at a rate of 6.15 per cent and 3.81 per cent, respectively, payable semi-annually and mature on June 19, 2018, and December 5, 2024, 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, bears interest at a fixed rate of 5.00 per cent and 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, 2016, are as follows:

Required repayments of principal ***As at December 31,*** *(millions of dollars)*	**2016**
Less than 1 year	**66.4**
1–3 years	**430.9**
3–5 years	**110.1**
More than 5 years	**1,039.8**

15. ASSET RETIREMENT OBLIGATIONS AND OTHER PROVISIONS

	Asset Retirement Obligations	**Restructuring**	**Onerous Contracts**	**Total**
As at January 1, 2015	80.3	-	18.7	99.0
Additions	-	11.2	3.3	14.5
Settled in the year	-	(10.3)	(1.7)	(12.0)
Accretion expense	1.8	-	-	1.8
Revision in discount rate	4.3	-	-	4.3
As at December 31, 2015	86.4	0.9	20.3	107.6
Additions	-		4.4	4.4
Settled in the year	-	(0.9)	(2.0)	(2.9)
Accretion expense	1.7	-	-	1.7
Revision in discount rate	17.3	-	-	17.3
As at December 31, 2016	**105.4**	**-**	**22.7**	**128.1**

Asset Retirement Obligations

The Corporation has estimated the net present value of the decommissioning liabilities associated with ENMAX Competitive Energy based on a total undiscounted future liability of $195.1 million (December 31, 2015–$195.1 million) calculated using an inflation rate of 2.00 per cent (December 31, 2015–2.00 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 between 1.43 per cent and 1.66 per cent (December 31, 2015–between 1.92 per cent and 2.15 per cent) to reflect the market assessment of the time value of money.

Restructuring

During 2015, the Corporation restructured its organization structure to enhance its competitiveness and execution of its strategy. Total provisions recorded in 2015 amounted to $11.2 million of which $0.9 million was paid during the year ended December 31, 2016 (2015 - $10.3 million).

Onerous contracts

The Corporation recognized onerous liabilities for certain contracts when the unavoidable cost of fulfilling the contracts are higher than the expected benefits from them.

16. SHARE CAPITAL

(millions of dollars, except share amounts)	Number of Shares	Amount
Authorized:		
Unlimited number of common shares		
Issued and outstanding:		
Balance, December 31, 2015 and 2016:		
Issued on incorporation	1	–
Issued on transfer of net assets from CES (Note 1)	1	278.2
Issued on transfer of billing and customer care assets from The City in 2001	1	1.9
Balance, December 31, 2015 and 2016	**3**	**280.1**

17. POST-EMPLOYMENT BENEFITS

The Corporation has a registered pension plan that substantially covers all employees and includes both DB and DC provisions. The 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 60.00 per cent of the consumer price index for Alberta. Under the DC provisions, the employer 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.

The Corporation also sponsors a supplemental pension plan providing an additional DC or DB pension to members whose benefits are limited by maximum pension rules under the 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.

Total cash payments for employee future benefits for the year ended December 31, 2016, 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 $22.7 million (2015–$23.1 million).

For the year ended December 31, 2016, the total expense for the defined contribution provisions of the plan is $9.5 million (2015–$9.9 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, 2016			December 31, 2015		
(millions of dollars)	**Pension Benefit Plan**	**Other Benefit Plan**	**Total**	**Pension Benefit Plan**	**Other Benefit Plan**	**Total**
Change in defined benefit obligation:						
Balance, beginning of year	**305.3**	**11.6**	**316.9**	311.0	11.4	322.4
Current service cost	**10.6**	**0.9**	**11.5**	10.9	0.9	11.8
Interest cost	**11.9**	**0.4**	**12.3**	11.4	0.4	11.8
Employee contributions	**3.3**	**-**	**3.3**	3.3	-	3.3
Actuarial losses (gains)	**19.9**	**-**	**19.9**	(11.2)	(0.3)	(11.5)
Benefits paid	**(17.6)**	**(0.6)**	**(18.2)**	(20.1)	(0.8)	(20.9)
Defined benefit obligation, end of year	**333.4**	**12.3**	**345.7**	305.3	11.6	316.9
Change in plan assets:						
Fair value, beginning of year	**277.0**	**-**	**277.0**	266.0	-	266.0
Interest income	**11.0**	**-**	**11.0**	9.9	-	9.9
Return on plan assets, excluding amounts included in interest expense	**5.1**	**-**	**5.1**	6.2	-	6.2
Employer contributions	**11.2**	**-**	**11.2**	11.5	-	11.5
Employee contributions	**3.3**	**-**	**3.3**	3.3	-	3.3
Benefits paid	**(16.2)**	**-**	**(16.2)**	(19.1)	-	(19.1)
Non-investment expenses	**(0.3)**	**-**	**(0.3)**	(0.8)	-	(0.8)
Plan assets at fair value, end of year	**291.1**	**-**	**291.1**	277.0	-	277.0
Funded status-plan deficit						
Accrued benefit liability	**(42.3)**	**(12.3)**	**(54.6)**	(28.3)	(11.6)	(39.9)

DEFINED BENEFIT COST – STATEMENT OF EARNINGS

Years ended December 31,	**2016**			**2015**		
(millions of dollars)	**Pension Benefit Plan**	**Other Benefit Plan**	**Total**	**Pension Benefit Plan**	**Other Benefit Plan**	**Total**
Current service costs	**10.6**	**0.9**	**11.5**	10.9	0.9	11.8
Net interest on net benefit liability	**0.9**	**0.4**	**1.3**	1.5	0.4	1.9
Admin costs	**0.3**	**-**	**0.3**	0.5	-	0.5
Net benefit plan expense	**11.8**	**1.3**	**13.1**	12.9	1.3	14.2

DEFINED BENEFIT COST – STATEMENT OF COMPREHENSIVE INCOME

Years ended December 31,	**2016**			**2015**		
(millions of dollars)	**Pension Benefit Plan**	**Other Benefit Plan**	**Total**	**Pension Benefit Plan**	**Other Benefit Plan**	**Total**
Return on plan assets (greater) less than discount	**(5.1)**	-	**(5.1)**	(6.2)	-	(6.2)
Actuarial (gains) losses						
Experience adjustments	**-**	**(0.2)**	**(0.2)**	-	(0.3)	(0.3)
Changes in assumptions [(1)]	**19.9**	**0.2**	**20.1**	(11.2)	-	(11.2)
Re-measurement effects recognized (OCI)	**14.8**	**-**	**14.8**	(17.4)	(0.3)	(17.7)

(1) See changes in assumptions – Note 17(a)

The defined pension benefits plan's assets are comprised as follows:

As at	December 31, 2016				December 31, 2015			
(millions of dollars)	Quoted	Un-quoted	Total	In %	Quoted	Un-quoted	Total	In %
Canadian equity securities			**82.7**	**28.4%**			71.1	25.7%
Small company equity fund	**10.7**	**-**	**10.7**		8.5	-	8.5	
Canadian equity fund	**72.0**	**-**	**72.0**		62.6	-	62.6	
Foreign equity securities			**88.7**	**30.4%**			87.9	31.7%
U.S. large company equity fund	**51.4**	**-**	**51.4**		48.3	-	48.4	
Developed country equity fund	**37.3**	**-**	**37.3**		39.5	-	39.5	
Fixed-income securities			**96.0**	**33.0%**			104.1	37.6%
Canadian fixed income fund	**5.3**	**-**	**5.3**		5.5	-	5.5	
Canadian long duration bond fund	**32.0**	**-**	**32.0**		38.6	-	38.6	
Real return bond fund	**15.9**	**-**	**15.9**		16.7	-	16.7	
Long duration credit bond fund	**27.0**	**-**	**27.0**		30.3	-	30.4	
U.S. high yield bond fund	**15.8**	**-**	**15.8**		12.9	-	12.9	
Real estate investments	**-**	**22.1**	**22.1**	**7.6%**	-	11.7	11.7	4.2%
Cash and cash equivalents	**-**	**0.8**	**0.8**	**0.3%**	-	1.5	1.5	0.5%
Non-investment asset	**-**	**0.8**	**0.8**	**0.3%**	-	0.7	0.7	0.3%
Total plan assets			**291.1**	**100%**			277.0	100%

(a) Assumptions

The significant weighted-average actuarial assumptions adopted in measuring the Corporation's defined benefit obligations and net benefit plan expense are as follows:

Year ended December 31,	2016		2015	
	Pension Benefit Plan	Other Benefit Plan	Pension Benefit Plan	Other Benefit Plan
Defined benefit obligation:				
Discount rate	**3.75%**	**3.25%**	4.00%	3.50%
Inflation rate	**2.00%**	**n/a**	2.25%	n/a
Rate of compensation increase	**3.00%**	**3.00%**	3.25%	3.25%
Health care cost trend for next year	**n/a**	**7.00%**	n/a	7.00%
Decreasing gradually to 5% in the year	**n/a**	**2021**	n/a	2021
Average life expectancy[(1)]				
Male	**21.5**	**n/a**	21.5	n/a
Female	**23.9**	**n/a**	23.9	n/a
Net benefit plan expense:				
Discount rate	**4.00%**	**3.50%**	3.75%	3.50%
Inflation rate	**2.25%**	**n/a**	2.25%	n/a
Rate of compensation increase	**3.25%**	**3.25%**	3.25%	3.25%
Health care cost trend for next year	**n/a**	**7.00%**	n/a	7.00%
Decreasing gradually to 5% in the year	**n/a**	**2021**	n/a	2021

(1) The average life expectancy for a 65 year old based on the mortality tables used for year-end disclosures.

The per capita cost of covered dental benefits was assumed to increase by 4.50 per cent per year (2015 – 4.50 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

Impact on Pension Benefit Plan DBO		**December 31, 2016**	
	Change in assumption	**Increase**	**Decrease**
Discount rate	**1%**	**(48.4)**	**62.6**
Rate of compensation increase	**1%**	**8.1**	**(7.4)**
Inflation rate	**1%**	**26.8**	**(24.1)**
Life expectancy	**1 year**	**6.9**	**n/a**

SENSITIVITIES OF ASSUMPTIONS

Impact on Other Benefit Plan DBO		**December 31, 2016**	
	Change in assumption	**Increase**	**Decrease**
Discount rate	**1%**	**(1.0)**	**1.1**
Rate of compensation increase	**1%**	**0.4**	**(0.4)**
Health care cost trend rate	**1%**	**0.4**	**(0.3)**
Life expectancy	**1 year**	**(0.0)**	**n/a**

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 as for calculating the liability recognized in the statement of financial position.

(b) Maturity analysis

An actuarial valuation was performed as of December 31, 2013. Based on the 2013 pension valuation, the aggregate solvency deficit in the Corporation's funded pension plans amounted to $27.9 million. The Corporation will make special payments for past service of $3.6 million annually to fund the defined pension benefits plans' deficit over 10 years. Current agreed service contributions is 11.82 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, 2017 (including the past service contributions) are $10.2 million.

The weighted average duration of the defined benefit obligation for the pension benefit plan and the other benefit plan is 13.8 years and 8.6 years respectively (2015: 13.6 years and 8.4 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	17.3	36.1	36.8	94.1	184.3
Other benefit plans	1.0	2.1	2.1	5.0	10.2
At December 31, 2016	**18.3**	**38.2**	**38.9**	**99.1**	**194.5**

(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 85.00 per cent, a plan may be required to file an annual valuation. Based on the 2013 pension valuation, the DB Provisions are 101.00 per cent funded on a going-concern basis and 89.00 per cent on a solvency basis. The funding ratio is monitored on an ongoing basis. The next valuation will be completed for December 31, 2016, and the report is expected to be completed by the end of May 2017.

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.

18. DEFERRED REVENUE

Revenues arising from the recognition of CIAC was $14.1 million for the year ended December 31, 2016 (2015–$12.7 million).

19. ACCUMULATED OTHER COMPREHENSIVE LOSS

As at *(millions of dollars)*	**December 31, 2016**	**December 31, 2015**
Net unrealized (losses) on available-for-sale financial assets	**-**	(0.1)
Net unrealized (losses) on derivatives designated as cash flow hedges, including deferred income tax recovery of $22.3 million (2015–recovery of $0.9 million)	**(78.5)**	(27.8)
Net actuarial (losses) gains on defined benefit plans, including deferred income tax recovery of $0.1 (2015–recovery of $0.2 million)	**(10.8)**	4.1
Accumulated other comprehensive (losses), including deferred income tax recovery of $22.4 million (2015–recovery of $1.1 million)	**(89.3)**	(23.8)

20. OTHER REVENUE AND EXPENSES

OTHER REVENUE

Year ended December 31, *(millions of dollars)*	**2016**	**2015**
Contractual services	**114.4**	99.6
Interest and penalty revenue	**9.6**	10.6
Amortization of CIAC	**14.1**	12.7
Miscellaneous	**12.0**	9.0
	150.1	131.9

OTHER EXPENSES

Year ended December 31, *(millions of dollars)*	**2016**	**2015**
Salaries and wages	**224.3**	236.9
Materials and supplies	**27.4**	20.1
Goods and services	**92.3**	78.6
Administrative and office expenses	**11.2**	7.3
Building expense	**53.6**	46.1
Restructuring (Note 15)	**-**	11.2
Vehicles and other	**17.4**	20.9
Foreign exchange (gains)	**(1.5)**	(19.5)
	424.7	401.6

21. JOINT ARRANGEMENTS

Significant joint operations included in the consolidated financial statements at December 31, 2016 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-fuelled generating facility
Balzac Power Station	Canada	50%	Gas- fuelled generating facility
Genesee 4 and 5	Canada	50%	Gas- fuelled generating project

22. DIVIDEND

On March 16, 2016, the Corporation declared a dividend of $47.0 million to The City (2015–$56.0 million). The dividend was paid in equal quarterly instalments during 2016.

23. FINANCE CHARGES

Year ended December 31, *(millions of dollars)*	**2016**	**2015**
Accretion expense	**1.7**	1.8
Interest expense - pension	**1.2**	1.8
Interest on long-term debt	**74.3**	76.6
Short term interest and other financing charges	**2.9**	3.2
Less: capitalized borrowing costs	**(5.2)**	(14.7)
	74.9	68.7

24. CHANGE IN NON-CASH WORKING CAPITAL

As at *(millions of dollars)*	**2016**	**2015**
Accounts receivable	**(2.7)**	38.1
Regulatory deferral account debit balances	**(5.3)**	32.1
Other assets	**(48.5)**	(18.6)
Accounts payable and accrued liabilities	**(4.7)**	(28.1)
Regulatory deferral account credit balances	**4.2**	11.0
Other liabilities	**5.6**	9.6
Provisions	**1.6**	2.5
Change in non-cash working capital	**(49.8)**	46.6

25. 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 dollars)*	**2016**	**2015**
Revenue (1)	**127.1**	117.1
Local access fees and other expenses (2)	**93.7**	120.1

(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

Year ended December 31, *(millions of dollars)*	**2016**	**2015**
Accounts receivable	**21.6**	22.8
Other long-term assets	**1.3**	1.9
Property, plant and equipment (1)	**3.7**	3.9
Accounts payable and accrued liabilities	**9.8**	9.7
Long-term debt (2)	**1,145.2**	1,211.1
Other long-term liabilities (3)	**7.0**	4.4

(1) Assets under lease.

(2) Interest and principal payments for the year ended December 31, 2016 were $45.1 million (2015 - $45.2 million) and $65.9 million (2015 - $66.9 million) respectively. In addition, the Corporation paid a management fee of $2.8 million to The City for the year ended December 31, 2016, (2015 - $2.9 million).

(3) Finance lease obligation.

Transactions between the Corporation and The City have been recorded at the exchange amounts. Exchange amounts are the 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 (Shepard) operations.

Compensation of key management

The Corporation's key management personnel are members of the Board of Directors and the executive management team considered to have the authority and responsibility for planning, directing and controlling the activities at the Corporation.

The total compensation and remuneration paid by the Corporation and its subsidiary companies to the key management personnel is presented below:

Year ended December 31, *(millions of dollars)*	**2016**	**2015**
Salaries and other short-term employee benefits	**6.7**	8.6
Other long-term benefits	**2.8**	3.0
Retirement and post-employment benefits	**0.4**	0.6
	9.9	12.2

26. COMMITMENTS AND CONTINGENCIES

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

The Corporation commits to the purchase of 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 are as follows:

(millions of dollars)	
2017	105.1
2018	68.0
2019	57.5
2020	8.8
2021	4.2
Thereafter	49.1

POWER PURCHASE ARRANGEMENTS

The Corporation notified the Balancing Pool of its decisions to terminate the Battle River 5 PPA and the Keephills PPA effective January 1, 2016 and May 5, 2016, respectively.

The Balancing Pool confirmed the Corporation's termination of the Battle River 5 PPA on January 27, 2016 and assumed full and final operational control of the PPA on July 13, 2016. The Balancing Pool and the Corporation differ in opinion as to the effective date of the termination; the Corporation's position is that the effective date is January 1, 2016, whereas the Balancing Pool's position is that the effective date is July 13, 2016. In the event that the termination date is determined to be later than January 1, 2016 (up to July 13, 2016), the

Corporation may be exposed to an estimated loss of up to $45.0 million. The dispute between the Balancing Pool and the Corporation regarding the effective date of termination of the Battle River 5 PPA is before the Court of Queen's Bench.

On July 25, 2016, the Attorney General of Alberta filed an application with the Court of Queen's Bench seeking (1) judicial review of the Balancing Pool's decision to accept the Battle River 5 PPA termination and (2) declaratory relief regarding the validity and interpretation of certain terms within the PPAs and related regulations (Alberta Application). ENMAX PPA Management Inc., an affiliate of ENMAX, is the named respondent in the Alberta Application.

On September 16, 2016, the Balancing Pool notified the Corporation that it would not be completing its investigation of the Keephills PPA until a decision has been made by the Court on the Alberta Application. If the Balancing Pool confirms the Corporation's right to terminate the Keephills PPA, the Balancing Pool may still challenge the effective date of termination. If the effective date of that termination is determined to be later than May 5, 2016, the Corporation may be exposed to an estimated loss of up to $47.0 million (up to December 31, 2016).

No provisions have been recognized with respect to the above matters as the Corporation believes the terminations were exercised in accordance with the provisions of the PPAs.

HISTORICAL TRANSMISSION LINE LOSS CHARGES

The Corporation is participating in an AUC proceeding and related Court processes and appeals regarding the Line Loss Rule (LLR). The LLR establishes the loss factors that form the basis for certain transmission charges paid by Alberta generators, including ENMAX. Proceedings relating to the LLR address the AUC's authority to order retroactive adjustments (Module A); the replacement of the 2006-2016 methodology (Module B); and the calculation and payment of retroactive loss charges and credits for the 2006-2016 period (Module C).

No provision has been recognized related to potential retroactive adjustments, though they may be material, since the outcomes of the LLR proceedings and the multiple associated court appeals in process remain uncertain and unquantifiable at this time.

In addition to the potential for material retroactive adjustments, the Corporation may incur material additional transmission charges on a go-forward basis depending on the line loss methodology ultimately approved and implemented.

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 in addition to those specifically discussed in this Note 26. The Corporation believes the outcome of these lawsuits and regulatory procedings 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. 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.

INCOME TAX

Alberta Finance, Tax and Revenue Administration (Alberta Finance) is responsible for assessing the income tax returns filed under the PILOT regulation of the EUA, which became effective January 1, 2001.

Certain ENMAX entities experienced a change in tax status with the introduction of PILOT regulation. This resulted in all PILOT-related assets (primarily the PPA-owned assets at that time) being deemed to be disposed of and immediately reacquired at fair market value for tax purposes effective December 31, 2000. Alberta Finance disagreed with ENMAX's fair market value for tax purposes.

During the year ENMAX and Alberta Finance mutually agreed to settle a dispute with respect to the valuation issue thereby foregoing any further litigation on this matter. There remain other matters on which ENMAX and Alberta Finance disagree and for which reassessments and communications were received accordingly. ENMAX has taken the necessary steps to defend its positions through the formal appeals and litigation process. ENMAX will evaluate all options should the appeals and litigation process result in an unfavourable outcome. The Corporation believes the outcome of this litigation will not have a material impact on the operating results or financial position of the Corporation.

When Alberta Finance conducted its 2006 audit of ENMAX Energy Corporation and ENMAX PSA Corporation, it disagreed with the interest expense deducted on the PILOT returns. ENMAX Corporation loaned money to its affiliates, ENMAX Energy Corporation in 2004 and ENMAX PSA Corporation in 2006 and 2007. ENMAX has received reassessments and communications from Alberta Finance in respect of the taxation years from 2006 through 2012. The matter was heard before the Court of Queen's Bench of Alberta with a decision rendered in favour of ENMAX on June 17, 2016 and Alberta Finance appealed the decision to the Alberta Court of Appeal. ENMAX and Alberta Finance have filed legal briefs in support of their respective positions in the appeal. In the event the outcome is unfavourable, ENMAX will evaluate all options.

The Corporation regularly reviews the potential for adverse outcomes in respect of tax matters and believes it has adequate provisions for these tax matters. The determination of the income tax provision is an inherently complex process, requiring management to interpret continually changing regulations and to make certain judgments. Although there can be no assurance that the disputes will be resolved in the Corporation's favour, the Corporation does not believe that the outcome of these disputes will have a material adverse effect on its financial position.

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 2016-17. Due to the change of law provisions in ENMAX Competitive Energy's PPAs and tolling agreements, ENMAX Competitive Energy is exposed to the associated compliance costs. This policy has not been drafted into legislation and this impact may vary depending on the final tabled legislation. This policy announcement has no material financial impact to the Corporation's fleet of gas -fuelled assets.

For the year ended December 31, 2016, the consolidated financial statements include a charge to earnings in the amount of $7.8 million (2015—$15.1 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 coal and natural gas-fuelled generation facilities through its PPAs and 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. ENMAX Competitive Energy has taken steps, including acquiring qualified offset credits from both its wind-generation assets and purchases on the wholesale market, to mitigate impacts of the GHG regulations.

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, 2016, the Corporation had issued letters of credit amounting to $244.6 million (December 31, 2015—$234.8 million).

As at *(millions of dollars)*	**December 31, 2016**		**December 31, 2015**	
	Available	**Used**	**Available**	**Used**
Unsecured credit facilities				
Bilateral operating facilities	**600.0**	**244.6**	600.0	234.8
Syndicated credit facilities	**250.0**	**-**	250.0	-
	850.0	**244.6**	850.0	234.8

DIRECTOR/OFFICER INDEMNIFICATIONS

Under its bylaws, the Corporation indemnifies individuals who have acted at the Corporation’s request to be a director and/or officer of the Corporation and/or one or more of its direct and indirect subsidiaries, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory or other legal restrictions and limitation periods. The nature of the indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. The Corporation has purchased various insurance policies to reduce the risks associated with the indemnification.

OTHER INDEMNIFICATIONS

In the ordinary course of business, the Corporation and its subsidiaries enter into contracts that contain indemnification provisions, such as purchase and sale contracts, service agreements, intellectual property licensing agreements, purchases and sales of assets and equipment, joint venture agreements (JVAs), operating agreements and leasing and land use arrangements. In such contracts, the Corporation may indemnify counterparties to the contracts if certain events occur, such as undisclosed liabilities, changes in financial condition and loss caused by the actions of third parties or as a result of litigation or other claims by third parties. These indemnification provisions will vary based upon the contract. In many cases, there are no pre-determined amounts or limits included in these indemnification provisions, and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount the Corporation could be required to pay cannot be estimated.

27. SUBSEQUENT EVENT

On March 16, 2017, the Corporation declared a dividend of $48.0 million payable to The City in quarterly instalments during 2017.

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. Refer to Note 6 for further information.

GLOSSARY OF TERMS

AC	Audit Committee
ACFA	Alberta Capital Finance Authority
ACTA	Alberta Corporate Tax Act
AESO	Alberta Electric System Operator
Alberta Finance	Alberta Finance, Tax and Revenue Administration
AQMS	National Air Quality Management System
AUC	Alberta Utilities Commission
BLIERs	Base level industrial emissions Requirements
Board	ENMAX's Board of Directors
Corporation	ENMAX Corporation and its subsidiaries
CES	Calgary Electric System
CCEMA	Change and Emissions Management Amendment
CIAC	Contributions in aid of construction
CPA Handbook	Canadian Professional Accountants Handbook
CUPE	The Canadian Union of Public Employees
DAS	Distribution Access Services
DB	Defined benefit
DBO	Defined benefit obligation
DC	Defined contribution
Divisions	ENMAX Transmission and ENMAX Distribution
EBIT	Earnings before interest and income taxes
EBITDA	Earnings before interest, income tax and depreciation
EMS	Environmental management system
ENMAX	ENMAX Corporation and its subsidiaries
ERM	Enterprise risk management
EUA	Alberta Electric Utilities Act
FFO	Funds from operations
FVTPL	Fair value through profit or loss
FX	Foreign exchange
GHG	Greenhouse gas
GJ	Gigajoule
GWh	Gigawatt hour
IBEW	International Brotherhood of Electrical Workers
ICFR	Internal control over financial reporting
IFRS	International Financial Reporting Standard
ITA	Income Tax Act (Canada)
JVA	Joint venture agreement
LLR	Line Loss Rule
MD&A	Management's Discussion and Analysis
MSA	Market Surveillance Administrator
MW	Megawatt
MWh	Megawatt hour
NOx	Nitrogen oxide
OCI	Other comprehensive income
OM&A	Operations, maintenance and administration
PBR	Performance based regulation
PILOT	Payment in lieu of tax
PPA	Power purchase arrangement
PPE	Property, plant and equipment
RMC	Risk Management Committee
ROE	Return on equity
RRO	Calgary Regulated rate option
SaaS	Software as a service
SAIDI	System average interruption duration index
SAIFI	System average interruption frequency index
SGER	Specified Gas Emitters Regulation
Shepard	Shepard Energy Centre
SIPP	Statement of Investment Policies and Procedures
SOx	Sulpher oxide
The City	The City of Calgary
WACC	Weighted average cost of capital
WPC	Wind Participation Consortium

ADDITIONAL INFORMATION

ENMAX welcomes questions from stakeholders.
Additional information relating to ENMAX can be found at enmax.com.

Please direct financial inquiries to:

Gianna Manes
President and Chief Executive Officer
403.514.3000

Helen Wesley
Executive Vice President and
Chief Financial Officer
403.514.3000

Please direct media inquiries to:

Doris Kaufmann Woodcock
Senior Media Relations Advisor
403.689.6150
Email: mediaroom@enmax.com