EnerCare Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

First Quarter Ended March 31, 2011

Dated May 9, 2011

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The consolidated financial statements of EnerCare Inc. are prepared in accordance with IFRS which became effective on January 1, 2011 with retroactive application to January 1, 2010. EnerCare's significant accounting policies are summarized in detail in note 3 of the interim consolidated financial statements for the period ended March 31, 2011. Unless otherwise specified, amounts are reported in this MD&A in thousands, except customers, units, Shares and "per Share" amounts and percentages (except as otherwise noted). Dollar amounts are expressed in Canadian currency.

EnerCare operates its businesses in two segments: Rentals – rentals of water heaters and other equipment and Sub-metering – provision of sub-metering equipment and billing services.

Certain definitions of key financial and operating terms used in this MD&A are located at the end of this MD&A under "Glossary of Terms".

On January 1, 2011, pursuant to a plan of arrangement the Fund converted to a dividend paying corporation, EnerCare Inc. and the Trust converted to EnerCare Solutions Inc. The Conversion was accounted for on a continuity of interest basis. Reporting prior to January 1, 2011 refers to units, unitholders and distributions, whereas from January 1, 2011 references are to shares, shareholders and dividends. References in this MD&A are in respect of EnerCare and EnerCare Solutions and shall be deemed to be such prior to January 1, 2011 when these entities were named The Consumers' Waterheater Income Fund and The Consumers' Waterheater Operating Trust, respectively.

FORWARD-LOOKING INFORMATION

This MD&A, dated May 9, 2011, contains certain forward-looking statements that involve various risks and uncertainties and should be read in conjunction with EnerCare's 2010 audited consolidated financial statements. Additional information in respect to the Fund and EnerCare, including the AIF can be found on SEDAR at www.sedar.com.

When used herein, the words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information in this MD&A includes statements that reflect management's expectation regarding EnerCare's growth, results of operations, performance, business prospects and opportunities. Such forward-looking information reflects management's current beliefs and is based on information available to them and/or assumptions management believes are reasonable. Many factors could cause results to differ materially from the results discussed in the forward-looking information. Although the forward-looking information is based on what management believes to be reasonable assumptions, EnerCare cannot assure investors that actual results will be consistent with this forward-looking information. All forward-looking information in this MD&A is made as of the date of this MD&A. Except as required by applicable securities laws, EnerCare does not intend and does not assume any obligations to update or revise the forward-looking information, whether as a result of new information, future events or otherwise.

Except as discussed under "Update to Risk Factors", a thorough discussion in respect of the material risks relating to the business and structure of EnerCare can be found in the AIF which is available on SEDAR at www.sedar.com.

HIGHLIGHTS - FIRST QUARTER 2011

The following highlights compare results for the first quarter of 2011 with the first quarter of 2010.

- Total revenues of $61,412 increased by 25% over 2010. Revenues in the Rentals business increased 1% or $431 to $46,895, primarily as a result of the impact of the 2011 rental rate increase offset by change in overall assets. Sub-metering revenues increased to $14,405 from $2,657, primarily due to the inclusion of ECI.
- EBITDA[1] increased by 4% to $36,227 in 2011. Adjusted EBITDA[1] increased by 2% to $40,867 driven principally by higher revenues and reduced loss on disposal of equipment due to reduced unit exchanges in the Rentals business.
- Net losses were $1,061 in 2011, approximately $1,214 lower than 2010. Operating results improved by $4,127 in 2011 compared to 2010 primarily due to increased revenues offset by a $3,757 reduction in income tax recoveries and increased expenses.
- The Payout Ratio[2] improved to 57% in 2011 from 59% in 2010, primarily as a result lower capital expenditures related to exchanged assets offset by current taxes. EnerCare's payout ratio improved even though EnerCare became a taxable entity.
- Attrition in Rentals decreased by 2,000 units or 10% in 2011. Portfolio additions remain strong while unit exchanges declined by 3,000 to 14,000 resulting in both a lower loss on disposal and capital expenditure for the first quarter of 2011.

[1] EBITDA and Adjusted EBITDA are Non-GAAP financial measures. Refer to the Non-GAAP Financial and Performance Measures section in this MD&A.

[2] Payout Ratio and Distributable Cash are Non-GAAP financial measures. Refer to the Non-GAAP Financial and Performance Measures section in this MD&A.

RECENT DEVELOPMENTS

Corporate Conversion

On October 12, 2010, the Trustees of the Fund approved the planned conversion of the Fund from an income trust to a dividend-paying corporation on a tax free "roll-over" basis for Canadian federal income tax purposes, effective January 1, 2011. In connection with the Conversion, the Fund announced that it expected that EnerCare would maintain the Fund's previous distribution level of $0.648 per share annually as monthly dividends of $0.054 per share, with the first dividend payable to shareholders of record on January 31, 2011.

On November 25, 2010, the Conversion was approved with 99.8% of the Units represented at the meeting voting in favour. On November 29, 2010, the final order from the Ontario Superior Court of Justice for the Fund's Conversion was obtained.

The Conversion was undertaken pursuant to a statutory plan of arrangement under the Canada Business Corporations Act. The Conversion resulted in, among other things, the following occurring on the effective date of the Conversion (January 1, 2011):

- Each Unit was exchanged for one Share.
- EnerCare assumed the Convertible Debentures, which became convertible into common shares of EnerCare on the same terms as they were convertible into Units (being a current conversion price of $6.48 per Share).
- The Trust was dissolved and EnerCare Solutions assumed the Trust's 2009 Notes and 2010 Notes.
- The Fund was dissolved.
- EnerCare Shares and the Convertible Debentures were listed on the Toronto Stock Exchange in substitution of the Fund Units and the Convertible Debentures.

Sub-metering – Regulatory Developments

New Sub-metering Regime in Ontario

On April 22, 2010, the Energy Act was passed by the Ontario legislature. In October 2010, the Government of Ontario published Regulations under the Energy Act and RTA regarding suite sub-metering. The Regulations and the Energy Act (collectively, the "Legislation") came into force January 1, 2011. The Fund's subsidiaries, Stratacon and ECI, through the sub-metering working group, provided comments on the draft Legislation. The Legislation permits individual suite sub-metering in apartment buildings, condominium complexes and commercial buildings in Ontario. Among other things, the Legislation:

- amends the RTA to permit sub-metering, subject to first providing tenants with required information and subject to receiving consent from a sitting tenant;
- confirms the right of sub-metering providers to shut off the distribution of electricity for non-payment, subject to prescribed conditions and exceptions;
- provides the OEB with oversight over security deposit policies chargeable by sub-metering providers and imposes licensing requirements on sub-metering providers;
- requires the installation of suite meters in "new" residential buildings;
- sets information, rent reduction and refrigerator efficiency requirements;
- disallows suite metering of electric heat in residential rental buildings, except in respect of currently installed sub-meters, subject to certain conditions; and
- transitions existing suite meter arrangements and existing licenses of sub-meter providers into the new regime.

Sub-metering

Stratacon and ECI reported record sales of over 9,000 individual suites for the first quarter ended March 31, 2011. EnerCare has seen increased activity in the sub-metering market since the Legislation became effective. EnerCare has also proceeded with previously announced plans to increase its sales force by approximately 40%.

As of March 31, 2011, EnerCare has in excess of 100,000 contracted suites in its Sub-metering portfolio.

Adoption of Shareholders Rights Plan

EnerCare adopted a shareholder rights plan immediately following approval by a majority of shareholders that voted at EnerCare's 2011 annual and special meeting held on April 29, 2011. In making the announcement, EnerCare stated that it was not aware of any pending or threatened take-over bid. The rights plan has been accepted by the Toronto Stock Exchange in accordance with its rules and policies.

The primary objectives of the rights plan are (i) to provide the board of directors of EnerCare with additional time to explore and develop alternatives for maximizing shareholder value if an unsolicited take-over bid is made for the Shares, or any other shares in the capital of EnerCare that carry a right generally to vote in the election of directors, (ii) to provide every shareholder with an equal opportunity to participate in such a bid, and (iii) to ensure, to the extent possible, that all shareholders are treated fairly in connection with any take-over bid.

RESULTS OF OPERATIONS

Overview

The following results of operations include ECI Sub-metering results from the date of acquisition on October 1, 2010. Accordingly, EnerCare's consolidated financial results include partial year Sub-metering results in 2010.

EnerCare is very pleased with the progress of the integration of ECI with our existing sub metering business. Both sub metering businesses, ECI and Stratacon, were accretive to EBITDA in the 1th Quarter of 2011.

Earnings Statement

	Three months ended March 31,	
	2011	2010
Revenues		
Rentals	**$46,895**	$46,464
Sub-metering	**14,405**	2,657
Investment income	**112**	2
Total revenues	**61,412**	49,123
Commodity charges	**10,593**	1,621
SG&A expenses:		
Rentals	**3,834**	4,534
Sub-metering	**2,653**	1,712
Corporate	**3,353**	1,263
Total SG&A expenses	**9,840**	7,509
Amortization expense	**26,240**	27,606
Loss on disposal of equipment	**4,640**	4,993
Interest expense	**10,691**	12,113
Total operating expenses	**62,004**	53,842
Loss before income taxes	**(592)**	(4,719)
Current tax (expense)	**(1,584)**	-
Deferred income tax recovery	**1,115**	4,872
Net (loss)/earnings	**$(1,061)**	$ 153
Adjusted EBITDA	**$40,867**	$39,991
EBITDA	**$36,227**	$34,998

Revenues

Total revenues of $61,412 for the first quarter of 2011 increased by approximately $12,289 or 25% compared to the same period in 2010. Revenues increased by $431 to $46,895 in the first quarter of 2011, primarily due to rental rate increases implemented in January 2011 offset by the change in outstanding units over the past 12 months. Sub-metering revenues in the first quarter of 2011 were $14,405, an increase of approximately $11,748 as a result of increased billing units with the acquisition of EECI in the fourth quarter of 2010. Revenue increases include pass through commodity charges which contributed $8,972 or 18% to the overall improvement.

Investment income increased by $110 in the first quarter of 2011 to $112 as a result of improved investment rates and larger investment balances during the period.

Selling, General & Administrative Expenses

Total SG&A expenses were $9,840 in the first quarter of 2011, an increase of approximately $2,331 or 31% over the same period in 2010. The expense increase is a result of the inclusion of the ECI business, which accounted for approximately $1,518 of the amount, followed by increased net costs of approximately $813 in respect of long term compensation, professional fees, including legal, audit, investor relations and listing fees and selling and office expenses. The 2010 amount for the period included approximately $300 in respect of capital taxes that were not incurred in 2011.

Amortization Expense

Amortization expense decreased by $1,366 to $26,240 in the first quarter 2011, primarily due to the expiration of the intangible assets related to the former shareholders of Stratacon, a smaller portfolio base and a change in the estimated useful lives of sub-meters that occurred in the fourth quarter 2010.

Interest Expense

Interest Expense	Three months ended March 31, **2011**	2010
Interest expense payable in cash	**$ 9,366**	$ 9,527
Non-cash items:		
Amortization of bridge fees	**-**	1,440
Amortization of OCI and financing costs	**1,325**	1,146
Interest expense	**$10,691**	$12,113

Interest expense payable in cash decreased nominally to $9,366 in the first quarter of 2011 over the same period in 2010. The decrease is primarily related to interest rate differences between the 2009 Bridge and Revolver compared to the impact of the 2010 Notes. The amortization of bridge fees relates to the 2009 Bridge that was repaid when the 2010 Notes were issued in March 2010. Amortization of OCI and financing costs increased modestly as a result of the full period impact of the 2010 Notes and the Convertible Debentures.

Loss on Disposal of Equipment

In the first quarter of 2011, EnerCare reported a loss on disposal of equipment of $4,640, representing a decrease of $353 or 7%. The loss on disposal amount is influenced by the number of assets retired, changes in the retirement asset mix and the age of the assets retired. The primary reason for the decreased expense relates to the lower unit Attrition and exchange activity in the Rentals business in the first quarter of 2011 when compared to 2010.

Income Taxes

EnerCare reported a current tax expense of $1,584 related to the taxable status of the corporation effective January 1, 2011. The future income tax recovery of $1,115 was lower than in the first quarter of 2010 by approximately $3,757, primarily the result of temporary difference reversals in the Rentals and Sub-metering businesses.

Adjusted EBITDA and EBITDA

The following table summarizes comparative quarterly results for the last eight quarters, and reconciles net earnings, a GAAP measure to EBITDA and Adjusted EBITDA.

Quarterly Earnings Before Interest, Taxes and Amortization (EBITDA)	**Q1/11**	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09
Net (loss)/earnings	**$(1,061)**	$(3,214)	$ 2,216	$ 2,566	$ 153	$15,784	$(6,004)	$ 7,556
Deferred Tax (recovery)/expense	**(1,115)**	(3,419)	(5,172)	(4,745)	(4,872)	(28,065)	(11,242)	(9,697)
Current Tax expense	**1,584**							
Amortization expense	**26,240**	26,620	27,287	27,560	27,606	28,414	31,203	26,540
Interest expense	**10,691**	10,666	10,693	10,325	12,113	10,107	10,069	9,962
Interest (income)	**(112)**	104	(1,802)	(5)	(2)	(14)	(3)	(3)
EBITDA	**36,227**	30,757	33,222	35,701	34,998	26,226	24,023	34,358
Add: Loss on disposal of equipment	**4,640**	4,673	5,756	5,918	4,993	6,086	11,000	5,081
Add: Impaired assets	**-**	-	-	-	-	4,106	3,398	-
Adjusted EBITDA	**$40,867**	$35,430	$38,978	$41,619	$39,991	$36,418	$38,421	$39,439
Accounting basis	**IFRS**	IFRS	IFRS	IFRS	IFRS	CGAAP	CGAAP	CGAAP

Adjusted EBITDA increased by $876 to $40,867 in the first quarter of 2011. Most of the improvement in Adjusted EBITDA was driven by higher revenues from the Sub-metering business, which includes the results of ECI. EBITDA of $36,227 for the first quarter of 2011 improved by approximately $1,229 over the comparable period in 2010, due to increased revenue and a reduction in loss on disposal of equipment charges. In addition to the impact of Attrition, fluctuations in SG&A and customer claims are the main drivers of changes in Adjusted EBITDA.

Billing and Servicing Matters

Capital items

EnerCare has been in discussion with DE regarding certain amounts DE has billed EnerCare for water heater installations. The amounts at issue totalled approximately $3,200 at March 31, 2011. Settlement with DE for a lower amount than billed would result in a reduction to previously stated capital expenditure amounts.

Earnings items

DE, through EGD, provides billing and collection services for substantially all of EnerCare's water heaters and other assets. Following the September 2009 billing system conversion implemented by DE, which coincided with a billing system conversion by EGD, EnerCare's ICFR identified issues principally associated with DE's system conversion impacting EnerCare's customers, including issues in respect of the allocation of customer payments, customer collections, and billing issues, including completeness of billing, billing in respect of new customers and implementation of new rental rates. EnerCare has been working closely with DE to identify and rectify these issues. The cumulative impact of accounting estimates associated with all implementation issues are summarized as follows:

- EnerCare estimated and recorded revenues of $1,100 in respect of customer billings and adjustments associated with new customer additions and billing rate increases that have not been completed by DE.
- Collection exposures and the erroneous application of customer payments were identified for which a $1,600 provision was required related to revenues from customers outside the EGD customer areas.
- Buyout charges of $750 that had been accrued were expensed to bad debts when billing charges were not invoiced.

EnerCare is working closely with DE to resolve these billing issues, correct deficiencies and eliminate the need for these accruals, billing analysis and associated collection efforts. The amounts included in these financial statements reflect the amounts expected to be recovered from customers, but do not include any amounts EnerCare may recover from DE for lost revenues arising from these billing system conversion issues.

Settlement with DE for an amount in excess of revenues recorded and recovery of any expenses accrued would result in an increase to previously stated EBITDA amounts.

DISTRIBUTABLE CASH AND PAYOUT RATIO

	Three months ended March 31, 2011	2010
Cash provided by operating activities	**$32,916**	$26,619
Net change in non-cash working capital	**(2,887)**	3,847
Operating Cash Flow[3]	**30,029**	30,466
Capital expenditures - excluding acquisitions and Sub-metering	**(15,491)**	(17,905)
Proceeds on disposal of equipment	**1,071**	928
Distributable Cash	**15,609**	13,489
Dividends declared	**(8,918)**	(8,023)
Net cash retained/(distributed) by EnerCare	**$ 6,691**	$ 5,466
Payout Ratio	**57%**	59%

The Payout Ratio, after capital expenditures (excluding acquisitions and Sub-metering capital investment) was approximately 57% for the first quarter of 2011 compared to 59% for the same period in 2010. For the first quarter of 2011, the Payout Ratio improved primarily as a result lower capital expenditures related to units exchanged. EnerCare intends to finance its recurring capital expenditures with cash flows from operations and cash on hand.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended March 31, 2011	2010
Cash flow from operating activities	**$32,916**	$26,619
Net change in non-cash working capital	**(2,887)**	3,847
Operating Cash Flow	**30,029**	30,466
Net capital expenditures	**(14,420)**	(16,977)
Growth capital – Sub-metering	**(1,808)**	(649)
Cash used in investing activities	**(16,228)**	(17,626)
Dividends paid	**(5,943)**	(8,023)
Net financing	**488**	(1,478)
Cash (used in)/provided by financing activities	**(5,455)**	(9,501)
Cash and equivalents – end of period	**$63,728**	$24,831

Operating Cash Flow of $30,029 for the first quarter of 2011 was essentially unchanged compared to the same quarter in 2010. Cash flow from operating activities is a GAAP measure which is impacted by the timing of net changes in non-cash working capital. In the first quarter of 2011 the increase in accounts receivable was largely offset by an increase in accounts payable primarily as a result of the acquisition of EECI.

Capital investments in the first quarter of 2011 were lower primarily due to reduced asset exchanges in the Rentals business, partially offset by increased investments in Sub-metering. Net financing activity for 2011 primarily reflects the receipt of cash collateral and required prepayment of a portion of the Stratacon Debt.

EnerCare Solutions is subject to a number of covenants and has the ability to incur additional senior debt as described in Liquidity and Capital Resources – Cash from Financing.

Management believes that EnerCare has sufficient cash flow, cash on hand and credit available to meet its 2011 obligations, including capital expenditures for the Rentals and Sub-metering businesses and working capital requirements of the Rentals and Sub-metering businesses.

[3] Operating Cash Flow is a Non-GAAP financial measure. Refer to the Non-GAAP Financial and Performance Measures section in the MD&A.

Capital Expenditures

Capital expenditures typically have a significant impact on liquidity and are best understood with reference to the unit continuity analysis below.

Asset Unit Continuity (in thousands)	**2011**			2010		
Segment	**Rentals**	**Sub-metering**	**Total**	Rentals	Sub-metering	Total
Units – start of period	**1,267**	**77**	**1,344**	1,322	35	1,357
Portfolio additions	**6**	**5**	**11**	6	6	12
Acquisitions	**-**	**-**	**-**	-	-	-
Attrition	**(18)**	**-**	**(18)**	(20)	-	(20)
Units – end of period	**1,255**	**82**	**1,337**	1,308	41	1,349
Asset exchanges – units retired and replaced	**14**	**-**	**14**	17	-	17
% change in units during the period			**(0.5%)**			(0.6%)
% of units from start of period:			**-**			-
Portfolio additions (net of acquisitions)			**0.8%**			0.9%
Attrition			**(1.3%)**			(1.5%)
Units retired and replaced			**1.0%**			1.3%
Billable units	**1,255**	**52**	**1,307**	1,308	17	1,325

Net capital expenditures in the Rentals business include portfolio additions and asset exchanges, net of proceeds on disposal. In the first quarter of 2011, net capital expenditures (excluding acquisitions) in the Rentals business were $14,420, decreasing by approximately $2,557 when compared to the same period in 2010. Rentals portfolio additions and asset exchanges decreased by approximately 3,000 units over the same period in 2010, which largely accounts for the decrease in capital expenditures.

Attrition in the Rentals business in the first quarter of 2011 was 18,000 assets or approximately 10% lower than the same period in 2010 in part due to customer communications and marketing programs delivered by EnerCare and DE. The trend in Attrition units and percentages on a year over year basis has decreased steadily for the past four quarters.

Cash from Financing

Financing activities for EnerCare reflect mainly dividends, periodic financing of EnerCare Solutions' indebtedness, the Fund's offering of Units and Convertible Debentures, and to a much lesser extent financing of the Sub-metering business. During the first quarter of 2011, EnerCare reflected net financing activity of $488 related to the receipt of cash collateral and prepayment of some loans from the Stratacon original financing. During the same period in 2010, net financing activity of $(1,478) related to the 2010 Notes and changes in the Revolver balance.

	Three months ended March 31,	
Capitalization	**2011**	2010
Cash and cash equivalents	**$ 63,728**	$ 24,831
Net investment in working capital	**(16,746)**	(5,012)
Cash, net of working capital	**46,982**	19,819
Total debt	**597,738**	575,425
Unitholder's equity	**136,083**	139,318
Total capitalization – book value	**$733,821**	$714,743

Typically, EnerCare maintains cash balances to provide sufficient cash reserves to satisfy short-term requirements, including interest payments, dividend distributions and certain capital expenditures and acquisitions. EnerCare held $63,728 of cash and cash equivalents at March 31, 2011, an increase of approximately $38,897 from the prior year, comprised of the proceeds of the Fund's Unit and Convertible Debenture issues, partially offset by the purchase of EECI and a reduction of bank indebtedness.

At March 31, 2011, total debt was comprised of the 2009 Notes and 2010 Notes, Convertible Debentures and the Stratacon Debt.

EnerCare Solutions is subject to a number of covenant requirements as described in the AIF. The following discussion outlines the principal covenants.

Revolver

Under the Revolver, EnerCare Solutions is subject to three principal financial covenants as described in the AIF. The covenants address interest and debt coverage. EnerCare Solutions complied with these covenants on March 31, 2011. No amounts were drawn on the Revolver at March 31, 2011.

2009 Notes and 2010 Notes – Incurrence Test

The covenants under the 2009 Notes and 2010 Notes are contained in a master trust indenture and supplemental indentures effective January 29, 2010 and February 19, 2010, respectively. Under the terms of these indentures, EnerCare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1. On March 31, 2011, EnerCare Solutions exceeded this minimum and has the capacity under the covenant to raise approximately $20,000 to $30,000 additional senior debt should it elect to do so.

Summary of Quarterly Results

	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09
Total revenues	**$61,412**	$57,169	$49,676	$51,450	$49,123	$44,727	$46,121	$48,208
Net earnings/(loss)	**(1,061)**	(3,214)	2,216	2,566	153	15,784	(6,004)	7,556
Dividend distributions declared	**8,918**	8,867	8,867	8,304	8,023	8,023	13,322	15,972
Average Shares outstanding	**54,952**	54,734	54,734	50,841	49,524	49,524	49,524	49,524
Per Share								
Basic/diluted net (loss)/earnings	**($0.02)**	($0.06)	$0.04	$0.05	$0.00	$0.32	($0.12)	$0.15
Dividend distributions declared	**$0.162**	$0.162	$0.162	$0.163	$0.162	$0.162	$0.269	$0.323
Accounting basis	**IFRS**	IFRS	IFRS	IFRS	IFRS	CGAAP	CGAAP	CGAAP

Revenues in the Rentals business reflect rate increases implemented generally in January of each year and changes in the portfolio over time. Revenues declined through much of 2009 due to the impact of Attrition in the Rentals portfolio and as a result of a lower billing base in the Sub-metering business due primarily to the OEB Order. The revenues in 2010 and 2011 were influenced by the January rate increases, accruals related to billing and servicing matters and the acquisition of EECI in the fourth quarter of 2010. Any impacts as a result of conversion to IFRS have not been reflected in the amounts related to 2009.

Differences in net earnings between quarters reflect the profile of certain expenses, as well as the timing and amount of future income tax recoveries. Commencing in the fourth quarter of 2009, dividend payments reflect the full impact of the distribution reduction effected in September 2009. The average number of Shares outstanding and the related per Share data reflect the Fund's Unit offering of June 2010.

SUMMARY OF CONTRACTUAL DEBT AND LEASE OBLIGATIONS

The following schedule summarizes the contractual debt and lease obligations of EnerCare at March 31, 2011:

Period	Principal Payments	Interest Payments	Leases
Within the next 12 months	$ 1,098	$ 36,717	$ 735
1 to 2 years	301,145	34,766	1,314
2 to 3 years	1,209	20,211	1,294
3 to 4 years	271,270	10,999	1,279
4 to 5 years	1,299	1,782	1,323
Thereafter	27,085	2,535	1,213
Total	$603,106	$107,010	$7,158

Long-term senior contractual obligations of EnerCare include debt service on the 2009-1 Notes, 2009-2 Notes and 2010 Notes bearing interest at 6.20%, 6.75% and 5.25%, respectively. Interest on the 2009 Notes is payable semi-annually on April 30 and October 30 and on March 15 and September 15 in respect of the 2010 Notes. The Stratacon Debt of $7,520 was issued in 14 series with maturity dates ranging from 4 to 14 years, ending in 2022. The interest rate on the Stratacon Debt ranges from 7.5% to 8.75% and is paid monthly.

The Convertible Debentures bear interest at 6.25% with interest payable semi-annually on June 30 and December 31 until maturity in June 2017.

At March 31, 2011, $35,000 of the Revolver was available to be drawn. The Revolver bears a standby fee of 0.90% which has not been included in the above schedule until maturity in January 2013.

Lease obligations include premises, vehicles and office equipment. Substantially all of the future expense obligations are the result of five leased premises. Vehicle and office equipment leases expire in 2011.

ENERCARE SHARES ISSUED AND OUTSTANDING

EnerCare's articles of incorporation provide for the issuance of an unlimited number of common shares and 10,000,000 preferred shares.

At March 31, 2011, there were 55,088,565 Shares issued and outstanding, and no preferred shares were outstanding.

UPDATE TO RISK FACTORS

The risks related to the business and structure of EnerCare discussed in the AIF remain unchanged except as discussed under IFRS (see *"IFRS" in this MD&A*).

IFRS

Effective January 1, 2011, EnerCare and EnerCare Solutions adopted IFRS for publicly traded enterprises. IFRS accounting principles and financial data has been applied retroactively to 2010. The significant accounting policy choices and financial statement impacts are discussed below.

Business Combinations and Contingent Consideration

EnerCare acquired Stratacon in August 2008. The Stratacon purchase included contingent consideration for the 3 year period ending July 31, 2011. Management's estimate of this obligation is $5,000. This obligation was reflected on the balance sheet effective January 1, 2010 as a liability payable and charged through equity. Any difference between this estimate and the amount ultimately paid in 2011 will be reflected in the statement of earnings.

The October 1, 2010 EECI acquisition was originally reported according to standards which were in accordance with IFRS and as such no adjustments related to the business combination are required.

Intangibles and Amortization

As at January 1, 2010, under CGAAP the carrying value of intangible assets was evaluated on an undiscounted cost recovery methodology. Under IFRS the value in use of these assets is assessed on a discounted basis resulting in an impairment charge of $18,565. Equity was reduced by $14,035 net of a reduction in deferred tax liabilities of $4,530. Under CGAAP amortization was based on greater intangible asset values in 2010, as such, amortization and deferred tax recoveries for 2010 have been reduced under IFRS to give effect to the impairment recorded January 1, 2010.

Convertible Debentures

The Convertible Debentures issued in June and July 2010 have been recorded as a liability, the value of the debentures have been reduced to reflect the fair value of the conversion feature of these debentures. The reduction will be accreted to earnings over the term of the debentures using the effective interest method. For the period from the date of issue through to Conversion, the value of the conversion feature was reflected in other liabilities and revalued to fair value each reporting period. Changes in the fair value have been reflected through earnings. On January 1, 2011, the fair value of the conversion feature of $1,749 was transferred to equity of EnerCare and will no longer be subject to fair value adjustments each reporting period.

Accounting Polices

Under IFRS, after initial recognition, it is possible to measure property and equipment using the cost model or the revaluation model. EnerCare will continue to use the cost model.

The following table outlines the principal changes under IFRS for 2010. A detailed analysis can be found in note 4 of the consolidated financial statements of EnerCare for the first quarter ended March 31, 2011.

Changes in Accounts	Jan. 1, 2010	Q1/2010	Q2/2010	Q3/2010	Q4/2010	YTD 2010
Assets						
Intangible assets – Opening balance	$(18,565)					$(18,565)
Intangible assets		297	331	314	314	1,256
Total Assets	(18,565)	297	331	314	314	(17,309)
Liabilities						
Other liabilities payable				4,300		4,300
Other long-term liabilities payable	5,000			(5,000)		-
Long-term debt				1,538	211	1,749
Deferred income liability	(4,530)	77	111	94	94	(4,154)
Equity						
Opening shareholders' equity	(19,035)					(19,035)
Convertible Debentures – equity allocation				(1,538)		(1,538)
Retained earnings		220	220	920	9	1,369
Total Liabilities and Equity	(18,565)	297	331	314	314	(17,309)
Earnings						
Other Income/(loss)				700	(211)	489
Amortization- recovery		297	331	314	314	1,256
Deferred income tax expense		(77)	(111)	(94)	(94)	(376)
Total Earnings	$ -	$ 220	$ 220	$ 920	$ 9	$ 1,369

NON-GAAP FINANCIAL AND PERFORMANCE MEASURES

The consolidated financial statements of EnerCare are prepared in accordance with IFRS. EnerCare's accounting policies are summarized in detail in note 2 of the interim consolidated financial statements.

EnerCare reports on certain Non-GAAP measures that are used by management to evaluate performance of EnerCare and meet certain covenant requirements relating to its debt financing. Since Non-GAAP measures do not have standardized meanings prescribed by GAAP, securities regulations require that Non-GAAP measures be clearly defined, qualified, and reconciled with their nearest GAAP measure. These measures do not have standardized meanings or interpretations, and may not be comparable to similar terms and measures provided by other issuers.

Non-GAAP financial indicators used by EnerCare and reported in this MD&A include:

Measures of Asset Portfolio Performance

Capital Expenditures and Acquisitions

EnerCare makes two principal types of investments to grow its installed base of water heaters, sub-meters and other assets: capital expenditures and acquisitions.

Measures of Financial Performance

Adjusted EBITDA

This measure comprises net earnings plus income taxes, interest expense, amortization expense, impairment losses and loss on disposal of equipment, less interest income. It is one metric that can be used to determine EnerCare's ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Adjusted EBITDA is reconciled with net earnings, a GAAP measure, in the section "*Results of Operations - Adjusted EBITDA and EBITDA*" in this MD&A.

Billable

Billable units in respect of Sub-metering represent assets in respect of which an invoice has been issued to a customer in the past. From time to time there may be periods where no invoicing occurs in respect of such asset due to, for example, vacancy or delinquency. Billable Sub-metering assets are no longer Billable upon termination of the contractual agreement with the landlord or condominium corporation, as applicable. The Rentals portfolio is deemed to be fully Billable upon origination and removed from Billable upon asset termination.

Distributable Cash

Distributable Cash is the amount of cash generated during a period and available to service debt, finance capital expenditures and provide for the payment of dividends to shareholders. It comprises net earnings of EnerCare, plus non-cash items such as future income taxes and amortization, less capital expenditures. Distributable Cash is reconciled with cash flow from operating activities, a GAAP measure, in the section "*Distributable Cash and Payout Ratio*" in this MD&A.

Distributions and Payout Ratio

Dividends are declared and paid monthly to shareholders at the discretion of the board of directors of EnerCare. Among other things, the directors consider the level of Distributable Cash, the level of previous dividends, and the amount of cash they wish to retain in the company for contingencies and future growth. The Payout Ratio is the percentage of Distributable Cash to dividends declared to shareholders during a period. The Payout Ratio indicates the ability of EnerCare to pay dividends, finance capital expenditures and add to its cash reserves.

EBITDA

This measure comprises net earnings plus income taxes, interest expense and amortization expense, less interest income. It is one metric that can be used to determine EnerCare's ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders. EBITDA is reconciled with net earnings, a GAAP measure, in the section "*Results of Operations*" in this MD&A.

Operating Cash Flow

Operating Cash Flow is the cash flow from operating activities excluding changes in non-cash working capital. It represents the net cash generated in earnings, excluding non-cash items. It is one indicator of financial strength of EnerCare. Operating Cash Flow is reconciled with cash flow from operating activities, a GAAP measure, in the section "*Liquidity and Capital Resources*" in this MD&A.

Measures Regarding Debt Covenants

EnerCare was in compliance with all covenants under the 2009 Notes, 2010 Notes and Revolver as at March 31, 2011. A summary of the current covenants as described in the AIF is discussed below.

Revolver

Under the Revolver, EnerCare Solutions is subject to three principal financial covenants as described in the AIF. The covenants address interest and debt coverage. EnerCare Solutions complied with these covenants and has the ability to draw on the Revolver.

2009 Notes and 2010 Notes – Incurrence Test

The covenants under the 2009 Notes and 2010 Notes are contained in a master trust indenture and supplemental indentures effective January 29, 2010 and February 19, 2010, as applicable. Under the terms of these indentures, EnerCare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. These estimates are based on EnerCare's historical experience, probability analysis and various other assumptions that management considered under the circumstances, the results of which form the basis for making judgments about the reported amounts in the consolidated financial statements that are not readily apparent from other sources. The critical accounting estimates for EnerCare are the estimated useful lives of equipment, intangible assets and provisions. During 2010 and 2011, additional accruals were recorded (see *"Billing and Servicing Matters" in this MD&A*).

Equipment

Equipment is stated at cost, adjusted to fair market value where cost exceeds the net recoverable amount. For the Rentals business, costs include the purchase price of the water heaters and other assets, and installation allowances. There exists measurement uncertainty with respect to the useful life of the installed rental assets; accordingly, EnerCare periodically reviews the estimated useful lives of water heaters and believes it is currently appropriate to amortize the cost on a straight-line basis over 16 years.

Sub-metering equipment is comprised of sub-meters, installation costs, labour and direct materials. Sub-meters are amortized over there estimated useful lives of 10 years on a straight-line basis. Additional costs incurred as part of each executed contract are amortized on a straight-line basis over the term of the contract which varies from 10 to 25 years.

In the fourth quarter of 2010, the Fund changed an accounting estimate in respect of the useful lives of Stratacon's sub-metering equipment. The useful lives changed from 6 years to 10 years based upon management's belief that the recertification of meters may be accomplished less expensively than previously thought and may not result in new equipment replacement in every circumstance. The impact of reduced amortization in 2010 was approximately $270 with an estimated impact of $1,080 over 12 months.

Intangible Assets

Intangible assets represent the right to rental cash flows. The intangible assets are stated at cost, adjusted to fair market value where cost exceeds the fair market value. Rentals intangible assets are amortized over 16 years on a straight-line basis in conjunction with the related equipment.

Sub-metering intangible assets are comprised of cash flows related to customer contracts and relationships, and the benefits from certain contractual arrangements. Stratacon related customer contracts and relationships were initially amortized on a straight-line basis over the average estimated contract life of 16 years while other contractual arrangements are amortized on a straight-line basis between 2 and 5 years. On transition to IFRS a full provision against the carrying value of Stratacon customer relationships of $18,565 was recorded. A policy related to ECI intangibles has not been established until such time as the purchase price allocation has been completed. Additional details may be found in the notes to the financial statements.

EnerCare reviews the intangible assets on an annual basis or at any other time when events or changes have occurred that would suggest an impairment of carrying amount.

DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES

EnerCare's certifying officers have designed, and assessed the design of, a system of DC&P to provide reasonable assurance that (i) material information relating to EnerCare, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by EnerCare in its annual filings, interim filings and other reports filed or submitted by EnerCare under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. As well, EnerCare's certifying officers have designed, and assessed the design of, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. There are no material weaknesses relating to the design of either DC&P or ICFR at March 31, 2011. There have been no changes to our ICFR during the quarter ended March 31, 2011 that has materially affected, or is reasonably likely to materially affect, EnerCare's ICFR, including as a result of the implementation of IFRS, as any changes were either immaterial or implemented in prior periods.

Management does recognize that any controls and procedures no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure or internal controls and procedures occur and/or mistakes happen, EnerCare intends to take whatever steps are necessary to minimize the consequences thereof.

CHANGES IN ACCOUNTING POLICIES

The consolidated financial statements of EnerCare are prepared in accordance with IFRS, which became effective on January 1, 2011 with retroactive application to January 1, 2010. Transition elections and adjustments are summarized further in the IFRS section of this MD&A.

Accounting standard IFRS 9, Financial Instruments, was issued in November 2009. It addressed classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. EnerCare has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

OUTLOOK

EnerCare will continue to execute on its business strategy. EnerCare's financial and operating performance has continued to be strong, including the overall asset base, Payout Ratio, cash balances, and business model.

EnerCare's Rentals business saw significant improvement in Attrition in the last four quarters over comparable periods in the previous year. We are increasing retention spending levels further in 2011 to combat Attrition. A number of new campaigns aimed at consumer education have been developed. Some campaigns are already underway, while others will be launched shortly.

The Sub-metering legislation that came into force on January 1, 2011 has significantly increased customer interest in sub-metering. This new legislation and the additional sales resources added during the last six months combined to produce record sales performance in the first quarter of 2011. We are focused on maintaining our strong sales momentum through the balance of 2011.

EnerCare plans to increase efforts to grow its business organically and, depending on opportunities that arise, by selective acquisitions in our current or adjacent markets. Investments will focus on those which have long asset life and long-term customer relationships that will generate positive growth in revenues, earnings and/or cash flows immediately or within an appropriate horizon depending on the stage of the development of the business acquired.

We will continue our efforts to reduce Sub-metering operating and capital costs throughout 2011. These measures include modified processes to get the best of both Sub-metering businesses, elimination of duplicate systems and capitalizing on material sourcing economies of scale.

Glossary of Terms

Defined Term	Definition
AIF	Annual Information Form of EnerCare dated March 29, 2011.
Attrition	Termination of customer relationships, including buyouts.
Billable	EnerCare property that is deemed to be billing (see – “Measures of Financial Performance”).
CGAAP	Generally Accepted Accounting Principles under part V of the Canadian Institute of Chartered Accountants handbook.
Conversion	The conversion of the Fund, an income trust, to EnerCare, a dividend-paying corporation.
Convertible Debentures	$27,883 principal amount of 6.25% convertible unsecured subordinated debentures of EnerCare (formerly the Fund), which mature on June 30, 2017. Each Debenture is convertible into Shares at the option of the holder at a conversion price of $6.48 (or 154.3210 Shares per $1,000 principal amount of Convertible Debentures).
DBRS	DBRS Limited.
DC&P	Disclosure Controls and Procedures as defined under National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings.
DE	Direct Energy Marketing Limited.
ECI	EnerCare Connections Inc.(formerly EECI)
EECI	Enbridge Electric Connections Inc. (now ECI).
EGD	Enbridge Gas Distribution Inc.
EnerCare	EnerCare Inc., formerly the Fund.
EnerCare Solutions	EnerCare Solutions Inc., formerly the Trust.
Energy Act	The Energy Consumer Protection Act, 2010.
Fund	The Consumers’ Waterheater Income Fund.
GAAP	Generally Accepted Accounting Principles.
Incurrence Test	2009 Notes and 2010 Notes Incurrence EBITDA to Net Interest Expense.
ICFR	Internal Control Over Financial Reporting as defined under National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings.
IFRS	International Financial Reporting Standards as adopted by the Canadian Institute of Chartered Accountants under part I of the handbook.
MD&A	Management’s Discussion and Analysis.
OEB	Ontario Energy Board.
OCI	Other Comprehensive Income.
OEB Order	OEB decision and order issued August 13, 2009.
PUP	Performance Unit Plans of the Fund.
PSUP	Performance Share Unit Plan of EnerCare.
Regulations	Regulations promulgated by the Government of Ontario under the Energy Act and the RTA.
Rentals	Business division that rents water heaters and other equipment.
Revolver	$35,000 line of credit, with a maturity date of January 28, 2013.
RTA	Residential Tenancies Act, 2006.
SG&A	Selling, general and administrative expenses.
Shares	Common shares of EnerCare.
Stratacon	Stratacon Inc., which was acquired by the Fund in August 2008.
Stratacon Debt	Secured debt assumed with the acquisition of Stratacon.
Sub-metering	Business division (Stratacon and ECI) that provides sub-metering equipment and billing services.
Trust	The Consumers’ Waterheater Operating Trust.
Units	Trust Units of the Fund.
2003 Notes	$225,000 of 5.245% Series 2003 A-2 Senior Secured Notes, which were repaid on January 28, 2010.
2009 Bridge	$240,000 bridge credit facility, with a maturity date of January 28, 2011.
2009-1 Notes	$60,000 of 6.20% Series 2009 -1 Senior Notes of the Trust, which mature on April 30, 2012.
2009-2 Notes	$270,000 of 6.75% Series 2009 -2 Senior Notes of the Trust, which mature on April 30, 2014.
2009 Notes	Collectively, the 2009-1 Notes and 2009-2 Notes.
2010 Notes	$240,000 of 5.25% Series 2010 -1 Senior Unsecured Notes of the Trust, which mature on March 15, 2013.