EnerCare Inc.

EnerCare Inc.

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

First Quarter ended March 31, 2012

Dated May 14, 2012

Table of Contents

The condensed interim 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. EnerCare's significant accounting policies are summarized in detail in note 3 of the condensed interim consolidated financial statements for the period ended March 31, 2012. 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".

FORWARD-LOOKING INFORMATION

This MD&A, dated May 14, 2012, contains certain forward-looking statements that involve various risks and uncertainties and should be read in conjunction with EnerCare's 2011 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 (see in particular "Outlook" section), 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.

OVERVIEW

EnerCare is the successor to the Fund, following the conversion of the Fund from an income trust to a corporate structure pursuant to a plan of arrangement on January 1, 2011.

EnerCare Solutions, a wholly-owned subsidiary of EnerCare, through its subsidiaries, owns a portfolio of approximately 1.2 million water heaters and other assets, rented primarily to residential customers in Ontario.

EnerCare also owns EnerCare Connections Inc. (a successor by amalgamation effective January 1, 2012 to Stratacon Inc. and EnerCare Connections Inc. (formerly Enbridge Electric Connections Inc.)). ECI provides sub-metering services for electricity, heat and water to condominiums and apartments in Ontario, Alberta and elsewhere in Canada.

Through its Rental portfolio and Sub-metering business, EnerCare strives to provide intelligent and energy-efficient products, services, programs and solutions that enable homeowners and multiunit owners and tenants to make a substantial contribution to Canada's growing culture of energy conservation.

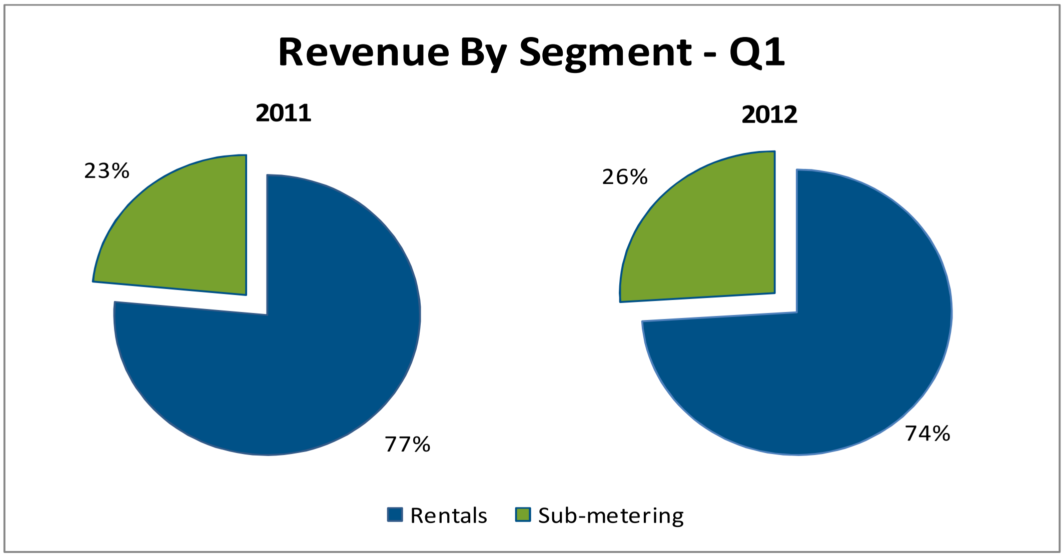
EnerCare has grown revenues every year since the Fund's inception in 2002, generated stable cash flow and consistently maintained a high dividend yield. EnerCare has investment grade ratings of A-/stable and A (low)/negative rating from S&P and DBRS, respectively.

EnerCare's Shares trade under the symbol ECI and its Convertible Debentures trade under the symbol ECI.DB on the Toronto Stock Exchange. EnerCare is a member of the S&P/TSX Small Cap Index.

PORTFOLIO SUMMARY

EnerCare has two primary businesses, its Rentals portfolio and its Sub-metering business. As seen by the graph below, the Rentals business accounted for 74% of the overall revenue of EnerCare during the current period.

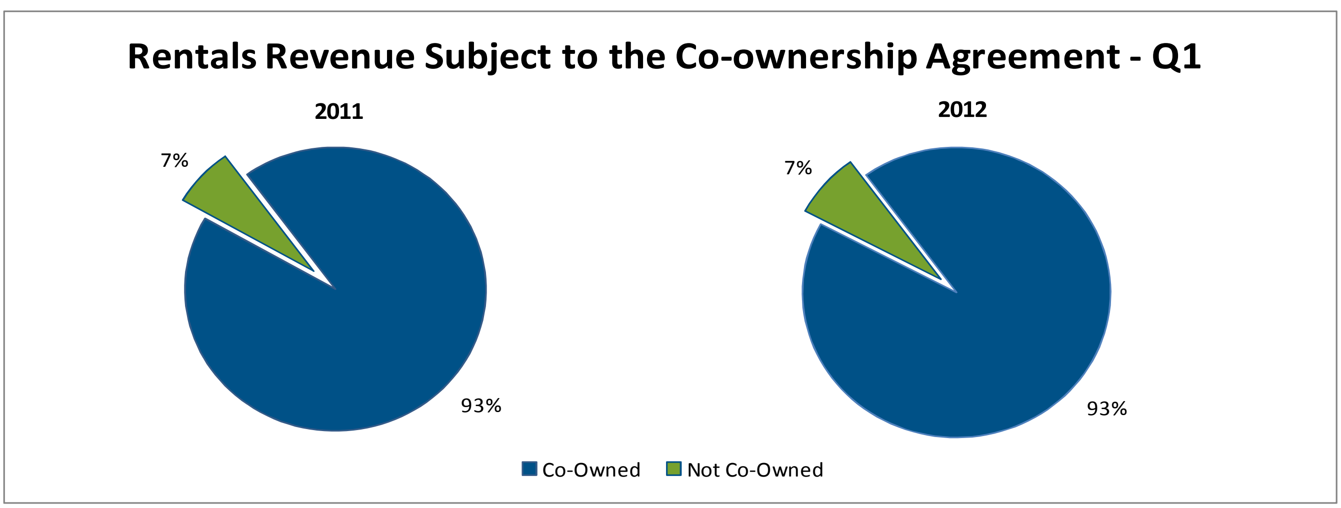
The increase in Sub-metering revenue, as shown below, is a result of an increase in billing units, caused by an increase in penetration levels in our retro-fit buildings and new construction developments that were activated during the first quarter of 2012.



Rentals Business

Dissecting the Rentals business further, the business is comprised of a variety of water heater rentals and a variety of HVAC rentals primarily to single family residential homes.

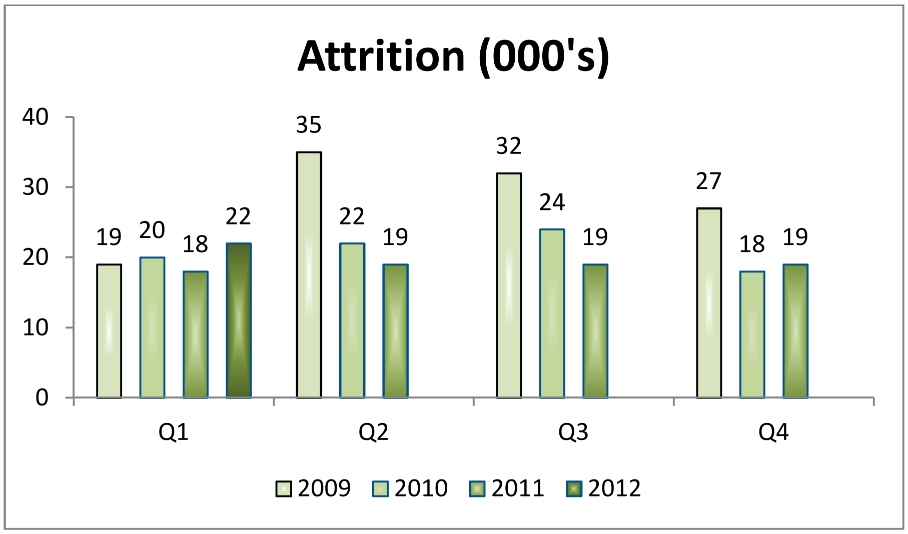
EnerCare originally had 100% of its Rentals business subject to a co-ownership agreement with DE. Through four acquisitions and origination arrangements with various parties, EnerCare has successfully expanded its Rentals business. EnerCare has 7% of its Rental revenue coming from portfolios which are not subject to the co-ownership agreement.



For the portfolios under the co-ownership agreement with DE, EnerCare is entitled to 65% of the revenue and other payments and DE is entitled to 35% of the revenue. For DE's portion of the revenue, they are responsible for servicing and maintaining the assets. This ensures that EnerCare is effectively insulated from any operating risks from this portfolio. Through its origination agreement with DE, EnerCare essentially incurs the capital expenditures in respect of the portfolio.

EnerCare monitors the business by reviewing new additions or customers to the portfolio, reductions or Attrition of existing customers and existing customers exchanging their rental product.

Over the last several years, EnerCare has experienced higher than normal Attrition on the water heater rental portfolios. This was largely a result of greater competition through aggressive D2D campaigns. EnerCare and DE have continued to educate consumers through direct mail and radio campaigns and other programs. Such initiatives, among others, have helped to significantly reduce Attrition over the last two years. In the first quarter of 2012, EnerCare experienced higher Attrition due to increased competitive D2D activity in anticipation of the expiry of the consent order on February 22, 2012 and a sharp spike in buyout activity in late March as a result of the introduction and subsequent withdrawal of new contract terms to a significant portion of customers in the Rentals portfolio (see "Recent Developments – Consent Order").

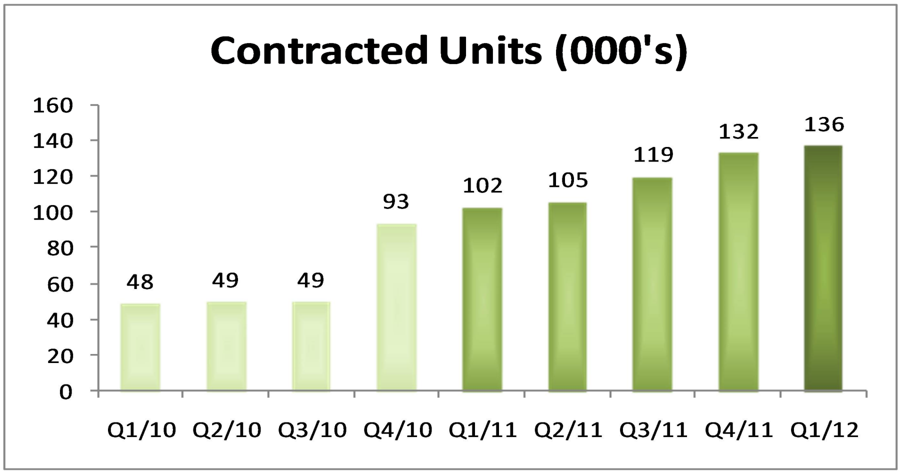


Sub-metering Business

EnerCare entered the multi-residential Sub-metering business through two acquisitions in the last three years. There are two types of Sub-metering in the multi-residential market: retro fit Sub-metering and new build construction. Within each market, apartments and condos have significantly different revenue streams.

Within the retro-fit revenue stream, after a contract is signed, the meters are typically installed within 6-10 weeks of signing. However, typically for a retro-fit installed unit to become Billable, EnerCare must wait for tenant turnover to occur. As a result, it can take many years for all units in a retro-fit building to become Billable. In the new build Sub-metering market, after a contract is signed, the meters are usually not installed for several years as installation occurs when the building is in its final construction stages. However, in this revenue stream, once the meters are installed they become Billable relatively quickly and revenue is at 100% penetration from that point onwards.

Through our Stratacon and EECI acquisitions and our subsequent growth in contracted units, many of the above mentioned up-front capital investments have been made. As seen in the graph below, currently we have 136,000 contracted units. Out of our contracted units, 98,000 have meters installed and 64,000 units are billing. We expect to experience continued revenue growth as these contracted units are turned into installed units and subsequently Billable units.



FIRST QUARTER 2012 HIGHLIGHTS

	Three months ended March 31,	
(000's)	**2012**	2011
Rentals	**$ 46,847**	$ 46,895
Sub-metering	**16,473**	14,405
Investment income	**185**	112
Total revenues	**$ 63,505**	$ 61,412
EBITDA	**36,720**	36,227
Adjusted EBITDA[1]	**40,835**	40,867
Earnings/(loss) before income taxes	**2,201**	(592)
Current tax (expense)	**(3,311)**	(1,584)
Deferred income tax recovery	**941**	1,115
Net loss	**(169)**	(1,061)
Payout Ratio	**61%**	57%

The following highlights compare results for the first quarter of 2012 with the first quarter of 2011.

- Total revenues of $63,505 increased by 3% in the first quarter of 2012. Revenues in the Rentals business were $46,847, slightly below the prior year primarily as a result of the changes in installed assets partially offset by rental rate increases. Sub-metering revenues increased to $16,473 from $14,405, primarily as a result of an increase in billable units and increased water management revenue.
- EBITDA increased by $493 to $36,720 in the first quarter of 2012 driven principally by an increase in Sub-metering revenues and a reduced loss on disposal of equipment, partially offset by increased commodity charges and SG&A expenses. Adjusted EBITDA of $40,835 decreased after removing the impact of a reduced loss on disposal of equipment in 2012.
- Net loss of $169 in 2012, was $892 better than the first quarter of 2011 reflecting, in addition to increased EBITDA, lower amortization and interest expenses, inclusion of other income, partially offset by higher net income tax expense.
- Attrition in Rentals increased by 4,000 units for the first quarter of 2012 primarily due to significant buyout activity following the introduction and subsequent withdrawal of new contract terms. Portfolio additions were stable at 6,000 units, as were unit exchanges at 14,000 units, resulting in comparable capital expenditures, excluding acquisitions.
- The Payout Ratio increased to 61% in the first quarter of 2012 from 57% primarily due to the increase in current taxes, and dividends as impacted by Convertible Debenture activity, partially offset by increased proceeds on disposal of equipment.

RECENT DEVELOPMENTS

Corporate Activities

Appointment of Directors

On March 16, 2012, Grace Palombo was appointed to EnerCare's board. Ms. Palombo had been put forward as a candidate for consideration as a nominee to the board by DE pursuant to its rights under a nomination agreement. Ms. Palombo is currently Vice-President, Human Resources at TD Bank Group and from 2004 to 2010 was Senior Vice-President, Human Resources-Corporate at CanWest Global Communications.

On March 20, 2012, William M. Wells was appointed to EnerCare's board. Mr. Wells is the founder and chairman of Evizone Limited, a privately held online communications service firm, and served as Chief Executive Officer of Biovail, a pharmaceutical company, from 2008 until its merger with Valeant in 2010.

Repayment of 2009-1 Notes

On April 30, 2012, EnerCare Solutions repaid the $60,000 principal amount of the 2009-1 Notes on their maturity date from cash on hand.

Dividend Increase

In March 2012, EnerCare increased its monthly dividend to shareholders of record on March 30, 2012 to $0.056, representing a 2% increase from the previous dividend of $0.055.

Requisition of Shareholders' Meeting

On January 2, 2012, EnerCare announced that it had received a second requisition request from one of its shareholders, Octavian Advisors, LP ("Octavian"), to hold a meeting of shareholders of EnerCare to consider resolutions: (i) to increase the number of directors of EnerCare to 10 and (ii) to add four directors nominated by Octavian. Based on public filings made by Octavian, EnerCare believes that Octavian holds approximately 13% of the issued and outstanding shares.

On January 18, 2012, EnerCare announced that in response to Octavian's second shareholder requisition it had called the requisitioned special shareholder meeting to coincide with EnerCare's previously called annual and general meeting of shareholders on April 30, 2012.

On April 30, 2012, EnerCare announced that it had received the support of shareholders for the re-election of all management's director nominees. A total of 34,906,002 Shares (representing approximately 61.54% of the issued and outstanding Shares) were represented in person or by proxy at the meeting. Shareholders defeated the Octavian proposal by a vote of 19,192,789 Shares (or approximately 54.98% of the votes cast) against the proposal and 15,713,213 Shares (or approximately 45.02% of the votes cast) for the proposal, a difference of 3,479,576 Shares.

Rentals Activities

Consent Order

Following the expiry of the Consent Order on February 20, 2012, EnerCare and DE began to implement a number of changes in the operation of the Rentals business, including:

- New procedures requiring customers to confirm their decision to terminate prior to returning their rental water heater;
- Enhancements to the verification procedures at water heater return locations;
- Changes to water heater return locations and operating hours; and
- Introduction of consumer promotional offers.

Additionally, early in March 2012, DE sent communication packages to approximately 600,000 water heater rental customers advising them of proposed amendments to the terms and conditions of their rental water heater agreement. The proposed changes provided, among other things, that if a customer wished to terminate their contract before the end of its term, they would need to buyout their rental water heater. In exchange DE provided a service guarantee and a commitment to cap future rental rate increases at the prevailing rate of inflation. Customers were given approximately 1 month to contact DE if they wished not to accept the amendments and remain on their existing terms and conditions.

Following the deployment of this customer communication, decidedly negative media coverage fanned by competitors drove significant levels of customer concern resulting in significant increases in customer call volumes to DE's call centers and a resulting back log of orders from customers requesting to stay on their current terms and conditions, buyout their water heater or simply register a complaint about the proposed contract changes. On March 16, 2012, the offer to amend was withdrawn from the market.

Subsequent to the decision to rescind the changes, media coverage and competitor activity continued to drive additional customer churn in the form of increased levels of water heater buyouts and competitive attrition. Throughout March, processing backlogs associated with these customer requests were largely addressed by DE resulting in approximately 9,800 losses for the month. Subsequent to March 31, 2012, buyout activity fell sharply and while elevated from its historical norm is trending toward expected levels.

Marketing Programs

Awareness Campaign

In concert with DE, EnerCare launched an eight week mass market radio and print campaign starting March 4, 2012 to reinforce anti-D2D awareness messages with consumers. Additionally, small 10 second spots were added to the radio campaign to emphasize the value of DE's service proposition. Print advertising was run in both community and ethnic papers to reach as broad a cross-section of consumers as possible.

2012 Hand to Hand Campaign

On April 10, 2012, EnerCare launched its 2012 “hand to hand” campaign with the first of several EnerCare branded street teams visiting customer homes in the areas hardest hit by D2D sales activity to provide consumer awareness information to homeowners. The goal of the program is to engage customers directly in a conversation, provide information about how to recognize and respond to some of the most common D2D sales tactics, as well as highlight the consumer's rights under Ontario's consumer protection legislation.

EnerCare will also roll-out other related initiatives as part of this program over the coming months to ensure that these messages are received by consumers.

Nova Scotia Expansion

On April 24, 2012, EnerCare announced that, through DE, it will be originating commercial water heaters and HVAC equipment in Nova Scotia. Consumers and businesses in Nova Scotia have traditionally used fuel oil and electricity for their heating and water heating needs but the relatively recent introduction of natural gas in the province provides an opportunity for EnerCare's rental program as businesses seek to make the switch to more affordable natural gas appliances.

Purchase of Water Heaters from GreenSource Capital Inc.

On February 29, 2012, EnerCare acquired approximately 3,421 water heaters and HVAC equipment from GreenSource Capital Inc., a subsidiary of DE, for cash consideration of $2,053, subject to post-closing adjustments. The rental revenue from the GreenSource units is not subject to the Co-ownership Agreement, and EnerCare has entered into a transitional services agreement with DE to provide service support to customers on a fee-for-service basis.

Sub-metering Developments

Navigant Study

On April 18, 2012 a new report commissioned by EnerCare from Navigant, a leading consulting company specializing in energy issues, titled "*Evaluation of the Impact of Sub-metering on Multi-residential Electricity Consumption and the Economic and Environmental Impact on Ontario*" was released.

The study used electricity consumption data from multi-residential properties sub-metered by EnerCare to calculate the potential economic and environmental impact of deploying sub-metering to multi-residential buildings province wide. The study concluded that, among other things:

- Sub-metering can drive reductions in individual electricity consumption of up to 34%;
- Adoption of sub-metering in multi-residential building province-wide would have the potential to avoid up to $3 billion in power generation investments over the next 20 years; and
- Province wide adoption could reduce greenhouse gas emissions from power generation by approximately 22 thousand kilotons over the next 20 years, roughly the same amount of greenhouse gases emitted by all vehicles in Ontario in 2007.

Amendments to the Sub-metering Code

In March 2012, the OEB issued amendments to the Sub-metering Code, which will come into force on March 15, 2013. These amendments require unit sub-meter providers to, among other things; adopt customer protection measures similar to those provided to consumers of licensed distributors regarding disconnection, security deposits, and consumer complaints.

UPDATE TO RISK FACTORS

The risks related to the business and structure of EnerCare discussed in the AIF remains unchanged except as discussed below.

DE Labour Relations Update

The collective agreement between DE and Local 975 Union expired on March 31, 2011. This agreement covers DE's installation and servicing crews in Ontario and the majority of clerical staff located in the Greater Toronto Area. The parties had been meeting regularly since late spring and negotiating since the fall. The parties were unsuccessful in negotiating a new collective agreement and on April 18, 2012, the union commenced strike action against DE.

DE and the union continued to negotiate with the assistance of a mediator and a tentative agreement was reached on April 29, 2012, with the union members ratifying the agreement on May 2, 2012, and returning to work on May 4, 2012.

RESULTS OF OPERATIONS

Overview

Consolidated Financial Highlights

	Three months ended March 31,	
(000's)	**2012**	2011

Total revenues	**$ 63,505**	$ 61,412
Earnings/(loss) before income tax	**2,201**	(592)
Current tax (expense)	**(3,311)**	(1,584)
Deferred income tax recovery	**941**	1,115
Net earnings/(loss)	**$ (169)**	$ (1,061)
EBITDA	**$ 36,720**	$ 36,227
Adjusted EBITDA	**40,835**	40,867
Per Share information		
Shareholder distribution declared	**$ 0.166**	$ 0.162
Net earnings	**$ (0.00)**	$ (0.02)
Total assets	**$ 889,923**	$ 931,304
Total debt	**587,171**	597,738
Cash provided by operating activities	**24,114**	32,937
Distributable Cash	**$ 15,375**	$ 15,780
Payout Ratio	**61%**	57%

Attrition in the Rentals business for the first quarter of 2012 increased in line with our expectation of elevated competitive D2D activity prior to the expiry of the Consent Order. EnerCare did, however, see additional Attrition generated by increases in buyout activity following the introduction and subsequent withdrawal of new contract terms for a significant portion of our Co-owned portfolio. Buyouts in the quarter were approximately two and a half times higher than the corresponding period in 2011 and were punctuated by a significant spike in late March at the height of media attention surrounding the new contract terms. Subsequent to March 31, 2012, buyout activity fell sharply and while still elevated from its historical norm is trending towards expected levels.

The number of Sub-metering installations and billing units in the first quarter of 2012 were affected by the profile of sales delivered in 2011. With over two thirds of total 2011 sales delivered in the second half of the year, including a significant number delivered at year end, the conversion of 2011 sales units into installed and billing units in the first quarter of 2012 lagged expectations, but will ultimately become current as 2011's record sales are converted to installed and billed units later in 2012.

Earnings Statement

(000's)	**Three months ended March 31, 2012**	2011
Revenues:		
Rentals	**$ 46,847**	$ 46,895
Sub-metering	**16,473**	14,405
Investment income	**185**	112
Total revenues	**$ 63,505**	$ 61,412
Commodity charges	**12,183**	10,593
SG&A expenses:		
Rentals	**3,532**	3,834
Sub-metering	**2,784**	2,653
Corporate	**3,986**	3,353
Total SG&A expenses	**10,302**	9,840
Amortization expense	**25,874**	26,240
Loss on disposal of equipment	**4,115**	4,640
Interest expense	**10,330**	10,691
Total operating expenses	**62,804**	62,004
Other income	**1,500**	-
Earnings/(loss) before income taxes	**2,201**	(592)
Current tax (expense)	**(3,311)**	(1,584)
Deferred income tax recovery	**941**	1,115
Net loss	**$ (169)**	$ (1,061)
EBITDA	**$ 36,720**	$ 36,227
Adjusted EBITDA	**$ 40,835**	$ 40,867

Revenues

Total revenues of $63,505 for the first quarter of 2012 increased by $2,093 or 3% compared to the same period in 2011. Rentals revenues decreased by $48 to $46,847 in the first quarter of 2012, primarily due to a reduction in installed assets, partially offset by an average rental rate increase of 2.75% implemented in January 2012. Sub-metering revenues in the first quarter of 2012 were $16,473, an increase of $2,068 or 14%, as a result of increased billing units combined with higher water management sales. Revenue increases include pass through energy charges of $12,183, an increase of $1,590 over the same period in 2011.

Investment income increased by $73 in the first quarter of 2012 to $185 compared to $112 in the same period in 2011, primarily as a result of larger investment balances during 2011.

Selling, General & Administrative Expenses

Total SG&A expenses were $10,302 in the first quarter of 2012, compared to $9,840 during the same period in 2011, an increase of $462 or 5%. The expense increase in the Sub-metering segment of $131 to $2,784 in the first quarter of 2012 is the result of an increase in billing and servicing expenses of $241, claims and bad debts of $153, and wages and benefits of $112 offset by a decrease in selling, office and other expenses of $326 and professional fees of $49. Rentals and corporate expenses of $7,518 were $331 higher than in the same period in 2011. The increase in expense is a result of an increase in wages and benefits of $621, proxy solicitation expenses of $478 offset by a reduction in claims and bad debts of $307, professional fees of $245, selling, office and other expenses of $185 and billing and servicing expenses of $31.

Amortization Expense

Amortization expense decreased by $366 or 1% to $25,874 in the first quarter of 2012, primarily due to a smaller installed asset base in the Rentals portfolio, partially offset by increased Sub-metering capital investments, which are amortized over a shorter life than the Rentals business.

Loss on Disposal of Equipment

In the first quarter of 2012, EnerCare reported a loss on disposal of equipment of $4,115, representing a decrease of $525 or 11% over the same period in 2011. 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. During the current period, approximately 4,200 additional buyout transactions were recorded over the same period in 2011. Many of the buyout transactions were on account of older assets with low buyout fees.

Interest Expense

	Three months ended March 31,	
(000's)	**2012**	2011
Interest expense payable in cash	**$ 9,047**	$ 9,366
Non-cash items: Amortization of OCI and financing costs	**1,283**	1,325
Interest expense	**$ 10,330**	$ 10,691

Interest expense payable in cash decreased by $319 to $9,047 in the first quarter of 2012, compared to $9,366 in the first quarter of 2011. The decrease is primarily related to the conversion of Convertible Debentures to Shares since March 31, 2011. Amortization of OCI and financing costs for 2012 are modestly lower than 2011 primarily related to the declining outstanding balance of Convertible Debentures.

Other Income

During the first quarter of 2012, EnerCare and DE reached a settlement of $1,500 on account of billing for water heater installation costs. See additional comments under "Billing and Servicing Matters".

Income Taxes

EnerCare reported a current tax expense of $3,311 for the first quarter of 2012 which was $1,727 greater than the same period in 2011, primarily as a result of decreased loss carry forwards available to shelter taxable income in the Rentals business. The deferred income tax recovery of $941 for 2012 decreased by $174, primarily as a result of temporary difference reversals in the Rentals and Sub-metering businesses.

Net Loss

Earnings before income taxes in the first quarter of 2012 was $2,201, an increase of $2,793, compared to the same period in 2011, as previously described. The net loss was impacted by the increase in current taxes of $1,727 and decrease in tax recoveries of $174 resulting in a net loss of $169, an improvement of $892 over the same period in 2011.

Adjusted EBITDA and EBITDA

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

(000's)	**Q1/12**	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10
Net (loss)/earnings	**$ (169)**	$(2,256)	$5,618	$1,682	$(1,061)	$(3,214)	$2,216	$2,566
Deferred tax (recovery)	**(941)**	(874)	(5,666)	(1,858)	(1,115)	(3,419)	(5,172)	(4,745)
Current tax expense	**3,311**	765	1,478	1,881	1,584	-	-	-
Amortization expense	**25,874**	26,234	26,126	26,103	26,240	26,620	27,287	27,560
Interest expense	**10,330**	10,377	10,433	10,566	10,691	10,666	10,693	10,325
Other (income)/expense	**(1,500)**	-	(254)	(2,129)	-	211	(1,715)	-
Investment (income)	**(185)**	(174)	(168)	(140)	(112)	(107)	(87)	(5)
EBITDA	**36,720**	34,072	37,567	36,105	36,227	30,757	33,222	35,701
Add: Loss on disposal of equipment	**4,115**	4,880	4,718	4,861	4,640	4,673	5,756	5,918
Add: Impairment of assets	**-**	458	-	-	-	-	-	-
Adjusted EBITDA	**$40,835**	$39,410	$42,285	$40,966	$40,867	$35,430	$38,978	$41,619

The variances over the last eight quarters are primarily due to the following:

1. The acquisition of EECI (now ECI) in the fourth quarter of 2010.
2. Net earnings are impacted by rental rate increases, generally implemented in January of each year, and accruals related to billing and servicing matters.
3. In 2011, current taxes as a result of Conversion to a corporation.
4. Amortization and loss on disposal of equipment are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units.
5. Interest expense in the first quarter of 2010 was impacted by fees in respect of the 2009 Bridge incurred prior to the issuance of the 2010 Notes.
6. As part of the conversion to IFRS, effective January 1, 2010, EnerCare estimated the obligation payable to the former Stratacon shareholders in respect of the final earn out payment. Amounts taken back into income in 2011 reflect reductions in the amounts payable. The 2010 amount is comprised of a settlement in respect of various claims for indemnification made by EnerCare pursuant to the share purchase agreement.
7. Impairment expense of $458 was taken on certain Sub-metering assets based on work in progress items which were no longer proceeding forward.
8. Other income in the first quarter of 2012 relates to the settlement of installation charges with DE.

Billing and Servicing Matters

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 continues to work closely with DE to resolve billing issues as well as billing completeness.

At December 31, 2011, EnerCare estimated and recorded revenue accruals of $1,700 in respect of billings and adjustments expected to be recovered from customers, but did not include any amounts that EnerCare may recover from DE for lost revenues arising from the billing system conversion. During the first quarter of 2012, EnerCare collected $1,200. At March 31, 2012, EnerCare has $860 accrued resulting in an increase in income in the quarter of $360. The remaining balance is expected to be collected in 2012.

As reported in the second quarter of 2011, EnerCare reached an agreement in principle with DE to receive a payment of approximately $2,200 representing EnerCare's entitlement to unremitted customer payments for rentals outside of the EGD territory. The definitive agreement in respect of this settlement was entered into and payment in respect thereof was received in the first quarter of 2012. EnerCare continues to work with DE to resolve remaining billing, collection and remittance issues in respect of the non-EGD territory.

Buyout processing and other miscellaneous items from 2010 remain outstanding. EnerCare has recorded amounts expected to be charged to customers by DE and continues to work with DE to resolve issues relating to buyout processing.

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.

Capital Items

At December 31, 2011, EnerCare was in discussions with DE regarding $3,672 of certain installation costs billed by DE for water heater installations. EnerCare came to an agreement with DE on account of installation costs to be borne by EnerCare and received a $1,500 payment from DE which was recorded as other income. EnerCare subsequently released approximately $2,172 reflecting the net balance of amounts previously withheld.

DISTRIBUTABLE CASH AND PAYOUT RATIO

	Three months ended March 31,	
(000's)	**2012**	2011
Cash provided by operating activities	**$ 24,114**	$ 32,937
Net change in non-cash working capital	**6,088**	(2,887)
Operating Cash Flow	**30,202**	30,050
Capital expenditures – excluding growth capital	**(17,550)**	(15,341)
Acquisitions	**2,053**	-
Capital expenditures – excluding growth capital and acquisitions	**(15,497)**	(15,341)
Proceeds on disposal of equipment	**1,692**	1,071
Other income	**(1,500)**	-
Extraordinary proxy solicitation expenses	**478**	-
Distributable Cash	**15,375**	15,780
Dividends declared	**(9,424)**	(8,918)
Net cash retained	**$ 5,951**	$ 6,862
Payout Ratio	**61%**	57%

The Payout Ratio, after capital expenditures (excluding growth capital) increased to 61% for the first quarter of 2012 compared to 57% for the same period in 2011, primarily due to higher current tax expense, partially offset by improved operating cash flow and proceeds on disposal of equipment. The increase in declared dividends is a result of the two dividend increases over the past two quarters as well as increases in outstanding Shares due to conversion of Convertible Debentures.

EnerCare intends to finance its recurring capital expenditures with cash flows from operations, cash on hand and available credit.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended March 31,	
(000's)	**2012**	2011
Cash flow from operating activities	**$ 24,114**	$ 32,937
Net change in non-cash working capital	**6,088**	(2,887)

Operating Cash Flow**Error! Bookmark not defined.**	**30,202**	30,050
Capital expenditures – excluding growth capital and acquisitions	**(15,497)**	(15,341)
Proceeds on disposal of equipment	**1,692**	1,071
Net capital expenditures	**(13,805)**	(14,270)
Acquisitions	**(2,053)**	-
Growth capital	**(2,948)**	(1,958)
Cash used in investing activities	**(18,806)**	(16,228)
Dividends paid	**(9,325)**	(5,943)
Other financing activities	**(280)**	467
Cash used in financing activities	**(9,605)**	(5,476)
Cash and equivalents – end of period	**$ 70,993**	$ 63,728

Operating Cash Flow of $30,202 increased by $152 in the first quarter of 2012 compared to the same period in 2011. Cash flow from operating activities is an IFRS measure which is impacted by the timing of net changes in non-cash working capital. In the first quarter of 2012 non-cash working capital changed by $8,975 to $6,088, primarily as a result of a decrease in accounts payable and other liabilities, interest payable, and provisions offset by an increase in account receivables and prepaid and other assets.

Net capital expenditures in the first quarter of 2012 were comprised of a slight increase in capital spending offset by greater buyout proceeds as a result of increased unit activity during the period. Acquisitions of $2,053 in 2012 relate to the GreenSource acquisition in the Rentals business. Growth capital investments increased by $990, which include expenditures on the development and resourcing of our in-house billing and customer care system. Dividends paid in the first quarter of 2012 reflect dividend payments on outstanding Shares. In 2011, dividends paid reflect only two payments during the period, as two payments were made in December 2010 leading up to the Fund conversion to a corporation.

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.

EnerCare Solutions repaid the $60,000 2009-1 Notes on their maturity date of April 30, 2012 from cash on hand. EnerCare Solutions is examining opportunities to refinance its 2010 Notes and 2009-2 Notes in order to take advantage of the current low interest environment. EnerCare's Revolver has a credit limit of $35,000, $4,000 of which was drawn on as of May 14, 2012.

Management believes that EnerCare has sufficient cash flow, cash on hand and credit available to meet its 2012 obligations, including capital expenditures, debt repayments and working capital requirements for the Rentals and Sub-metering businesses.

Capital Expenditures

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

Installed Asset Unit Continuity (000's)		**2012**				2011
Segment	**Rentals**	**Sub-metering**	**Total**	Rentals	Sub-metering	Total
Units – start of period	**1,217**	**94**	**1,311**	1,267	77	1,344
Portfolio additions	**6**	**4**	**10**	6	5	11
Acquisitions	**3**	**-**	**3**	-	-	-
Attrition	**(22)**	**-**	**(22)**	(18)	-	(18)
Units – end of period	**1,204**	**98**	**1,302**	1,255	82	1,337
Asset exchanges – units retired and replaced	**14**	**-**	**14**	14	-	14
% change in units during the period			**(0.7%)**			(0.5%)
% of units from start of period:						
Portfolio additions (net of acquisitions)			**0.8%**			0.8%
Attrition			**(1.7%)**			(1.3%)
Units retired and replaced			**1.1%**			1.0%
Billable units	**1,204**	**64**	**1,268**	1,255	52	1,307
Contracted units		**136**			102	

Net capital expenditures in the Rentals business include portfolio additions and asset exchanges, net of proceeds on disposal. In the first quarter of 2012, net capital expenditures in the Rentals business were $13,805, decreasing by 3% or $465 when compared to the same period in 2011. The capital expenditures slightly increased in the quarter offset by greater buyout activity and related proceeds on disposal when compared to the same period in 2011.

Installations in the Sub-metering business decreased slightly in the first quarter of 2012, primarily due to the timing of the strong sales activity which occurred in the second half of 2011.

During the first quarter of 2012, Attrition in the Rentals business increased to 22,000 units, 4,000 units more than the same period in 2011. The Attrition increase in the quarter was primarily due to 4,200 additional buyout transactions (see "Results of Operations – Overview").

For the Rentals business, changes in Billable units reflect the portfolio activity as reported in the continuity schedule. For the Sub-metering business, Billable units of 64,000 increased by 12,000 units or 23% in the first quarter of 2012 as compared to 52,000 units in the first quarter of 2011, primarily due to additional installations and increased penetration in the rental apartment market.

Sub-metering sales activity in the first quarter of 2012 remained strong with new sales representing in excess of 4,000 suites contracted during the period. While new sub-metering sales growth is somewhat slower than the record pace set in the third and fourth quarters of 2011, the pipeline of sales prospects continued to build in the quarter and additional sales resources were added to take advantage of all available opportunities.

Cash from Financing

Financing activities for EnerCare reflect mainly dividends, periodic financing of EnerCare Solutions' indebtedness, EnerCare's offering of Shares and Convertible Debentures, and to a much lesser extent financing of the Sub-metering business. During the first quarter of 2012, EnerCare recorded financing, net of dividends, of ($280), related to on-going principal payments on the Stratacon Debt. During the same period in 2011 financing activity of $467, net of dividends, is primarily the net effect of principal payments made and the receipt of the cash collateral held as security against the Stratacon Debt.

Capitalization (000's)	Three months ended March 31, 2012	2011
Cash and cash equivalents	**$ 70,993**	$ 63,728
Net investment in working capital	**(10,696)**	(16,746)
Cash, net of working capital	**60,297**	46,982
Total debt	**587,171**	597,738
Shareholder's equity	**119,248**	136,083
Total capitalization – book value	**$ 706,416**	$ 733,821

Typically, EnerCare maintains cash balances to provide sufficient cash reserves to satisfy short-term requirements, including interest payments, dividends and certain capital expenditures and acquisitions.

At March 31, 2012, 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, 2012. No amounts were drawn on the Revolver at March 31, 2012.

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, 2012, EnerCare Solutions exceeded this minimum and had the capacity under the covenant to raise approximately $40,000 to $50,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000's)	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10
Total revenues	**$63,505**	$59,988	$63,032	$60,069	$61,412	$57,169	$49,676	$51,450
Net (loss)/earnings	**(169)**	(2,256)	5,618	1,682	(1,061)	(3,214)	2,216	2,566
Dividends declared	**9,424**	9,143	9,047	8,958	8,918	8,867	8,867	8,304
Average Shares outstanding	**56,554**	55,981	55,728	55,206	54,952	54,734	54,734	50,841
Per Share								
Basic/diluted net (loss)/earnings	**($0.00)**	($0.04)	$0.10	$0.03	($0.02)	($0.06)	$0.04	$0.05
Dividends declared	**$0.166**	$0.163	$0.162	$0.162	$0.162	$0.162	$0.162	$0.163

In addition to quarterly comments found under "Results of Operations – Adjusted EBITDA and EBITDA", differences in net earnings between quarters reflect the timing of expenses, current tax expense and the temporary difference reversals of future income tax recoveries. Dividends declared primarily reflect the change in outstanding Shares over time as well as the dividend increases implemented in the fourth quarter of 2011 as well as the first quarter of 2012.

The average number of Shares outstanding and the related per Share data reflect EnerCare's Share offering of June 2010. Commencing in 2011, Shares outstanding have increased with the conversion of Convertible Debentures.

SUMMARY OF CONTRACTUAL DEBT AND LEASE OBLIGATIONS

The following schedule summarizes the contractual debt and lease obligations of EnerCare at March 31, 2012:

Period (000's)	Principal Payments	Interest Payments	Leases
Within the remainder of 2012	$ 60,851	$ 27,596	$ 290
Due in 2013	241,198	25,777	321
Due in 2014	271,251	10,265	248
Due in 2015	1,299	1,049	363
Due in 2016	1,003	951	386
Due in 2017 and thereafter	14,269	482	64
Total	$ 589,871	$ 66,120	$ 1,672

As at March 31, 2012, 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 $6,422 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 7.50% 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 0.31%, which has not been included in the above schedule, until maturity in January 2014.

Lease obligations include premises and office equipment. Substantially all of the future expense obligations are the result of leased premises.

On April 30, 2012, the $60,000 Series 2009-1 Notes were repaid with cash on hand.

ENERCARE SHARES ISSUED AND OUTSTANDING

EnerCare's authorized share capital consists of an unlimited number of Shares and 10,000,000 preferred shares. At March 31, 2012, there were 56,961,697 Shares (55,088,565 at March 31, 2011) issued and outstanding, and no preferred shares were outstanding. Preferred shares may, at any time and from time to time, be issued in one or more series, with such rights, privileges, restrictions and conditions as may be determined by the directors. The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets, be entitled to preference over the Shares and any other share ranking junior to the preferred shares from time to time.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The condensed interim consolidated financial statements of EnerCare are prepared in accordance with IFRS. EnerCare's accounting policies are summarized in detail in note 3 of the condensed interim consolidated financial statements.

EnerCare reports on certain Non-IFRS measures that are used by management to evaluate performance of EnerCare and meet certain covenant requirements relating to its debt financing. Since Non-IFRS measures do not have standardized meanings prescribed by IFRS, securities regulations require that Non-IFRS measures be clearly defined, qualified, and reconciled with their nearest IFRS 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-IFRS 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

EBITDA

This measure is comprised of net earnings plus income taxes, interest expense and amortization expense, less investment and other 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, an IFRS measure, in the section "*Results of Operations - Adjusted EBITDA and EBITDA*" in this MD&A.

Adjusted EBITDA

This measure is comprised of net earnings plus income taxes, interest expense, amortization expense, impairment losses and loss on disposal of equipment, less investment and other 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, an IFRS measure, in the section "*Results of Operations - Adjusted EBITDA and EBITDA*" in this MD&A.

Billable

Sub-metering Billable units represent assets for 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 deferred income taxes, amortization and extraordinary non-recurring expenses, less capital expenditures and other non-recurring income. Capital expenditures outside of EnerCare's traditional Rentals asset purchases, such as Sub-metering equipment, acquisitions and infrastructure assets are considered by management to be growth expenditures. Distributable Cash is reconciled with cash flow from operating activities, an IFRS 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.

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, an IFRS measure, in the section "*Liquidity and Capital Resources*" in this MD&A.

Measures Regarding Debt Covenants

As at March 31, 2012, EnerCare was in compliance with all covenants under the 2009 Notes, 2010 Notes and Revolver. 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 on March 31, 2012. No amounts were drawn on the Revolver at March 31, 2012.

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 condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts in the condensed interim 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 condensed interim 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 2011 and 2012, 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 their 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.

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 net recoverable amount. 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.

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 IFRS. There are no material weaknesses relating to the design of either DC&P or ICFR at March 31, 2012. There have been no changes to our ICFR during the quarter ended March 31, 2012 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 condensed interim consolidated financial statements of EnerCare are prepared in accordance with IFRS as issued by IASB applicable to the preparation of condensed interim consolidated financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011. EnerCare has consistently applied the same accounting policies and methods of computation throughout all periods presented, as if these policies had always been in effect.

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, 2015, with early adoption permitted. EnerCare has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10, *Consolidated Financial Statements,* was issued in May 2011. It introduces a single model in the control analysis to determining which investees should be consolidated. The consolidation procedures are carried forward from IAS 27 (2008). The control model is based on three elements: An investor controls an investee when (1) it is exposed or has rights to variable (e.g. residual) returns from its involvement with that investee, (2) has the ability to affect those returns through its power over that investee and (3) there is a link between power and returns. The approach comprises a series of indicators of control, but no hierarchy is provided: preparers are required to analyze all facts and circumstances and apply their judgment in making the control assessment. Control is usually assessed over a legal entity, but also can be assessed over only specified assets and liabilities of an investee. In such a case that portion of the investee is a deemed separate entity (referred to as a silo) for the purpose of applying the consolidation requirements. In assessing control, the investor also needs to analyze substantial potential voting rights as well as currently exercisable potential voting rights. This is likely to change the control conclusion in some cases: currently exercisable potential voting rights might not be considered substantive and vice versa. Control is assessed on a continuous basis, i.e. it is reassessed as facts and circumstances change considerably. This standard is required to be applied for accounting periods beginning on or after January 1, 2013. EnerCare has not yet assessed the impact of the standard.

IFRS 13, *Fair Value Measurement*, was issued in May 2011. It defines "fair value" and sets out, in a single IFRS, a framework for measuring fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or liability at fair value, nor does it change what is measured at fair value in IFRSs or address how to present changes in fair value. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, but can, with early adoption permitted. EnerCare has not yet assessed the impact of the standard or whether it will adopt the standard early.

OUTLOOK

We believe that the expiry of the Consent Order on February 20, 2012 represents the removal of a significant impediment to our Rentals business's ability to compete in Ontario. The immediate activities associated with the expiry of the Consent Order, including the closure of most return locations, a reduction in the hours of operation at the return locations and the implementation of a return authorization process were completed by the end of April 2012.

DE and EnerCare have increased Attrition fighting programs through April and May of 2012: these programs include mass media campaigns and personal contact with customers in areas where D2D sales activities are high.

EnerCare implemented a new Sub-metering billing and customer care system in early May 2012. This system replaces two outsourced contracts that were inherited as part of EnerCare's Sub-metering acquisitions. Sub-metering SG&A costs are anticipated to be higher than normal in the second quarter of 2012 due to the transition efforts and the cost of operating the three systems concurrently for part of the quarter. The new system will allow greater automation and consistency of processes, reduce duplication of efforts and allow EnerCare to take advantage of greater economies of scale. We expect these factors to contribute to lower Sub-metering SG&A costs starting in the third quarter of 2012.

EnerCare plans to increase efforts to grow its business organically, including through wider product offerings and geographic expansion, as it did recently with the introduction of a Rentals program in Nova Scotia. In addition, EnerCare will continue to seek acquisition opportunities in its current or adjacent markets. Investments will focus on those which have long asset life and long-term customer relationships and that will generate positive growth in revenues, earnings and/or cash flows within an appropriate horizon depending on the stage of the development of the business.

EnerCare is examining opportunities to refinance its 2009-2 Notes and 2010 Notes in order to take advantage of the current low interest rate environment.

As enacted, Ontario's general corporate income tax rate is scheduled to be reduced from 11.5% to 11% on July 1, 2012 and to 10% on July 1, 2013. The 2012 Ontario budget proposed to eliminate these scheduled reductions keeping the general corporate income tax rate at 11.5% until the budget is balanced. Legislation to enact such proposed amendments has yet to be tabled. As a result, the repeal of the corporate tax reductions is not considered substantively enacted for accounting purposes and is therefore not reflected in the deferred taxes. It is expected that legislation to repeal the scheduled reductions will be forthcoming soon. Once the proposals are substantially enacted, EnerCare anticipates that this will have an adverse impact on its deferred taxes.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of EnerCare dated March 28, 2012.
Attrition	Termination of customer relationships, including buyouts.
Billable	EnerCare property that is deemed to be billing (see Non-IFRS Financial and Performance Measures - “Measures of Financial Performance”).
Consent Order	Issued by the Competition Bureau in 2002 and expired in February 2012 which restricts EnerCare’s and DE’s business practices.
Conversion	The conversion of the Fund and the Trust, income trusts, to EnerCare and EnerCare Solutions, respectively.
Convertible Debentures	6.25% convertible unsecured subordinated debentures of EnerCare (formerly the Fund), which mature on June 30, 2017, in the original aggregate principal amount of $27,883. 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).
D2D	Door to door.
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 Stratacon and 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.
EGNB	Enbridge Gas New Brunswick Limited Partnership
Fund	The Consumers’ Waterheater Income Fund.
GreenSource	GreenSource Capital Inc.
HVAC	Heating, ventilation and air conditioning.
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.
Navigant	Navigant Consulting Ltd.
OCI	Other Comprehensive Income.
OEB	Ontario Energy Board.
Rentals	Business division that rents water heaters and other equipment.
Revolver	$35,000 line of credit, with a maturity date of January 28, 2014 as amended and restated as of July 6, 2011.
SG&A	Selling, general and administrative expenses.
S&P	Standard and Poor’s Rating Services.
Shares	Common shares of EnerCare.
Stratacon	Stratacon Inc. (now ECI).
Stratacon Debt	Secured debt assumed with the acquisition of Stratacon.
Sub-metering	Business division (ECI) that provides sub-metering equipment and billing services.
TH Energy	Toronto Hydro Energy Services Inc.
Trust	The Consumers’ Waterheater Operating Trust.
Units	Trust Units of the Fund.
2009 Bridge	$240,000 bridge credit facility, with a maturity date of January 28, 2011, which was repaid in March 2010.
2009-1 Notes	$60,000 of 6.20% Series 2009 -1 Senior Notes of the Trust, which matured 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.