EnerCare Inc.

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

Third Quarter ended September 30, 2012

Dated November 5, 2012

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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 September 30, 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 November 5, 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.

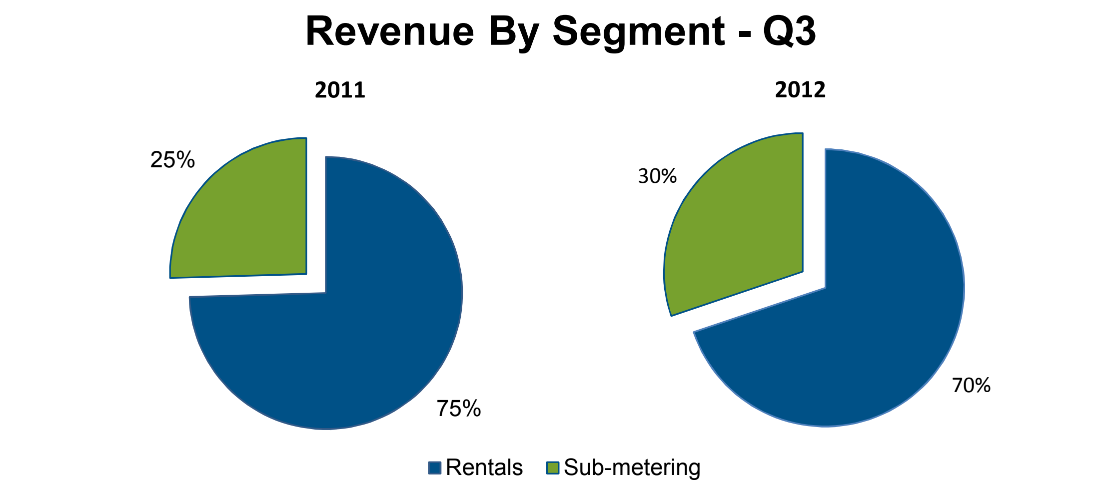
EnerCare has grown revenues every year since the Fund's inception in 2002, generated stable cash flow and consistently maintained a high dividend yield. EnerCare has investment grade ratings of A-/stable and BBB(high) stable rating from S&P and DBRS, respectively.

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 70% of the overall revenue of EnerCare during the current period.

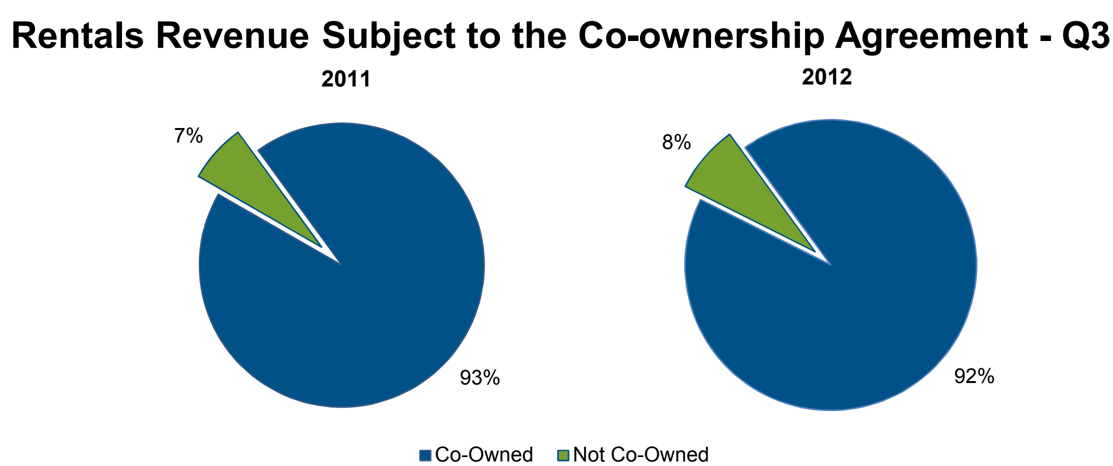
The increase in Sub-metering revenue, as shown below, is a result of an increase in billing units, caused by an increase in penetration levels in our retro-fit buildings and new construction developments that were activated during the third quarter of 2012 and flow through commodity costs.



Rentals Business

Dissecting the Rentals business further, the business is comprised of the rental of water heater and HVAC equipment 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 8% of its Rentals revenue coming from portfolios which are not subject to the co-ownership agreement.

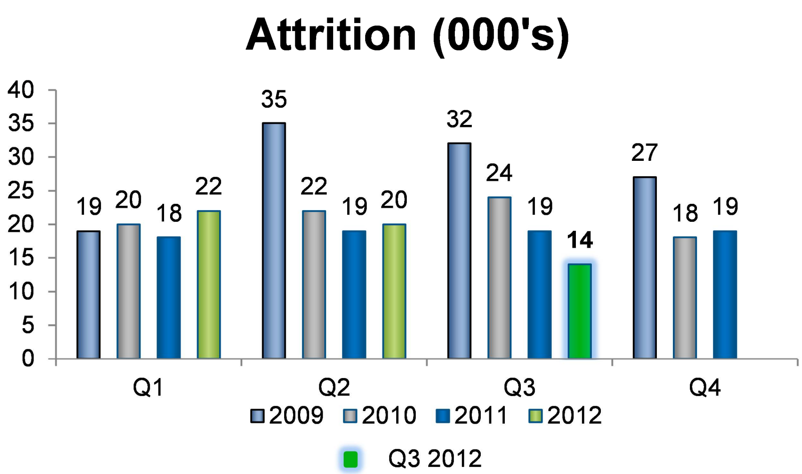


For the portfolios under the co-ownership agreement with DE, EnerCare is entitled to 65% of the revenue and other payments and DE is entitled to 35% of the revenue. For DE's portion of the revenue, it is responsible for servicing and maintaining the assets. This ensures that EnerCare is effectively insulated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

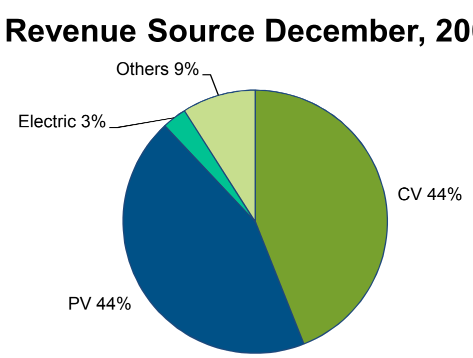
EnerCare monitors the business by reviewing new additions or customers to the portfolio, reductions or Attrition of existing customers and existing customers exchanging their rental product.

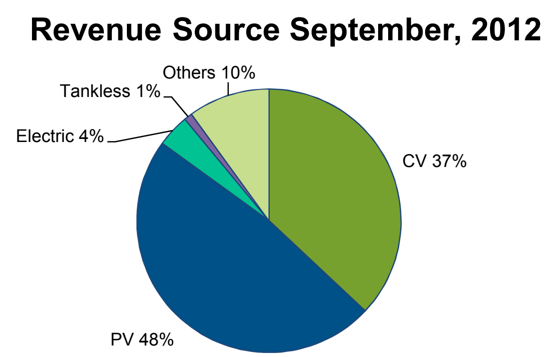
Over the last several years, EnerCare has experienced higher than normal Attrition on the water heater rental portfolios. This was largely a result of greater competition through aggressive D2D campaigns. EnerCare and DE have continued to educate consumers through direct mail and radio campaigns and other programs. Such initiatives, among others, have helped to significantly reduce Attrition over the last three years.

Attrition decreased dramatically in the third quarter of 2012. Attrition for the quarter was approximately 14,000 units, an improvement of approximately 5,000 units or 26% over the third quarter of 2011 and 6,000 units or 30% over the second quarter of 2012. Attrition has improved year over year (see below table) since 2009 - Attrition for the third quarter of 2009 was 2.3 times higher than that of the third quarter of 2012.



Partially offsetting Attrition is the movement in asset mix to units with higher returns. A comparison of the product mix 5 years ago to that of today reveals that the portfolio contains a higher percentage of power vent ("PV") and tankless units, both of which provide a higher return than conventional vent ("CV") units. This product mix movement has contributed significantly to growing revenue.



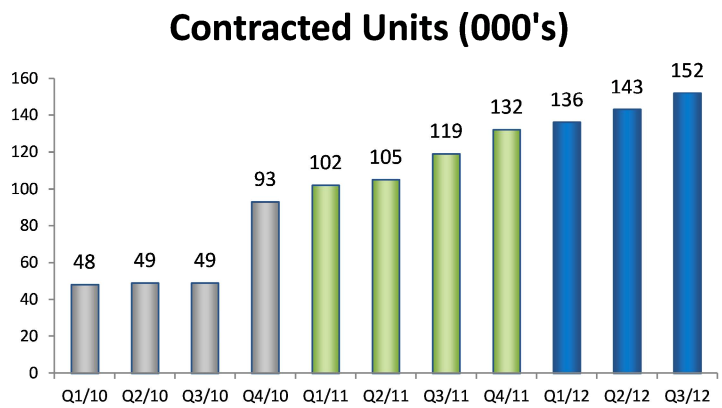


Sub-metering Business

EnerCare entered the multi-residential Sub-metering business through two acquisitions in the last three years. There are two main market segments for 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 152,000 contracted units. Of those contracted units, 109,000 have meters installed and 68,000 units are billing. We expect to experience continued revenue growth as these contracted units are turned into installed units and subsequently Billable units.



THIRD QUARTER 2012 HIGHLIGHTS

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
(000's)	**2012**	2011	**2012**	2011
Rentals	**$46,581**	$46,853	**$140,163**	$140,493
Sub-metering	**20,123**	16,011	**53,014**	43,600
Investment income	**16**	168	**277**	420
Total revenues	**66,720**	63,032	**193,454**	184,513
EBITDA	**36,959**	37,567	**109,046**	109,899
Adjusted EBITDA[1]	**40,356**	42,285	**120,671**	124,118
Earnings before income taxes	**3,388**	1,430	**6,409**	2,543
Current tax (expense)	**(3,902)**	(1,478)	**(9,331)**	(4,943)
Deferred income tax recovery	**2,668**	5,666	**1,843**	8,639
Net earnings/(loss)	**$ 2,154**	$ 5,618	**$ (1,079)**	$ 6,239
Payout Ratio	**61%**	50%	**58%**	54%

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

- Total revenues of $66,720 increased by 5.9% in the third quarter of 2012. Revenues in the Rentals business were $46,581, marginally lower than the prior year primarily as a result of the changes in installed assets offset by rental rate increases. Sub-metering revenues increased to $20,123 from $16,011, primarily as a result of an increase in billable units and flow through commodity costs.
- EBITDA decreased by $608 to $36,959 in the third quarter of 2012, driven principally by an increase in corporate SG&A expenses, partially offset by a reduced loss on disposal of equipment. Adjusted EBITDA of $40,356 decreased by $1,929 after removing from EBITDA the impact of a reduced loss on disposal of equipment in 2012.
- Net earnings of $2,154 in 2012, decreased by $3,464 as compared to the third quarter of 2011 reflecting, in addition to reduced EBITDA, $5,422 additional total taxes, partially offset by lower interest expense due to the repayment of $60,000 of debt in April and lower amortization primarily as a result of a lower asset unit count.

- Attrition decreased dramatically in the third quarter of 2012. Attrition for the quarter was approximately 14,000 units, an improvement of approximately 5,000 units or 26% over the third quarter of 2011 and 6,000 units or 30% over the second quarter of 2012. Attrition has improved year over year since 2009 - Attrition for the third quarter of 2009 was 2.3 times higher than that of the third quarter of 2012.
- The Payout Ratio increased to 61% in the third quarter of 2012 compared to 50% during the same period in 2011, primarily due to the increase in dividends as a result of both the conversion of Convertible Debentures to Shares and additional dividend per Share amounts, the increase in current taxes and lower Adjusted EBITDA, partially offset by lower capital expenditures.

RECENT DEVELOPMENTS

Rentals Activities

Marketing Programs

Awareness Campaign

In concert with DE, on July 12, 2012 EnerCare launched a four week radio and print campaign to reinforce anti-D2D awareness messages with consumers. As part of the campaign, EnerCare distributed 250,000 door hangers during the week of August 20, 2012.

2012 In-person Campaign

EnerCare continued its “in-person” campaign, which was launched in the second quarter of 2012. 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 intends to continue the program in the fourth quarter.

Same Day Service Campaign

On October 1, 2012, DE announced the launch of a new, industry-leading, same day service campaign. Available to EnerCare water heater customers serviced by DE, the same day service program assures that if a call is received by 5:00 p.m., a DE technician will do everything possible to attend and provide service on the same day.

Legal Proceedings

EnerCare has been named in legal proceedings commenced by certain competitors seeking specified and unspecified damages based on allegations that EnerCare, its service provider, EcoSmart Home Services Inc., and others engaged in unlawful surveillance and other activities aimed at tracking the D2D sales efforts of the competitors.

Ratings Update

On September 12, 2012, EnerCare announced that DBRS changed its ratings on EnerCare Solutions' outstanding senior notes from "A(low)" with a negative outlook, to "BBB(high)", with a stable outlook. According to DBRS, the rating change is predominantly driven by EnerCare Solutions' Attrition levels and the continuing competitive challenges faced by EnerCare Solutions. The rating assumes that EnerCare Solutions' Attrition rate will decrease gradually and its customer base will stabilize as a result of a number of initiatives to defend EnerCare Solutions' market position. DBRS noted that EnerCare Solutions' key credit metrics remained stable for the six months ended June 30, 2012, as increased rental rates and higher margin products entering the portfolio largely offset the decrease in earnings from the smaller customer base.

Sub-metering Activities

Sub-metering Sales

On September 6, 2012, EnerCare announced that it has been awarded substantial new Sub-metering business by two preeminent landlords in August. The awards include the installation of sub-metering systems, as well as the on-going provision of billing and collection services to approximately 4,500 rental apartment suites in Ontario.

Subsequent Event

Resignation of Vice-President, Sales and Marketing

Tom Cooper, Vice-President, Sales and Marketing, resigned effective October 31, 2012.

UPDATE TO RISK FACTORS

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

Litigation Risk

In the normal course of EnerCare's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to, among other things, personal injuries, property damage, contract disputes and its business activities. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to EnerCare and as a result, could have a material adverse effect on its financial condition and results of operations and on its ability to satisfy its debt service obligations on its debt securities. Even if EnerCare prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from EnerCare's business operations which could have a material adverse effect on its financial condition and results of operations and on its ability to satisfy its debt service obligations on its debt securities. In particular, as described under "Recent Developments", EnerCare has been named in legal proceedings commenced by certain competitors, the outcomes of which, at this stage of the proceedings, are impossible to predict with any certainty. Furthermore, no assurance can be given that EnerCare won't become involved in litigation, whether as defendant or plaintiff, in other matters from time to time.

RESULTS OF OPERATIONS

Earnings Statement

(000's)	Three months ended Sept. 30, **2012**	2011	Nine months ended Sept. 30, **2012**	2011
Revenues:				
Rentals	**$46,581**	$46,853	**$140,163**	$140,493
Sub-metering	**20,123**	16,011	**53,014**	43,600
Investment income	**16**	168	**277**	420
Total revenues	**66,720**	63,032	**193,454**	184,513
Commodity charges	**15,553**	11,689	**39,885**	32,007
SG&A expenses:				
Rentals	**3,892**	3,730	**11,660**	11,848
Sub-metering	**3,273**	2,648	**8,706**	7,720
Corporate	**3,630**	2,512	**12,255**	8,400
Total SG&A expenses	**10,795**	8,890	**32,621**	27,968
Amortization expense	**25,407**	26,126	**76,447**	78,469
Loss on disposal of equipment	**3,397**	4,718	**11,625**	14,219
Interest expense	**9,035**	10,433	**28,822**	31,690
Total operating expenses	**64,187**	61,856	**189,400**	184,353
Other income	**855**	254	**2,355**	2,383
Earnings before income taxes	**3,388**	1,430	**6,409**	2,543
Current tax (expense)	**(3,902)**	(1,478)	**(9,331)**	(4,943)
Deferred income tax recovery	**2,668**	5,666	**1,843**	8,639
Net earnings/(loss)	**2,154**	5,618	**(1,079)**	6,239
Adjusted EBITDA	**40,356**	42,285	**120,671**	124,118
EBITDA	**$36,959**	$37,567	**$109,046**	$109,899

Revenues

Total revenues of $66,720 for the third quarter of 2012 increased by $3,688 or 5.9% and by $8,941 or 4.8% to $193,454 year to date, compared to the same periods in 2011. Rentals revenues decreased marginally by $272 to $46,581 in the third quarter of 2012 and by $330 to $140,163 year to date compared to the same periods in 2011, primarily due to a reduction in installed assets, partially offset by an average rental rate increase implemented in January 2012. Sub-metering revenues in the third quarter of 2012 were $20,123, an increase of $4,112 or 25.7%, and 9,414 or 21.6% greater than the comparable periods in 2011, as a result of increased commodity charges and billing units. Revenue includes pass through energy charges of $15,553 in the third quarter and $39,885 year to date, increases of $3,864 and $7,878, respectively, over the same periods in 2011.

Investment income decreased by $152 to $16 during the third quarter of 2012 and by $143 to $277 year to date compared to the same periods in 2011. The decrease in investment income in the current period and year to date was attributable to lower investment balances as a result of the repayment the $60,000 2009-1 Notes in April 2012.

Selling, General & Administrative Expenses

Total SG&A expenses were $10,795 in the third quarter of 2012, an increase of $1,905 or 21.4% over the third quarter of 2011. Sub-metering SG&A expenses were $3,273 during the current period, $625 more than the same period in 2011, primarily as a result of transition costs of approximately $350 incurred following the implementation of a new billing platform in the second quarter, increased wages and benefits of approximately $300 associated with the staffing requirements related to the internalization of the billing platform and $100 for bad debt provisions, partially offset by reduced expenses in a number of other areas, including third party billing and call center charges. Rentals and corporate expenses of $7,522 increased by $1,280 over the third quarter of 2011, primarily due to increases of approximately $600 in professional fees, wages and benefits of $500, office expenses of $200 and claims of $150, partially offset by reductions in cost of goods sold as a result of lower tank activity and service charges.

Total SG&A expenses were $32,621 year to date in 2012, an increase of $4,653 or 16.6% over the same period in 2011. Sub-metering SG&A expenses were $8,706 year to date in 2012, an increase of $986 over that of year to date 2011. The expense increases are in line with the variances for the current quarter as noted above except for additional wages and benefits for the year to date period associated with the internalization of the billing and customer care functions. Rentals and corporate SG&A expenses year to date were $23,915, an increase of $3,667 over the same period in 2011. In addition to the increased SG&A expenses noted above, in respect of the third quarter of 2012, the additional year to date increase of $2,387 reflects increases of approximately $1,000 in net wages and benefits, proxy solicitation costs of $1,700, claims and bad debt of $1,400 primarily associated with the second quarter 2011 settlement of $1,300 with DE and office expenses of $300, offset by a reduction in selling expenses of $1,400, cost of goods sold of $350 and professional fees of $200.

Amortization Expense

Amortization expense decreased by $719 or 2.8% to $25,407 in the third quarter of 2012 and by $2,022 or 2.6% to $76,447 year to date, 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 third quarter of 2012, EnerCare reported a loss on disposal of equipment of $3,397 and one of $11,625 year to date, reductions of $1,321 and $2,594, respectively, over the same periods in 2011. The loss on disposal amount is influenced by the number of assets retired, proceeds on disposal of equipment, changes in the retirement asset mix and the age of the assets retired. During the third quarter, proceeds on disposal of equipment were $1,051, slightly higher than the same period in 2011. In 2012, year to date proceeds on disposal of equipment of $4,236 increased by $1,148 over the same periods in 2011 reflecting the additional buyout transactions recorded earlier in the year, many of which were on account of older assets with low buyout fees.

Interest Expense

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
(000's)	**2012**	2011	**2012**	2011
Interest expense payable in cash	**$7,981**	$ 9,124	**$25,364**	$27,743
Non-cash items: Amortization of OCI and financing costs	**1,054**	1,309	**3,458**	3,947
Interest expense	**$9,035**	$10,433	**$28,822**	$31,690

Interest expense payable in cash decreased by $1,143 to $7,981 in the third quarter of 2012 and by $2,379 to $25,364 year to date, compared to the same periods of 2011. The decreases are primarily related to the conversion of Convertible Debentures to Shares and the repayment of the $60,000 2009-1 Notes on April 30, 2012. Amortization of OCI and financing costs for 2012 are lower than 2011 primarily related to the declining outstanding balance of Convertible Debentures and reduced amortization with the repayment of the 2009-1 Notes.

Other Income

The current period income of $855 represents the reversal of the liability in respect of the third and final earn out payable to the former principals of Stratacon. The year to date income of $2,355 includes the settlement reached by EnerCare and DE on account of billing for water heater installation costs. Other income in 2011 represents the reduction in the estimated liability of the third and final earn out payable to the former Stratacon shareholders, which was established in 2010 under the transition to IFRS.

Income Taxes

EnerCare reported a current tax expense of $3,902 for the third quarter of 2012 and $9,331 year to date, increases of $2,424 and $4,388, respectively, over the same periods of 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 $2,668 and $1,843 for the third quarter and year to date 2012 were $2,998 and $6,796 lower than the deferred tax recoveries of $5,666 and $8,639 recorded in the same periods of 2011. In the second quarter of 2012, deferred taxes increased by approximately $6,000 as a result of the reversal of previously enacted future corporate tax rate reductions in the province of Ontario.

Net Earnings

Earnings before income taxes in the third quarter of 2012 were $3,388 and $6,409 year to date, an increase of $1,958 and $3,866, respectively, compared to the same periods in 2011, as previously described. The net earnings of $2,154 for the third quarter of 2012 and the net loss of $1,079 year to date, compared to earnings of $5,618 and $6,239, respectively, in the comparable periods of 2011, decreased year to date by approximately $6,000 primarily as a result of a change in the future tax rates by the Ontario government.

EBITDA and Adjusted 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)	**Q3/12**	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10
Net earnings/(loss)	**$ 2,154**	$ (3,064)	$ (169)	$ (2,256)	$ 5,618	$ 1,682	$ (1,061)	$ (3,214)
Deferred tax expense/(recovery)	**(2,668)**	1,766	(941)	(874)	(5,666)	(1,858)	(1,115)	(3,419)
Current tax expense	**3,902**	2,118	3,311	765	1,478	1,881	1,584	-
Amortization expense	**25,407**	25,166	25,874	26,234	26,126	26,103	26,240	26,620
Interest expense	**9,035**	9,457	10,330	10,377	10,433	10,566	10,691	10,666
Other (income)/expense	**(855)**	-	(1,500)	-	(254)	(2,129)	-	211
Investment (income)	**(16)**	(76)	(185)	(174)	(168)	(140)	(112)	(107)
EBITDA	**36,959**	35,367	36,720	34,072	37,567	36,105	36,227	30,757
Add: Loss on disposal of equipment	**3,397**	4,113	4,115	4,880	4,718	4,861	4,640	4,673
Add: Impairment of assets	**-**	-	-	458	-	-	-	-
Adjusted EBITDA	**$40,356**	$39,480	$40,835	$39,410	$42,285	$40,966	$40,867	$35,430

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. In the second quarter 2012, deferred taxes resulting from a change in the future provincial corporate tax rates.
5. Amortization and loss on disposal of equipment are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units.
6. Impairment expense of $458 was taken on certain Sub-metering assets based on work in progress items which were no longer proceeding forward.
7. Other income in the first quarter of 2012 relates to the settlement of installation charges with DE.

Other income in other periods primarily relate to changes in the liability of EnerCare's estimated obligation payable to the former Stratacon shareholders in respect of the final earn out payment. Amounts taken back into income in 2011 and 2012 reflect reductions in the amounts payable.

DISTRIBUTABLE CASH AND PAYOUT RATIO

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
(000's)	**2012**	2011	**2012**	2011
Cash provided by operating activities	**$25,826**	$32,357	**$69,069**	$92,389
Net change in non-cash working capital	**3,541**	(208)	**19,626**	1,956
Operating Cash Flow	**29,367**	32,149	**88,695**	94,345
Capital expenditures - excluding growth capital and acquisitions	**(13,551)**	(14,633)	**(42,592)**	(45,203)
Proceeds on disposal of equipment	**1,051**	1,007	**4,236**	3,088
Other Income	**(855)**	(254)	**(2,355)**	(2,383)
Extraordinary proxy solicitation expenses	**55**	-	**1,697**	-
Distributable Cash	**16,067**	18,269	**49,681**	49,847
Dividends declared	**(9,728)**	(9,047)	**(28,858)**	(26,923)
Net cash retained	**$ 6,339**	$ 9,222	**$20,823**	$22,924
Payout Ratio	**61%**	50%	**58%**	54%

The Payout Ratio, after capital expenditures (excluding growth capital and acquisitions) increased to 61% for the third quarter of 2012 and 58% year to date, compared to 50% and 54%, respectively, for the same periods of 2011, primarily due to increased dividends, higher current tax expense and lower Adjusted EBITDA, partially offset by lower capital expenditures and greater proceeds on disposal of equipment. Prior year Payout Ratios are marginally higher than originally reported to conform with the current year presentation of other income and employee share options.

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 Sept. 30,		Nine months ended Sept. 30,	
(000's)	**2012**	2011	**2012**	2011
Cash flow from operating activities	**$25,826**	$32,357	**$69,069**	$92,389
Net change in non-cash working capital	**3,541**	(208)	**19,626**	1,956
Operating Cash Flow	**29,367**	32,149	**88,695**	94,345
Capital expenditures – excluding growth capital and acquisitions	**(13,551)**	(14,633)	**(42,592)**	(45,203)
Proceeds on disposal of equipment	**1,051**	1,007	**4,236**	3,088
Net capital expenditures	**(12,500)**	(13,626)	**(38,356)**	(42,115)
Acquisitions	**109**	-	**(1,944)**	-
Growth capital	**(3,017)**	(3,424)	**(10,340)**	(9,495)
Cash used in investing activities	**(15,408)**	(17,050)	**(50,640)**	(51,610)
Dividends paid	**(9,720)**	(9,024)	**(28,703)**	(23,907)
Net financing	**(283)**	(272)	**(60,843)**	(73)
Cash (used in) financing activities	**(10,003)**	(9,296)	**(89,546)**	(23,980)
Cash and equivalents – end of period	**$ 4,173**	$69,294	**$ 4,173**	$69,294

Operating Cash Flow of $29,367 decreased by $2,782 in the third quarter of 2012 and by $5,650 year to date to $88,695, compared to the same periods in 2011. Cash flow from operating activities declined in 2012 primarily as a result of an increase in current taxes and selling and general expenses and reductions in other income, partially offset by lower interest expense.

Net capital expenditures in the third quarter and year to date of 2012 were lower than the comparable periods in 2011, due to decreased asset exchange activity and greater buyout proceeds. Acquisitions of $1,944 in 2012 relate to the GreenSource acquisition in the Rentals business. Growth capital investments decreased modestly to $3,017 during the third quarter of 2012. Year to date growth capital expenditures of $10,340 compared to $9,495 during 2011 include additional Sub-metering installation activity, costs associated with the development of our billing system internalization and computer systems and office furniture. Dividends paid reflect dividend payments on outstanding Shares. In 2011, dividends paid reflect only two payments during the first quarter, 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.

The 2010 Notes are maturing on March 15, 2013. EnerCare is considering numerous options to refinance both its 2010 Notes and 2009-2 Notes, maturing on April 30, 2014. These options include a bank term loan, a public note offering, a private placement and bridge financing. As part of the consideration for refinancing, EnerCare is evaluating which option will best optimize current interest rates, term length and future business plans. Factors that enhance these options include EnerCare's investment grade ratings from S&P and DBRS, EnerCare's strong and stable cash flows and EnerCare's current leverage. As a result, EnerCare expects to refinance all of its 2010 Notes before maturity.

EnerCare's Revolver has a credit limit of $35,000, $4,000 of which was drawn as of November 2, 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)	Three months ended September 30, **2012**			2011		
Segment	**Rentals**	**Sub-metering**	**Total**	Rentals	Sub-metering	Total
Units – start of period	**1,190**	**104**	**1,294**	1,242	88	1,330
Portfolio additions	**6**	**5**	**11**	6	5	11
Acquisitions	**-**	**-**	**-**	-	-	-
Attrition	**(14)**	**-**	**(14)**	(19)	-	(19)
Units – end of period	**1,182**	**109**	**1,291**	1,229	93	1,322
Asset exchanges – units retired and replaced	**10**	**-**	**10**	11	-	11
% change in units during the period			(0.2%)			(0.6%)
% of units from start of period:						
Portfolio additions (net of acquisitions)			0.9%			0.8%
Attrition			(1.1%)			(1.4%)
Units retired and replaced			0.8%			0.8%

Nine months ended September 30,

Installed Asset Unit Continuity (000's)			**2012**			2011
Segment	**Rentals**	**Sub-metering**	**Total**	Rentals	Sub-metering	Total
Units – start of period	**1,216**	**94**	**1,310**	1,267	77	1,344
Portfolio additions	**19**	**15**	**34**	18	16	34
Acquisitions	**3**	**-**	**3**	-	-	-
Attrition	**(56)**	**-**	**(56)**	(56)	-	(56)
Units – end of period	**1,182**	**109**	**1,291**	1,229	93	1,322
Asset exchanges – units retired and replaced	**35**	**-**	**35**	38	-	38
% change in units during the period			**(1.5%)**			(1.6%)
% of units from start of period:						
Portfolio additions (net of acquisitions)			**2.6%**			2.5%
Attrition			**(4.3%)**			(4.2%)
Units retired and replaced			**2.7%**			2.8%
Billable units	**1,182**	**68**	**1,250**	1,229	54	1,283
Contracted units		**152**			119	

Net capital expenditures in the Rentals business include portfolio additions and asset exchanges, net of proceeds on disposal. Net capital expenditures in the Rentals business were $12,500, decreasing by 8.3% or $1,126 during the third quarter of 2012 and $38,356, year to date, decreasing by $3,759 or 8.9% compared to the same periods in 2011. The net capital expenditures were lower in part due to fewer asset exchanges and greater buyout activity and related proceeds on disposal when compared to the same periods in 2011.

Installations in the Sub-metering business were flat in the third quarter of 2012 and marginally lower year to date when compared to the same periods in 2011.

Attrition decreased dramatically in the third quarter of 2012. Attrition for the quarter was approximately 14,000 units, an improvement of approximately 5,000 units or 26% over the third quarter of 2011 and 6,000 units or 30% over the second quarter of 2012. Attrition has improved year over year since 2009 - Attrition for the third quarter of 2009 was 2.3 times higher than that of the third quarter of 2012.

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 68,000 increased by 2,000 units in the third quarter of 2012 and 14,000 year to date as compared to the same periods in 2011, primarily due to additional installations and increased penetration in the rental apartment market.

Sub-metering sales activity in the third quarter of 2012 remained strong with new sales representing approximately 9,000 suites contracted during the period. The pipeline of sales prospects continues to be robust for the coming quarters.

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 third quarter of 2012, EnerCare recorded financing repayments, net of dividends, of $283, related to on-going principal payments on the Stratacon Debt.

Capitalization (000's)	Nine months ended September 30, 2012	2011
Cash and cash equivalents	**$ 4,173**	$ 69,294
Net investment in working capital	**2,786**	(11,955)
Cash, net of working capital	**6,959**	57,339
Total debt	**521,341**	593,538
Shareholder's equity	**106,393**	131,749
Total capitalization – book value	**$627,734**	$725,287

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

At September 30, 2012, total debt was comprised of the 2009-2 Notes and 2010 Notes, Convertible Debentures and 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 September 30, 2012. No amounts were drawn on the Revolver at September 30, 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 September 30, 2012, EnerCare Solutions exceeded this minimum and had the capacity under the covenant to raise approximately $80,000 to $100,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000's)	**Q3/12**	Q2/12	Q1/11	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10
Total revenues	**$66,720**	$63,229	$63,505	$59,988	$63,032	$60,069	$61,412	$57,169
Net earnings/(loss)	**2,154**	(3,064)	(169)	(2,256)	5,618	1,682	(1,061)	(3,214)
Dividends declared	**9,728**	9,706	9,424	9,143	9,047	8,958	8,918	8,867
Average Shares outstanding	**57,860**	57,526	56,554	55,981	55,728	55,206	54,952	54,734
Per Share								
Basic/diluted net earnings/(loss)	**0.04**	($0.05)	($0.00)	($0.04)	$0.10	$0.03	($0.02)	($0.06)
Dividends declared	**$0.168**	$0.168	$0.166	$0.163	$0.162	$0.162	$0.162	$0.162

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 September 30, 2012:

Period (000's)	Principal Payments	Interest Payments	Leases
Within the remainder of 2012	$ 288	$ 9,449	$ 91
Due in 2013	241,198	25,372	328
Due in 2014	271,251	9,861	255
Due in 2015	1,299	645	370
Due in 2016	1,003	547	392
Due in 2017 and thereafter	7,801	279	70
Total	$522,840	$46,153	$1,506

As at September 30, 2012, long-term senior contractual obligations of EnerCare include debt service on the 2009-2 Notes and 2010 Notes bearing interest at 6.75% and 5.25%, respectively. Interest on the 2009-2 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 $5,859 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 September 30, 2011, $35,000 of the Revolver was available to be drawn. The Revolver bears a standby fee of 0.375%, 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 September 30, 2012, there were 57,959,685 Shares (55,850,131 at September 30, 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 September 30, 2012, EnerCare was in compliance with all covenants under the 2009-2 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 September 30, 2012. No amounts were drawn on the Revolver at September 30, 2012.

2009-2 Notes and 2010 Notes – Incurrence Test

The covenants under the 2009-2 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. Additional accruals were recorded for the period as outlined below:

DE Earnings Items

DE, through EGD, provides billing and collection services for substantially all of EnerCare's water heaters and other assets. In September 2009, DE implemented a billing system conversion which coincided with a billing system conversion by EGD. Further, in late 2011, DE began utilizing a third party billing system for new assets and in August 2012 also employed the billing system for non-EGD territory accounts. EnerCare's ICFR identified issues principally associated with DE's original system conversion as well as the recent third party conversion primarily in respect of completeness of billing, customer collections and allocation of customer payments.

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 third quarter of 2012, EnerCare has accrued approximately $2,900 in respect of outstanding billing amounts.

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.

Sub-metering Billing and Customer Care System

During May, 2012, the Sub-metering business deployed a new utility grade customer billing system which consolidated all sub-metering billing functions on to one platform. As a result of the transition, during May and June a number of bills required modification resulting in delayed mailings to residents and consequently a backlog of move in and out processing and establishment of new accounts and suspension of collection activities. During the third quarter of 2012, EnerCare reduced the backlog of non-billing customer accounts in a number of areas, however, in addition to normal account accruals, a number of customer accounts required accruals for additional service periods resulting in a total revenue accrual of approximately $9,000 and related commodity charges of $5,400. EnerCare does not anticipate any significant provision adjustment for collectability at this time.

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 September 30, 2012. There have been no changes to our ICFR during the quarter ended September 30, 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

EnerCare experienced dramatically improved customer retention in the third quarter of 2012. We are continuing to explore new initiatives and modifications to existing programs to reduce Attrition further.

We expect that the new customer care and billing system will provide a sustained reduction in the cost to administer Sub-metering customer accounts. However, we will have expenses associated with the completion of the system transition in the fourth quarter of 2012.

The 2010 Notes are maturing on March 15, 2013. EnerCare is considering numerous options to refinance both its 2010 Notes and 2009-2 Notes, maturing on April 30, 2014. These options include a bank term loan, a public note offering, a private placement and bridge financing. As part of the consideration for refinancing, EnerCare is evaluating which option will best optimize current interest rates, term length and future business plans. Factors that enhance these options include EnerCare's investment grade ratings from S&P and DBRS, EnerCare's strong and stable cash flows and EnerCare's current leverage. As a result, EnerCare expects to refinance all of its 2010 Notes before maturity.

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	Consent Order issued by the Competition Bureau in 2002 and expired in February 2012 that restricted 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., a subsidiary of DE, from which ESI acquired approximately 3,421 water heaters and HVAC equipment.
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.
OCI	Other Comprehensive Income.
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.
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 EnerCare Solutions, which matured and were repaid on April 30, 2012.
2009-2 Notes	$270,000 of 6.75% Series 2009 -2 Senior Notes of EnerCare Solutions, 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 EnerCare Solutions, which mature on March 15, 2013.