EnerCare Inc.

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

Third Quarter ended September 30, 2013

Dated November 13, 2013

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The condensed interim consolidated financial statements of EnerCare are prepared in accordance with IFRS. EnerCare's significant accounting policies are summarized in detail in note 2 of the condensed interim consolidated financial statements for the period ended September 30, 2013. Unless otherwise specified, amounts are reported in this MD&A in thousands, except customers, units and "per unit" amounts, 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 13, 2013, contains certain forward-looking statements that involve various risks and uncertainties and should be read in conjunction with EnerCare's 2012 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 actual 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.). ECI provides sub-metering services for electricity, thermal, heat and water to condominiums and apartments in Ontario, Alberta and elsewhere in Canada.

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

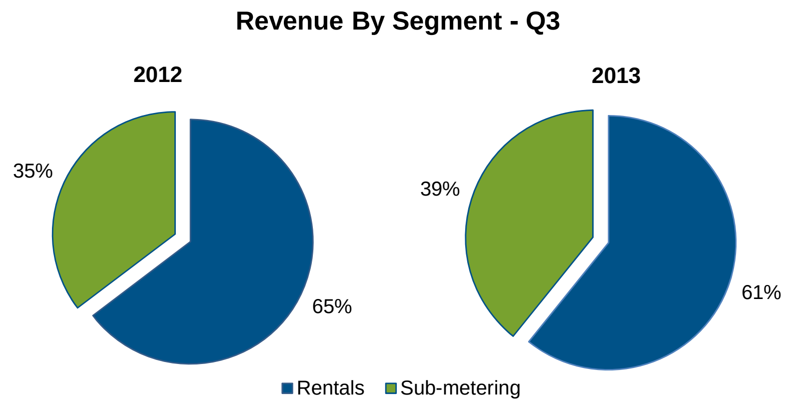
EnerCare has grown revenues every year since the Fund's inception in 2002, generated stable cash flow and consistently maintained a high dividend yield. EnerCare has investment grade ratings of A-/stable and BBB(high) stable rating from S&P and DBRS, respectively.

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 61% 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, commodity charges and penetration levels in our retro-fit buildings and new construction developments that were activated during the third quarter of 2013. See additional commentary under *"Results of Operations – Earnings Statement*".



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.

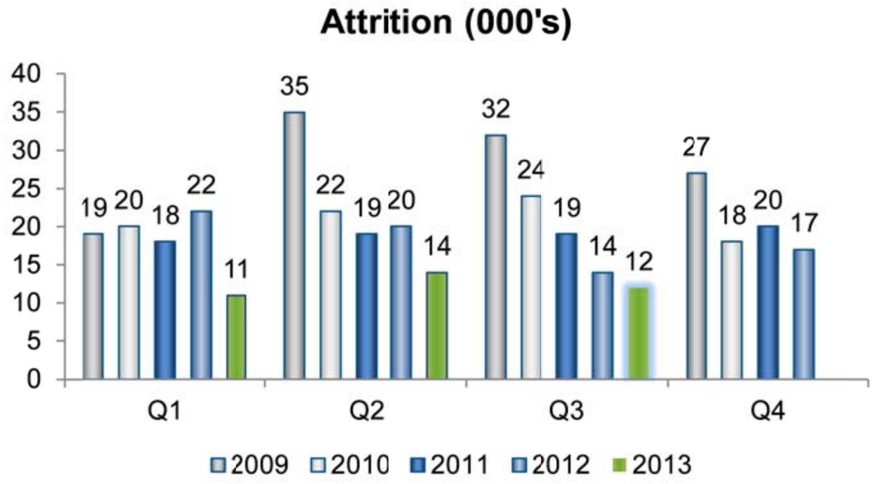
EnerCare originally had 100% of its Rentals business subject to the Co-ownership Agreement. Through five acquisitions and origination arrangements with various parties, EnerCare has successfully expanded its Rentals business. EnerCare has 8% of its Rentals revenue coming from portfolios which are not subject to the Co-ownership Agreement.

For the portfolios under the Co-ownership Agreement, 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.

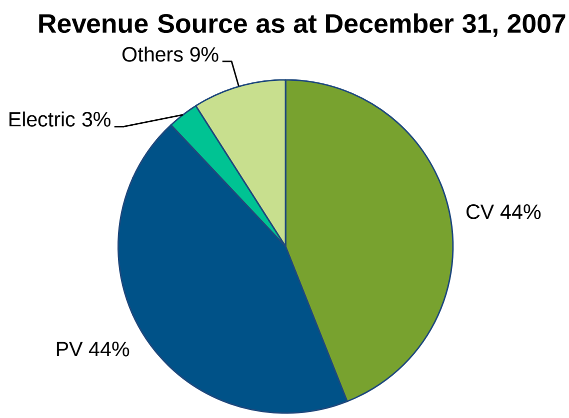
EnerCare monitors the business by reviewing new additions or customers to the portfolio, reductions or Attrition of existing customers and existing customers exchanging their rental product.

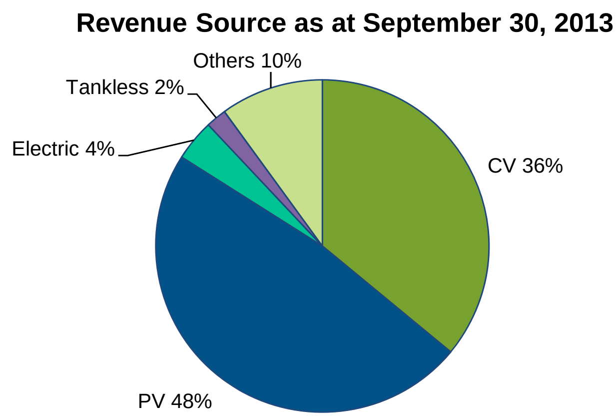
Over the last several years, EnerCare has experienced higher than normal Attrition on the water heater rental portfolios. This was largely a result of greater competition through aggressive D2D campaigns. EnerCare and DE have implemented many programs, including continued consumer education through direct mail and radio campaigns. Such initiatives, coupled with broader consumer awareness and a leveling of the playing field in respect of the expiry of the Consent Order, as well as enhancements to our customer value proposition (for example, the "DE same day service campaign"), have helped to significantly reduce Attrition in recent quarters.

Attrition decreased in the third quarter of 2013 by 2,000 units or 14% and by 19,000 units or 34% year to date, over the same periods of 2012. For last year, EnerCare did see additional buyout activity of 5,000 units following the introduction and subsequent withdrawal of new contract terms for a significant portion of our co-owned Rentals portfolio. Attrition has improved year-over-year (see table below) since 2009 with Attrition in the third quarter of 2013 being the lowest for that quarter since 2007.

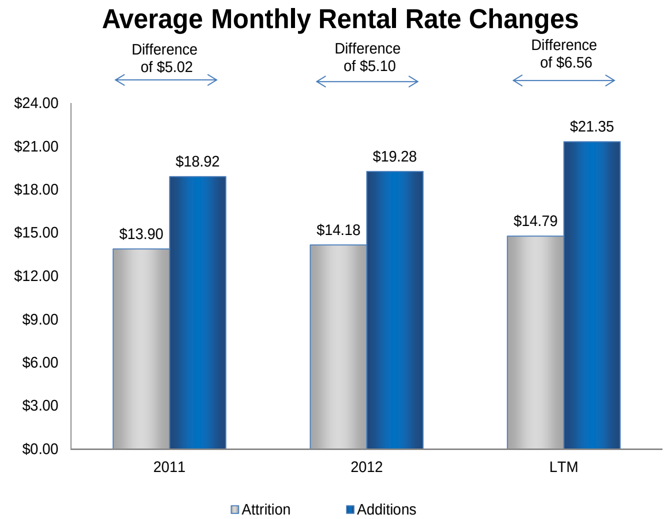


Partially offsetting Attrition is the movement in asset mix to units with higher returns. One of EnerCare's growth platforms has been to focus on single family and multi-residential HVAC rental units. Although results are small on the unit continuity, HVAC units provide three to five times more rental revenue than that of a water heater. A comparison of the product mix 6 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 revenue than conventional vent ("CV") units.





The impact of changes in product mix over time is outlined further in the graph below which shows revenue from unit additions contributing approximately $6 per unit more than revenue from units lost on account of Attrition. New customers are worth approximately 1.4 times that of a lost customer.



Sub-metering Business

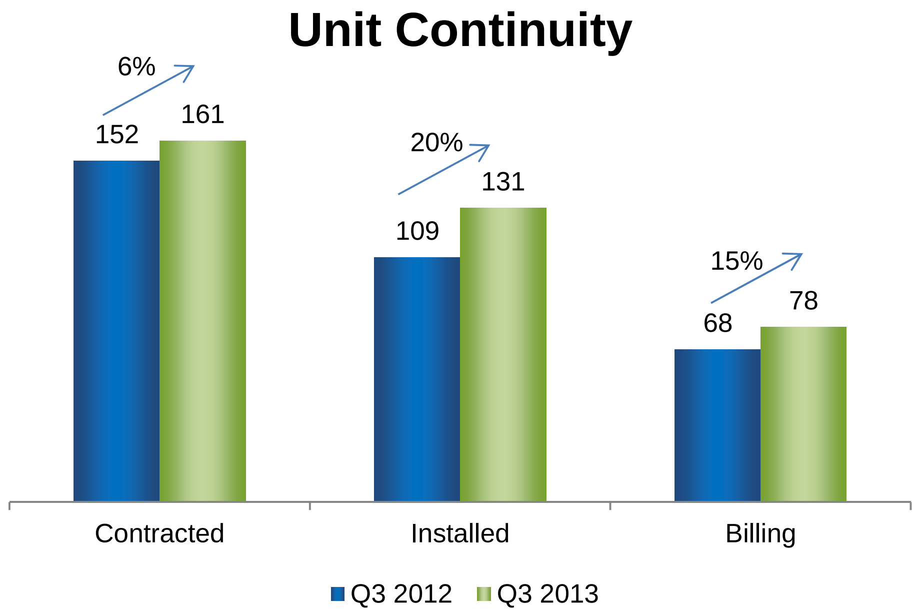
EnerCare entered the multi-residential Sub-metering business through two acquisitions made in the last five years. There are two main market segments for Sub-metering in the multi-residential market: retro-fit sub-metering and new build construction. Within each market, apartments and condos have significantly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

Within the retro-fit revenue stream, after a contract is signed, the meters are typically installed within the first two quarters 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.

During 2012, the Sub-metering business deployed a new utility grade customer care and billing system, which consolidated all the Sub-metering customer care and billing functions onto one platform. As a result of this conversion, the Sub-metering business experienced operational disruptions, particularly in respect of billings and collections that impacted this quarter’s performance.

During the quarter, our management team began the implementation of its LEAN and continuous improvement program with the objectives of improving work flow, efficiencies and expanding capacity within Sub-metering.

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 161,000 contracted units. Of those contracted units, 131,000 have meters installed and 78,000 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 2013 HIGHLIGHTS

(000's)	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
Rentals	**$47,248**	$46,581	**$141,623**	$140,163
Sub-metering	**30,291**	25,451	**81,513**	66,814
Investment income	**21**	16	**338**	277
Total revenues	**$77,560**	$72,048	**$223,474**	$207,254
EBITDA[1]	**38,551**	36,959	**114,114**	109,046
Adjusted EBITDA[1]	**43,184**	41,211	**126,766**	123,026
Earnings before income taxes	**9,322**	3,388	**5,231**	6,409
Current tax (expense)	**(5,525)**	(3,902)	**(15,704)**	(9,331)
Deferred income tax recovery	**3,134**	2,668	**14,498**	1,843
Net earnings/(loss)	**$ 6,931**	$ 2,154	**$ 4,025**	$ (1,079)
Payout Ratio[2]	**75%**	61%	**72%**	58%

The following highlights compare results for the third quarter of 2013 with the third quarter of 2012.

- Total revenues of $77,560 increased by $5,512 or 8% in the third quarter of 2013. Revenues in the Rentals business were $47,248, greater than the prior year by $667, primarily as a result of rental rate increases partially offset by changes in the installed asset base. Sub-metering revenues increased to $30,291 from $25,451, primarily as a result of an increase in Billable units and flow through commodity charges.
- EBITDA increased by $1,592 to $38,551 in the third quarter of 2013, driven principally by improved total revenues and a lower loss on disposal of equipment. Adjusted EBITDA of $43,184 increased by $1,973 after removing from EBITDA the impact of a reduced loss on disposal of equipment in 2013 and including other income.
- Net earnings of $6,931 in 2013, increased by $4,777 or 222% compared to the third quarter of 2012, reflecting increased EBITDA and other income and reductions in interest expense and amortization partially offset by increased total taxes.

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

- Attrition in Rentals decreased by 14% or 2,000 units for the third quarter of 2013 and was the lowest for that quarter since 2007.
- The Payout Ratio increased to 75% in the third quarter of 2013 from 61% in 2012, primarily as a result of higher capital requirements in the quarter due to approximately 2,000 additional water heater exchanges because of the flood in the GTA and higher dividends declared and current taxes, offset by an accrual for a settlement from DE on account of historical billing issues.

RECENT DEVELOPMENTS

Corporate Activities

In April 2013, the Ontario Government introduced the *Stronger Protection for Ontario Consumers Act, 2013* ("Bill 55"). Bill 55 is a direct response by the Ontario Government to quell complaints to the Ontario Ministry of Consumer Services about rental agreements for water heaters entered into through door-to-door sales, which complaints were second on the Ministry's consumer complaints list in both 2012 and 2011.

Among other things, if passed as introduced, Bill 55 will:

- Double the existing 10-day cooling-off period to 20-day, providing consumers with more time to consider their decision;
- Ban the delivery and installation of water heaters during the new 20-day cooling-off period;
- Provide new consumer protection when the rules are not followed, such as requiring the supplier to pay all cancellation fees when the 20-day cooling-off period is not observed and giving the consumer a set-off right against any amounts owing to the supplier for those fees; and
- Give enhanced authority to the Minister to make regulations governing supplier conduct and agreement content, such as a requirement that companies confirm sales by making scripted and recorded telephone calls to the customer.

On September 10, 2013, Bill 55 passed second reading and was referred to the Standing Committee of the Legislative Assembly for consideration (the "Standing Committee"). The Standing Committee held hearings on October 23rd and 30th, at which EnerCare presented, and is currently undertaking "clause-by-clause" review.

If passed, EnerCare believes that Bill 55 is very much a positive development for its customers and its Rentals business and will greatly assist in its continued efforts to combat Attrition.

EnerCare Increases Dividend Payment

EnerCare increased its monthly dividend to $0.058 per Share, an increase of 1.8%, effective in respect of the dividend payable to shareholders of record on September 30, 2013, which dividend was paid on October 31, 2013. The dividend increase reflects EnerCare's strong performance in the first half of 2013, its long-term stable financial structure, recent reductions in Attrition and the confidence the board has in the company moving forward.

Enbridge Open Bill Access

In September 2013, Enbridge settled the terms of its open bill access program in respect of 2014 with its suppliers who invoice through the Enbridge bill. Effective January 6, 2014, suppliers will be required to verify certain types of contracts through a sales verification call before such contracts may be billed on the Enbridge invoice. EnerCare believes that the sales verification requirement is a positive development for its customers and its Rentals business and will assist in its continued efforts to combat Attrition.

Rentals

Heavy rains on July 8, 2013 caused flooding in the GTA resulting in the most costly weather related damage in Ontario's history. As a result of this flooding, approximately 2,200 additional water heaters were exchanged with a capital cost of $1,600 and higher buyout revenues were received on account of damage and Attrition. The capital cost associated with the flooding increased the Payout Ratio by approximately 8% for the quarter.

UPDATE TO RISK FACTORS

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

RESULTS OF OPERATIONS

Earnings Statement

For 2013 and 2012, certain comparative amounts have been reclassified to conform to the current period's presentation. Revenue related to charges to landlords on account of common area and suite consumption that was not billed to tenants has been reclassified from commodity charges. The related accounts receivable has been reclassified from accounts payable and accrued liabilities. These reclassifications resulted in an increase of $5,328 to both Sub-metering revenues and commodity charges for the third quarter and $13,800 year to date of 2012. These reclassifications did not result in any adjustments to previously reported net income, working capital or cash flows.

In addition, the definition of Adjusted EBITDA has been changed in 2013 to include other income and expense in the calculation. As a result, relevant comparative amounts have been recalculated to conform to the current presentation.

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
(000's)	**2013**	2012	**2013**	2012
Revenues:				
Rentals	**$47,248**	$46,581	**$141,623**	$140,163
Sub-metering	**30,291**	25,451	**81,513**	66,814
Investment income	**21**	16	**338**	277
Total revenues	**$77,560**	$ 72,048	**$223,474**	$207,254
Commodity charges	**25,500**	20,881	**67,688**	53,685
SG&A expenses:				
Rentals	**3,927**	3,892	**11,834**	11,660
Sub-metering	**3,475**	3,273	**9,477**	8,706
Corporate	**3,453**	3,630	**11,049**	12,255
Total SG&A expenses	**10,855**	10,795	**32,360**	32,621
Amortization expense	**25,228**	25,407	**73,928**	76,447
Loss on disposal of equipment	**2,633**	3,397	**8,974**	11,625
Interest expense:				
Interest expense payable in cash	**5,852**	7,981	**19,951**	25,364
Make-whole payment on early redemption of debt	**-**	-	**13,754**	-
Non-cash interest expense	**170**	1,054	**5,266**	3,458
Total Interest expense	**6,022**	9,035	**38,971**	28,822
Total operating expenses	**70,238**	69,515	**221,921**	203,200
Other income	**2,000**	855	**3,678**	2,355
Earnings before income taxes	**9,322**	3,388	**5,231**	6,409
Current tax (expense)	**(5,525)**	(3,902)	**(15,704)**	(9,331)
Deferred income tax recovery	**3,134**	2,668	**14,498**	1,843
Net earnings/(loss)	**$ 6,931**	$ 2,154	**$ 4,025**	$ (1,079)
EBITDA	**$38,551**	$36,959	**$114,114**	$109,046
Adjusted EBITDA	**$43,184**	$41,211	**$126,766**	$123,026

Revenues

Total revenues of $77,560 for the third quarter of 2013 increased by $5,512 or 8% and by $16,220 or 8% to $223,474 year to date compared to the same periods in 2012. Rentals revenues for the quarter increased by $667 to $47,248 and by $1,460 to $141,623 year to date, compared to the same periods in 2012, primarily due to a rental rate increase implemented in January 2013, partially offset by a small reduction in installed assets. Sub-metering revenues in the third quarter of 2013 were $30,291, an increase of $4,840 or 19% with year to date Sub-metering revenues increasing to $81,513 or $14,699 over the comparable periods of 2012, primarily due to increased commodity charges and Billable units. Sub-metering revenue includes total pass through energy charges of $25,500 for the third quarter and $67,688 year to date in 2013, an increase of $4,619 and $14,003, respectively, over the same periods in 2012.

Investment income was $21 in the third quarter and $338 year to date in 2013, compared to $16 and $277 in the same periods in 2012. The changes in investment income were primarily attributable to greater investment balances, particularly following the issuance of the 2013 Notes and the drawdown of the Term Loan approximately 30 days prior to the redemption of the 2009-2 Notes during the first quarter of 2013.

Selling, General & Administrative Expenses

Total SG&A expenses were $10,855 in the third quarter of 2013, an increase of $60 compared to the same period in 2012. Sub-metering SG&A expenses were $3,475 or $202 greater in the third quarter of 2013 than that of the comparable period in 2012, primarily as a result of increased bad debt expenses of approximately $370 and billing and servicing cost of $70, partially offset by reductions in professional fees and office expenses of $250. Rentals and corporate expenses of $7,380 decreased by $142 in the third quarter of 2013 over that in the same period in 2012, primarily due to decreases of approximately $670 in selling expenses, $530 for professional fees, and $275 in office expenses, partially offset by increases of approximately $600 for wages and benefits, $415 in claims and bad debts and $330 on account of billing and servicing costs.

Year to date total SG&A expenses were $32,360 or $261 lower than the same period in 2012. Sub-metering SG&A expenses of $9,477 were $771 higher year to date in 2013 compared to 2012, primarily as a result of increases in wages and benefits of approximately $660, $430 in bad debt expense and $180 in office, selling and professional fees, partially offset by $500 in lower billing and servicing costs. Rentals and corporate expenses of $22,883 year to date in 2013 decreased by $1,032 over that in the same period in 2012, primarily due to a decrease of approximately $3,500 in professional fees and selling expenses of approximately $1,700, of which were on account of proxy solicitation costs incurred in 2012, partially offset by increases of approximately $980 in wages and benefits, $1,050 in claims and bad debts and $480 on account of billing and servicing costs.

Amortization Expense

Amortization expense decreased by $179 or 1% to $25,228 in the third quarter of 2013 and by $2,519 or 3% to $73,928 year to date over that 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

EnerCare reported a loss on disposal of equipment of $2,633 in the third quarter of 2013 and $8,974 year to date, reductions of $764 and $2,651, respectively, over the same periods in 2012. 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. In 2012, loss on disposal was elevated primarily as a result of higher buyout activity and Attrition.

Interest Expense

(000's)	Three months ended Sept. 30, **2013**	2012	Nine months ended Sept. 30, **2013**	2012
Interest expense payable in cash	**$5,852**	$7,981	**$19,951**	$25,364
Make-whole payment on early redemption of debt	**-**	-	**13,754**	-
Non-cash items: Amortization of OCI and financing costs	**170**	1,054	**5,266**	3,458
Interest expense	**$6,022**	$9,035	**$38,971**	$28,822

Interest expense payable in cash decreased by $2,129 to $5,852 in the third quarter of 2013 and by $5,413 to $19,951 year to date, compared to the same periods in 2012. The decreases are primarily related to the conversion of Convertible Debentures to Shares, repayment of the $60,000 2009-1 Notes on April 30, 2012 and the redemption of the 2010 Notes in the fourth quarter of 2012 with the proceeds from the offering of the 2012 Notes. The make-whole payment of $13,754 was incurred upon the early redemption of the 2009-2 Notes associated with the issuance of the 2013 Notes and the drawdown of the Term Loan. Amortization of OCI and financing costs for 2013 include the previously unamortized costs associated with the 2009-2 Notes and $4,023 of accumulated OCI which was fully reclassified to earnings in the first quarter of 2013.

Other Income

During the third quarter of 2013, EnerCare accrued a settlement from DE of $2,000 on account of water heater installation costs, billing and collection deficiencies and third-party claims. The 2013 year to date amount of $3,678 includes $1,678 on account of settlements reached with DE on account of billing and collection in respect of water heater buyouts. In 2012, EnerCare and DE reached a settlement of $1,500 on account of billing for water heater installation costs (See "Critical Accounting Estimates – DE Earnings Items" for further information) and $855 representing the reversal of the liability in respect of the third and final earn out payable to the former principals of Stratacon.

Income Taxes

EnerCare reported a current tax expense of $5,525 for the third quarter of 2013 and $15,704 year to date, which were $1,623 and $6,373, respectively, greater than the same periods in 2012, primarily as a result of decreased loss carry forwards available to shelter taxable income in the Rentals business and greater taxable income. The deferred income tax recovery of $3,134 for the quarter and $14,498 year to date 2013 increased by $466 and $12,655, respectively, primarily as a result of temporary difference reversals in the Rentals and Sub-metering businesses, including the make-whole payment inclusion through April 30, 2014.

Net Earnings

Net earnings in the third quarter of 2013 were $6,931 and $4,025 year to date, increases of $4,777 and $5,104, respectively, over the same period in 2012 as previously described.

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)	**Q3/13**	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q4/11
Net earnings/(loss)	**$ 6,931**	$ 7,482	$(10,388)	$(2,096)	$ 2,154	$ (3,064)	$ (169)	$ (2,256)
Deferred tax (recovery)/expense	**(3,134)**	(3,640)	(7,724)	(4,155)	(2,668)	1,766	(941)	(874)
Current tax expense	**5,525**	4,591	5,588	5,217	3,902	2,118	3,311	765
Amortization expense	**25,228**	24,344	24,356	25,175	25,407	25,166	25,874	26,234
Interest expense	**6,022**	5,976	26,973	11,937	9,035	9,457	10,330	10,377
Other (income)/expense	**(2,000)**	(1,678)	-	362	(855)	-	(1,500)	-
Investment (income)	**(21)**	(49)	(268)	(180)	(16)	(76)	(185)	(174)
EBITDA	**38,551**	37,026	38,537	36,260	36,959	35,367	36,720	34,072
Add: Loss on disposal of equipment	**2,633**	3,449	2,892	3,523	3,397	4,113	4,115	4,880
Add: Impairment of assets	**-**	-	-	-	-	-	-	458
Add: Other income/(expense)	**2,000**	1,678	-	(362)	855	-	1,500	-
Adjusted EBITDA(1)	**$43,184**	$42,153	$41,429	$39,421	$41,211	$39,480	$42,335	$39,410

(1) Historical Adjusted EBITDA has been conformed to the current presentation which includes other income and expense.

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

1. Net earnings are impacted by rental rate increases, generally implemented in January of each year, and accruals related to billing and servicing matters.
2. Increasing current taxes as loss carry forwards, which were utilized from 2011 until mid-2012.
3. Debt refinancing activities in the fourth quarter of 2012 and the first quarter of 2013 resulted in additional interest expense, which included make-whole payments of $1,920 and $13,754, respectively. Commencing in the second quarter of 2013 interest expense reflects the benefits of lower blended interest rates and non-cash fee amortization.
4. In the second quarter of 2012, deferred taxes resulting from a change in the future provincial corporate tax rates.
5. Amortization and loss on disposal of equipment, which are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units.
6. Impairment expenses taken on certain Sub-metering assets based on work in progress items which were no longer proceeding forward.
7. Other income relates to settlements with DE on account of installation and billing matters, except for the third quarter of 2012, which reflect changes in the liability of EnerCare's estimated obligation payable to the former Stratacon shareholders in respect of the final earn out payment which were taken back into income to reflect reductions in the amounts payable.

DISTRIBUTABLE CASH AND PAYOUT RATIO

(000's)	Three months ended Sept. 30, 2013	2012	Nine months ended Sept. 30, 2013	2012
Cash provided by operating activities	**$31,935**	$ 25,826	**$74,784**	$ 69,069
Net change in non-cash working capital	**(49)**	3,541	**3,071**	19,626
Operating Cash Flow[3]	**31,886**	29,367	**77,855**	88,695
Capital expenditures: (excluding growth capital and acquisitions)				
Rentals additions	**(8,677)**	(5,305)	**(23,592)**	(19,258)
Rentals exchanges	**(8,706)**	(8,246)	**(25,460)**	(23,334)
Subtotal	**(17,383)**	(13,551)	**(49,052)**	(42,592)
Proceeds on disposal of equipment	**1,673**	1,051	**3,571**	4,236
Net capital expenditures	**(15,710)**	(12,500)	**(45,481)**	(38,356)
Other income	**(2,000)**	(855)	**(3,678)**	(2,355)
Early redemption of 2009-2 Notes net of tax	**(796)**	-	**12,547**	-
Extraordinary proxy solicitation expenses	**-**	55	**-**	1,697
Total reductions	**(18,506)**	(13,300)	**(36,612)**	(39,014)
Distributable Cash	**13,380**	16,067	**41,243**	49,681
Dividends declared	**(10,020)**	(9,728)	**(29,778)**	(28,858)
Net cash retained	**$ 3,360**	$ 6,339	**$ 11,465**	$ 20,823
Payout Ratio	**75%**	61%	**72%**	58%

The Payout Ratio, after capital expenditures (excluding growth capital and acquisitions), increased to 75% for the third quarter of 2013 and 72% year to date, compared to 61% and 58%, respectively, for the same periods in 2012, primarily due to increased capital expenditures, current taxes and dividend payments.

The early redemption of the 2009-2 Notes net of tax of $12,547 represents the first quarter sum of a make-whole payment of approximately $13,754 and overlapping interest expense of $1,087, less investment income of $268 and the second and third quarter tax timing differences of ($788) and ($796), respectively. The tax consequences of the make-whole payment will be recognized over the period to April 30, 2014. The make-whole payment was reflected as interest expense in the first quarter of 2013 and consequently directly impacted cash provided by operating activities for the nine months ended September 30, 2013.

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

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

LIQUIDITY AND CAPITAL RESOURCES

(000's)	Three months ended Sept. 30, **2013**	2012	Nine months ended Sept. 30, **2013**	2012
Cash flow from operating activities	**$31,935**	$25,826	**$74,784**	$69,069
Net change in non-cash working capital	**(49)**	3,541	**3,071**	19,626
Operating Cash Flow	**31,886**	29,367	**77,855**	88,695
Capital expenditures: excluding growth capital and acquisitions	**(17,383)**	(13,551)	**(49,052)**	(42,592)
Proceeds on disposal of equipment	**1,673**	1,051	**3,571**	4,236
Net capital expenditures	**(15,710)**	(12,500)	**(45,481)**	(38,356)
Acquisitions	**-**	109	**-**	(1,944)
Growth capital	**(2,342)**	(3,017)	**(9,453)**	(10,340)
Cash used in investing activities	**(18,052)**	(15,408)	**(54,934)**	(50,640)
Dividends paid	**(9,956)**	(9,720)	**(29,646)**	(28,703)
Other financing activities	**(365)**	(283)	**12,274**	(60,843)
Cash used in financing activities	**(10,321)**	(10,003)	**(17,372)**	(89,546)
Cash and equivalents – end of period	**$15,104**	$ 4,173	**$15,104**	$ 4,173

Operating Cash Flow of $31,886 increased by $2,519 in the third quarter of 2013 compared to the same period in 2012, primarily as a result of improved revenues, other income and lower interest expense, partially offset by greater current taxes. Year to date cash flow from operating activities decreased in 2013 by $10,840 to $77,855 compared to the same period in 2012, primarily as a result of the make-whole payment of $13,754 associated with the redemption of the 2009-2 Notes.

Net capital expenditures of $15,710 in the third quarter of 2013 were $3,210 greater than the same period in 2012, due to increased exchange activity in part due to the flooding in the GTA which occurred in July, inclusion of venting costs previously borne by customers and changes in asset mix. Year to date net capital expenditures of $45,481 in 2013 increased by $7,125 over the same period in 2012, primarily as a result of the third quarter activity, lower proceeds on disposal and change in asset mix. The acquisition of $1,944 in 2012 relates to GreenSource. Growth capital investments were $2,342 for the third quarter of 2013 and $9,453 year to date, decreases of $675 and $887, respectively, when compared to the same periods in 2012. Growth capital expenditures were lower in the third quarter of 2013, primarily as a result of higher costs in 2012, associated with the internalization of the customer care and billing systems and enhancements to our computer systems. Dividends paid reflect dividend payments on outstanding Shares.

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".

Other financing activities for the third quarter of 2013 primarily reflect the scheduled repayment of the Stratacon Debt during the period. Year to date other financing activities primarily reflect EnerCare Solutions' repayment of the $270,000 2009-2 Notes on March 6, 2013 with proceeds from the 2013 Notes and the drawdown on the Term Loan.

The Revolver has a credit limit of $35,000, none of which was drawn as at September 30, 2013.

Management believes that EnerCare has sufficient cash flow, cash on hand and credit available to meet its 2013 obligations, including capital expenditures, financing activities and working capital requirements for its 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, 2013			2012		
Segment	**Rentals**	**Sub-metering**	**Total**	Rentals	Sub-metering	Total
Units - start of period	**1,157**	**125**	**1,282**	1,190	104	1,294
Portfolio additions	**6**	**6**	**12**	6	5	11
Acquisitions	**-**	**-**	**-**	-	-	-
Attrition	**(12)**	**-**	**(12)**	(14)	-	(14)
Units – end of period	**1,151**	**131**	**1,282**	1,182	109	1,291
Asset exchanges – units retired and replaced	**14**	**-**	**14**	10	-	10
% change in units during the period			**(0%)**			(0.2%)
% of units from start of period:						
Portfolio additions (net of acquisitions)			**0.9%**			0.9%
Attrition			**(0.9%)**			(1.1%)
Units retired and replaced			**1.1%**			0.8%

Installed Asset Unit Continuity (000's)	Nine months ended September 30, 2013			2012		
Segment	**Rentals**	**Sub-metering**	**Total**	Rentals	Sub-metering	Total
Units - start of period	**1,171**	**115**	**1,286**	1,216	94	1,310
Portfolio additions	**17**	**16**	**33**	19	15	34
Acquisitions	**-**	**-**	**-**	3	-	3
Attrition	**(37)**	**-**	**(37)**	(56)	-	(56)
Units - end of period	**1,151**	**131**	**1,282**	1,182	109	1,291
Asset exchanges – units retired and replaced	**40**	**-**	**40**	35	-	35
% change in units during the period			**(0.3%)**			(1.5%)
% of units from start of period:						
Portfolio additions (net of acquisitions)			**2.6%**			2.6%
Attrition			**(2.9%)**			(4.3%)
Units retired and replaced			**3.1%**			2.7%
Billable units	**1,151**	**78**	**1,229**	1,182	68	1,250
Contracted units		**161**			152	

Net capital expenditures in the Rentals business include portfolio additions and asset exchanges, net of proceeds on disposal. In the third quarter of 2013, net capital expenditures in the Rentals business were $15,710, increasing by 26% or $3,210 when compared to the same period in 2012, primarily as a result of increased asset exchanges in part, due to the flooding as previously noted, inclusion of venting costs previously borne by customers and changes in asset mix during the period. Year to date net capital expenditures of $45,481 were 19% greater than the same period of 2012, primarily as a result of the current period activity, asset mix and higher proceeds on disposal in 2012.

Installations in the Sub-metering business were approximately 6,000 units for the third quarter of 2013 and 16,000 units year to date, slightly above the same periods in 2012.

Attrition decreased in the third quarter of 2013 by 2,000 units or 14% and 19,000 units or 34% year to date compared to the same periods of 2012. Last year, EnerCare saw additional buyout activity of 5,000 units in the year to date 2012 figure, following the introduction and subsequent withdrawal of new contract terms for a significant portion of our co-owned Rentals portfolio. EnerCare and DE have implemented many programs, including continued consumer education through direct mail and radio campaigns. Such initiatives, coupled with broader consumer awareness and a leveling of the playing field in respect of the expiry of the Consent Order, as well as enhancements to our customer value proposition (for example, the "DE same day service campaign"), have helped to significantly reduce Attrition in recent quarters.

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 78,000 increased by 10,000 units in the third quarter of 2013 as compared to the third quarter of 2012, primarily due to additional installations and increased penetration in the rental apartment market.

Sub-metering sales activity was approximately 800 units in the third quarter of 2013, with the number of total contracted units being 9,000 greater than at September 30, 2012.

Cash from Financing

Financing activities for EnerCare may reflect dividend payments, 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 2013, EnerCare recorded financing repayments, net of dividends, of $365**,** primarily related to the scheduled repayment of the Stratacon Debt and $12,639 year to date in net cash financing receipts primarily related to the redemption of the 2009-2 Notes and the issuance of the 2013 Notes and drawdown of the Term Loan.

Capitalization	Nine months ended September 30,	
(000's)	**2013**	2012
Cash and cash equivalents	**$ 15,104**	$ 4,173
Net investment in working capital	**2,443**	2,786
Cash, net of working capital	**17,547**	6,959
Total debt	**541,288**	521,341
Shareholder's equity	**75,771**	106,393
Total capitalization - book value	**$617,059**	$ 627,734

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, 2013, total debt was comprised of the 2012 Notes, the 2013 Notes, the Term Loan, 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 and Term Loan

Under the terms of these agreements, 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, 2013. No amounts were drawn under the Revolver at September 30, 2013.

2012 Notes and 2013 Notes – Incurrence Test

The covenants in respect of the 2012 Notes and 2013 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, 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, 2013, EnerCare Solutions exceeded this minimum and had the capacity under the covenant to raise approximately $140,000 to $180,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000's)	**Q3/13**	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q4/11
Total revenues	**$77,560**	$71,604	$74,310	$68,324	$72,048	$67,339	$67,867	$63,322
Net earnings/(loss)	**6,931**	7,482	(10,388)	(2,096)	2,154	(3,064)	(169)	(2,256)
Dividends declared	**10,020**	9,945	9,813	9,747	9,728	9,706	9,424	9,143
Average Shares outstanding	**58,222**	58,137	58,040	57,995	57,860	57,526	56,554	55,981
Per Share								
Basic/diluted net earnings/(loss)	**$ 0.12**	$ 0.13	($0.18)	($0.04)	$ 0.04	($0.05)	($0.00)	($0.04)
Dividends declared	**$0.172**	$ 0.171	$0.169	$0.168	$0.168	$0.168	$0.166	$0.163

In addition to quarterly comments found under "Results of Operations – EBITDA and Adjusted 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, the first quarters of 2012 and 2013 and the third quarter of 2013.

The average number of Shares outstanding and the related per Share data reflect the impact of 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, 2013:

Period (000's)	Principal Payments	Interest Payments	Leases
Due in 2013	$ 293	$ 5,997	$ 66
Due in 2014	1,213	23,217	264
Due in 2015	1,258	23,116	379
Due in 2016	60,992	21,771	397
Due in 2017	255,581	21,140	70
Thereafter	225,207	25,895	-
Total	$544,544	$121,136	$1,176

As at September 30, 2013, long-term senior contractual obligations of EnerCare included debt service on the 2012 and 2013 Notes bearing interest at 4.30% and 4.60%, respectively. Interest on the 2012 Notes is payable semi-annually on May 30 and November 30 and is payable semi-annually on February 3 and August 3, in respect of the 2013 Notes. In addition, the Term Loan of $60,000 due January 28, 2016 bears interest at a variable rate based upon the banker's acceptance rate or prime rate plus an interest spread which was 2.50% at September 30, 2013. The $270,000 2009-2 Notes, which would have matured on April 30, 2014, were redeemed on March 6, 2013, following the issuance of the 2013 Notes and the drawdown of the Term Loan. In connection with the debt refinancing, a make-whole payment of $1,920 was paid in respect of the early redemption of the 2010 Notes in 2012 and a make-whole payment of $13,754 was paid in respect of the early redemption of the 2009-2 Notes in 2013. The Stratacon Debt of $4,871, as at September 30, 2013, was originally 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%. Principal and interest 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, 2013, no amounts were drawn on the Revolver. The Revolver bears a standby fee of 0.24%, which has not been included in the above schedule, until maturity in July 2014.

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

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, 2013, there were 58,288,371 Shares (57,959,685 at September 30, 2012) 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.

From October 1, 2013 to November 11, 2013, approximately $418 principal amount of additional Convertible Debentures were converted to 64,506 Shares. The Convertible Debentures principal balance outstanding of $4,548 at November 11, 2013 may be converted to approximately 701,852 additional Shares.

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 2 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 - EBITDA and Adjusted EBITDA"* in this MD&A.

Adjusted EBITDA

In 2013, Adjusted EBITDA has been amended to include other income and expense. Prior year amounts have been adjusted to conform to the current presentation.

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

Billable

Sub-metering Billable units represent assets or services in the case of multiple products, 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 or service 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, 2013, EnerCare was in compliance with all covenants under the 2012 Notes, 2013 Notes, Revolver and Term Loan. A summary of the current covenants as described in the AIF is discussed below.

Revolver and Term Loan

Under the Revolver and Term Loan agreements, 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, 2013. No amounts were drawn under the Revolver at September 30, 2013.

2012 Notes and 2013 Notes – Incurrence Test

The covenants under the 2012 Notes and 2013 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, 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 third party conversion, primarily in respect of completeness of billing, customer collections and allocation of customer payments. During the fourth quarter of 2012 and through 2013, a number of billing issues were resolved with the third party billing system.

Over the past 21 months, DE and EnerCare have reached settlements in respect of billing and collection matters and installation costs. During the second quarter of 2013, EnerCare and DE reached a settlement of $1,678 on account of billing and collection in respect of water heater buyouts. In the third quarter of 2013, EnerCare has accrued $2,000 on account of water heater installation costs, billing and collection deficiencies and third-party claims. These amounts were recorded as other income. EnerCare has not provided for any additional settlements that may materialize as they are not determinable. 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 other income amounts.

Sub-metering Billing and Customer Care System

During 2012, the Sub-metering business deployed a new utility grade customer care and billing system, which consolidated all the Sub-metering customer care and billing functions onto one platform. As a result of this conversion, the Sub-metering business experienced operational disruptions, particularly in respect of billings and collections. During May and June of 2012, a number of bills required modification resulting in a delay mailing to residents resulting in a backlog of move in and out processing, establishment of new accounts and suspension of collection activities. During the third and fourth quarters 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 accounts required accruals for additional service periods resulting in a total revenue accrual at December 31, 2012 of approximately $12,500. At September 30, 2013, EnerCare recorded a revenue accrual of approximately $14,990, reflecting increases in billable units and pass through commodity charges during the quarter.

As a result of the billing backlog, EnerCare modified some of its collection programs in the latter half of 2012, and implemented collection procedures in 2013. Based on management's best estimate, the bad debt provision was increased by approximately $700 during the third quarter of 2013 and $1,200 year to date.

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, 2013. There have been no changes to our ICFR during the quarter ended September 30, 2013 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, 2012. 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 except for the adoption of new accounting standards as described below:

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 implemented the standard and has determined that it did not have an impact on current reporting.

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. EnerCare implemented the standard and has determined that it did not have an impact on current reporting.

OUTLOOK

The forward-looking statements contained in this section are not historical facts but, rather, reflect EnerCare’s current expectations regarding future results or events and are based on information currently available to management. Certain material factors and assumptions were applied in providing these forward-looking statements. See “*Forward-looking Information*” in this MD&A.

EnerCare continued to experience improved customer retention during the third quarter of 2013. Overall, we are encouraged by the positive trend we have seen in 2013 with a 34% reduction in Attrition and the decreasing trend over the last five quarters. As discussed in the Recent Developments section of this MD&A, Bill 55 passed second reading and is currently being considered by the Standing Committee. We strongly support the introduction of Bill 55 that will help protect consumers from aggressive and questionable D2D sales activities. If passed, we believe that the proposed legislation is very much a positive development for consumers, our customers and our business and will greatly assist in our efforts to combat Attrition. Going forward we continue to believe that the factors that have led to the decline in Attrition over the last three years, including improving consumer awareness, and if passed, Bill 55 will create a more favourable environment for further improvement in customer retention. We will continue to explore new initiatives and modifications of existing programs, as well as enhanced customer product offerings and service programs.

As announced in the first quarter of 2013, our key priorities and initiatives in the business are to continue to improve Attrition by continuing to invest in the education and protection of consumers relating to D2D solicitation, enhancing our customer value proposition, supporting Bill 55 and growing the business through portfolio additions and new products by accelerating originations in respect of HVAC.

In respect of Sub-metering, our priorities and initiatives are to grow the business to be cash flow positive by year end by improving productivity and operating efficiencies, such as through our LEAN initiative and currently under development e-billing initiative, increasing the number of Billable units and augmenting our electricity and water sub-metering offerings to provide a “whole building” solution, such as with thermal metering.

We are making progress on all of our annual objectives. In particular, we are pleased with the results from our Rentals business and are concentrating efforts on enhancing collection activities and increasing our Billable units in respect of Sub-metering.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of EnerCare dated March 22, 2013.
Attrition	Termination of customer relationships, including buyouts.
Bill 55	Stronger Protection for Ontario Consumers Act, 2013
Billable	EnerCare services that are 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).
Co-Ownership Agreement	Co-ownership agreement dated December 17, 2002 between DE, Rentco, 4104285 Canada Limited and CIBC Mellon Trust company as custodian, as assigned by Rentco to ESLP on December 17, 2002, as amended on February 6, 2003, January 1, 2005, December 29, 2006, February 8, 2007 and April 25, 2007, and as may be further amended, modified, supplemented, restated or replaced from time to time.
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.
Enbridge	Enbridge Gas Distribution Inc.
EnerCare	EnerCare Inc., formerly the Fund.
EnerCare Solutions	EnerCare Solutions Inc., formerly the Trust.
ESLP	EnerCare Solutions Limited Partnership (formerly the Waterheater Operating Limited Partnership).
Fund	The Consumers’ Waterheater Income Fund.
GTA	The greater Toronto area.
GreenSource	GreenSource Capital Inc., formerly owned by DE.
HVAC	Heating, ventilation and air conditioning.
Incurrence Test	2009 Notes and 2012 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.
LEAN	Lean is a set of "tools" and an operational discipline that assist in the identification and steady elimination of process waste - as waste is eliminated quality improves while cycle time and cost is reduced.
LTM	The last twelve months.
MD&A	Management’s Discussion and Analysis.
OCI	Other Comprehensive Income.
Rentals	Business division that rents water heaters and other equipment.
Rentco	4483588 Canada Inc. (formerly, Direct Waterheater Rentals Inc.).
Revolver	$35,000 line of credit, with a maturity date of July 6, 2014, as amended and restated as of July 6, 2011, and further amended on November 15, 2012 and February 26, 2013.
Senior Unsecured Indenture	The trust indenture dated as of January 29, 2010 between the Trust, as issuer, its subsidiaries, as guarantors, and Computershare Company of Canada, as indenture trustee, as supplemented by the first supplemental indenture dated as of January 29, 2010, the second supplemental indenture dated as of February 19, 2010, the third supplemental indenture dated as of December 1, 2010, the fourth supplemental indenture dated as of January 1, 2011, the fifth supplemental indenture dated as of September 30, 2012, the sixth supplemental indenture dated as of November 21, 2012 and the seventh supplemental indentured dated as of February 1, 2013, as the same may be amended, modified, supplemented, restated or replaced from time to time. The Trust was wound-up and dissolved in connection with the reorganization of the Fund`s income trust structure to a corporate structure and all of the covenants and obligations of the Trust with respect to the Senior Unsecured Indenture were assumed by EnerCare Solutions.
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.
Term Loan	$60,000 single draw, variable rate, interest only, open loan with a maturity date of January 28, 2016.
Trust	The Consumers’ Waterheater Operating Trust.
Units	Trust Units of the Fund.
2009 Notes	Collectively, the 2009-1 Notes and 2009-2 Notes.
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 were redeemed on March 6, 2013.
2010 Notes	$240,000 of 5.25% Series 2010-1 Senior Unsecured Notes of EnerCare Solutions, which were redeemed on December 21, 2012.
2012 Notes	$250,000 of 4.30% Series 2012-1 Senior Unsecured Notes of EnerCare Solutions, which mature on November 30, 2017.
2013 Notes	$225,000 of 4.60% Series 2013-1 Senior Unsecured Notes of EnerCare Solutions, which mature on February 3, 2020.