EnerCare Inc.

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

First Quarter ended March 31, 2014

Dated May 9, 2014

Table of Contents

Forward-looking Information.....3
Overview.....3
Portfolio Summary.....3
First Quarter 2014 Highlights.....8
Recent Developments.....8
Risk Factors.....9
Results of Operations.....10
Distributable Cash and Payout Ratios.....12
Liquidity and Capital Resources.....14
Summary of Quarterly Results.....16
Summary of Contractual Debt and Lease Obligations.....17
EnerCare Shares Issued and Outstanding.....17
Non-IFRS Financial and Performance Measures.....18
Critical Accounting Estimates.....20
Disclosure and Internal Controls and Procedures.....21
Changes in Accounting Policies.....21
Outlook.....22
Glossary of Terms.....23

The condensed interim consolidated financial statements of EnerCare are prepared in accordance with IFRS. EnerCare's basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the condensed interim consolidated financial statements for the period ended March 31, 2014. 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 May 9, 2014, contains certain forward-looking statements that involve various risks and uncertainties and should be read in conjunction with EnerCare's 2013 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.

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 1.1 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 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, multi-unit owners and tenants to make a substantial contribution to Canada's growing culture of energy conservation.

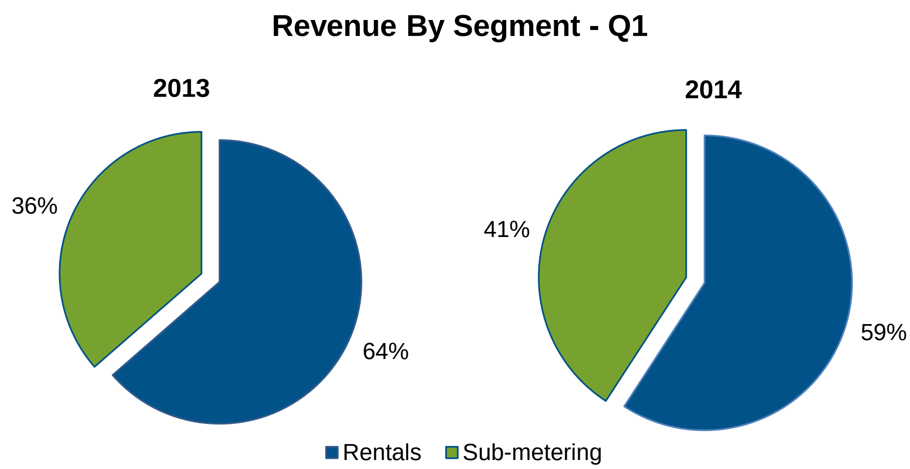
EnerCare has grown revenues every year since its inception in 2002, generated stable cash flow and consistently maintained a high dividend yield. EnerCare has investment grade ratings of BBB+/stable and BBB(high) stable rating from S&P and DBRS, respectively.

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 59% of the overall revenue of EnerCare during the first quarter of 2014.

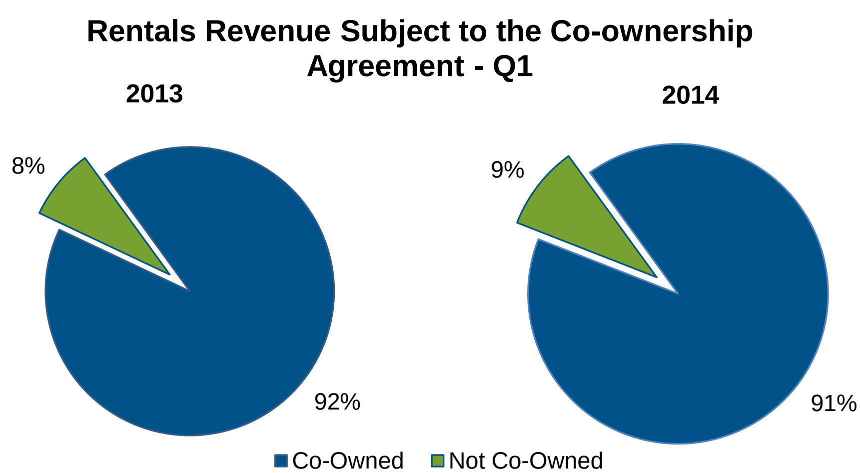
The increase in Sub-metering revenue, as shown below, is a result of an increase in billing units, commodity charges and penetration levels in our retro-fit buildings and new construction developments that were activated during the first quarter of 2014. See additional commentary under *"Results of Operations - 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 six acquisitions and origination arrangements with various parties, EnerCare has successfully expanded its Rentals business. EnerCare has 9% of its Rentals revenue coming from portfolios which are not subject to the Co-ownership Agreement.

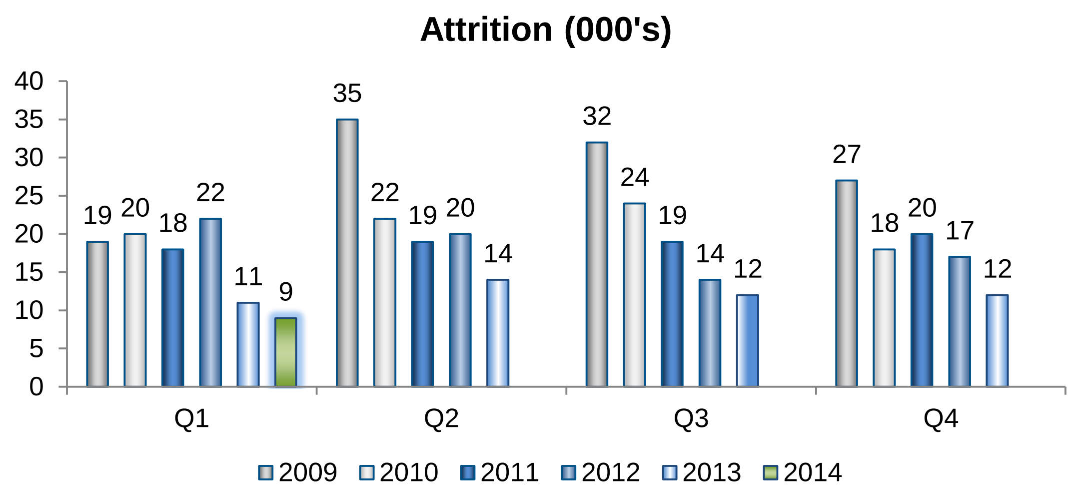


For the portfolios under the Co-ownership Agreement, EnerCare is entitled to 65% of the revenue and other payments and DE is entitled to 35% of the revenue. For DE's portion of the revenue, it is responsible for servicing and maintaining the assets. This ensures that EnerCare is effectively insulated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

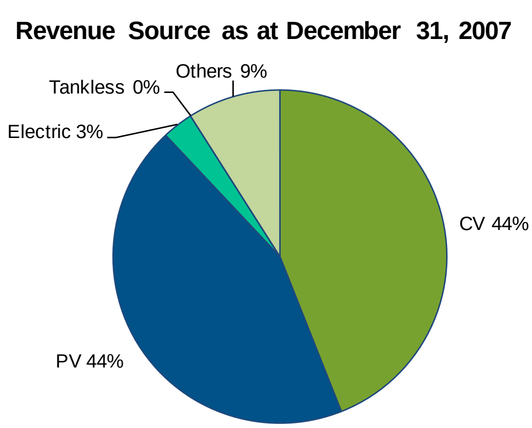
EnerCare monitors the business by reviewing new additions or customers to the portfolio, reductions or Attrition of existing customers and existing customers exchanging their rental product.

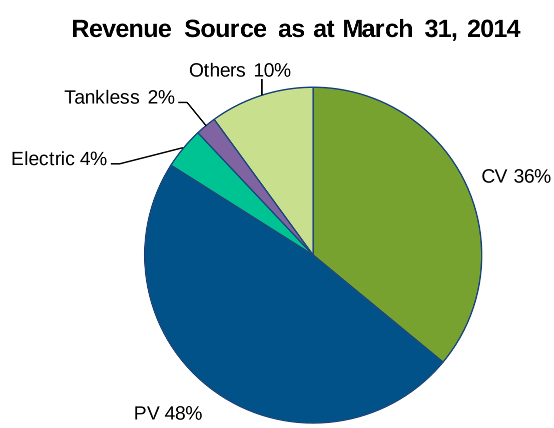
Over the last several years, EnerCare has experienced higher than normal Attrition on the water heater rental portfolios. This was largely a result of greater competition through aggressive D2D campaigns. EnerCare and DE have implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with broader consumer awareness 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 years.

Attrition decreased in the first quarter of 2014 by 2,000 units or 18% over the same period in 2013. Attrition has improved year-over-year since 2009 (see table below) with Attrition in 2014 being the lowest in the past six years.

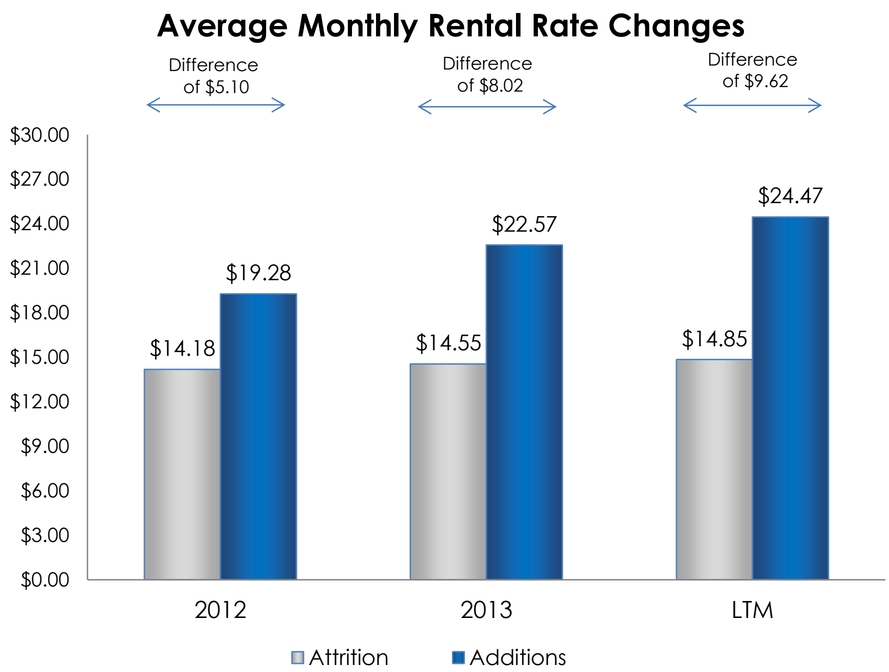


Partially offsetting Attrition is the movement in asset mix to units with higher returns. One of EnerCare's growth platforms has been to focus on single family and multi-residential HVAC rental units. Although results are small on the unit continuity, HVAC units provide three to five times more rental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

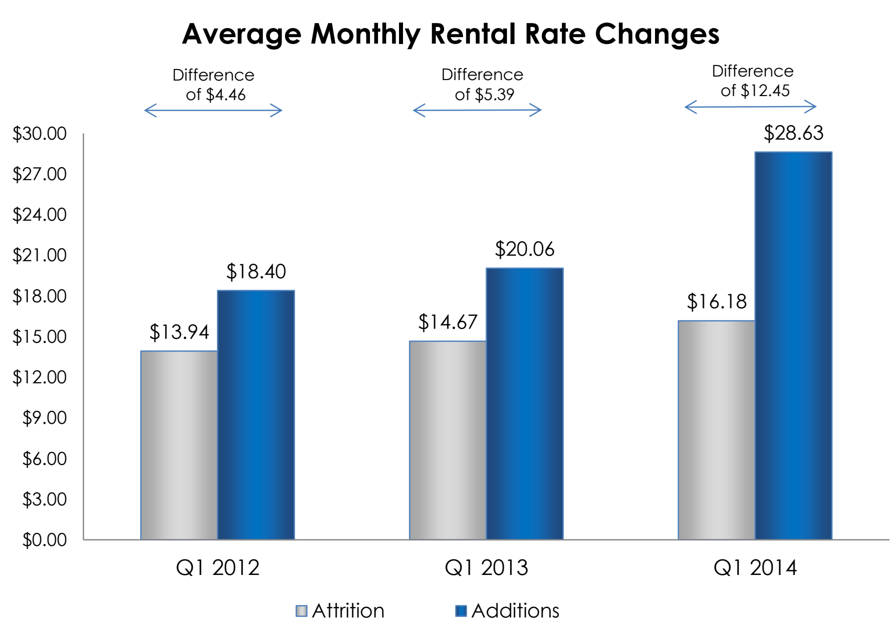




The impact of changes in product mix over time is outlined further in the graph below which shows revenue for the last twelve months to March 31, 2014 from unit additions contributing approximately $9.62 per unit more than revenue from units lost on account of Attrition. New customers are worth approximately 1.6 times that of a lost customer.



This difference in rental rates applicable to new and lost customers has increased steadily over the past three years, with the first quarter of 2014 revenue spread widening to $12.45, an increase of $7.06 over the same period in 2013.

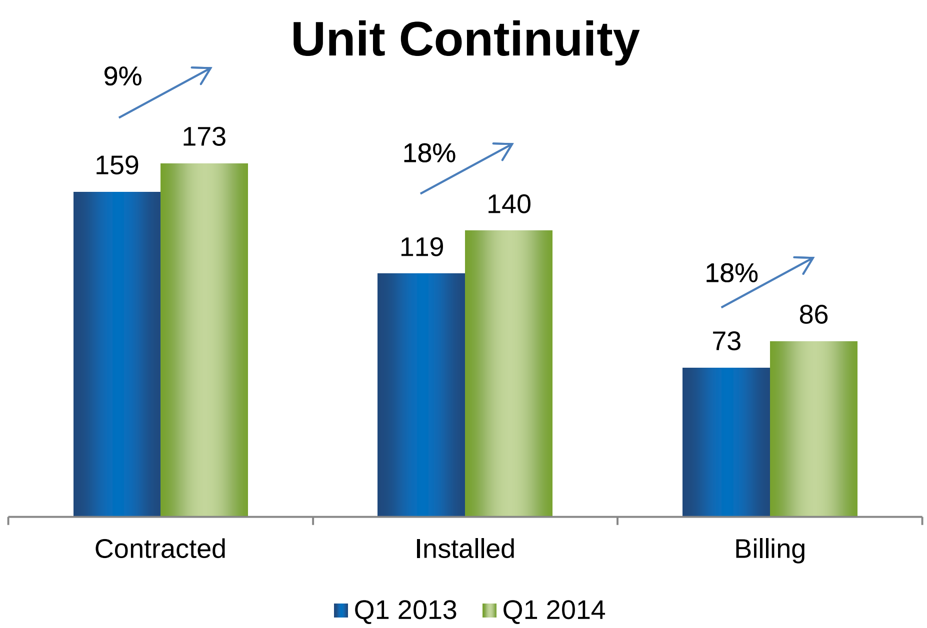


Sub-metering Business

EnerCare entered the multi-residential Sub-metering business through two acquisitions made in the last six 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.

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 173,000 contracted units. Of those contracted units, 140,000 have meters installed and 86,000 units are billing. We expect to experience continued revenue growth as these contracted units are turned into installed units and subsequently Billable units.



FIRST QUARTER 2014 HIGHLIGHTS

	Three months ended March 31,	
(000's)	**2014**	2013
Rentals	**$48,636**	$47,082
Sub-metering	**33,552**	26,960
Investment income	**37**	268
Total revenues	**$82,225**	$74,310
EBITDA[1]	**39,605**	38,537
Adjusted EBITDA[1]	**43,017**	41,429
Earnings/(loss) before income taxes	**9,572**	(12,524)
Current tax (expense)	**(6,079)**	(5,588)
Deferred income tax recovery	**3,521**	7,724
Net earnings/(loss)	**$ 7,014**	$(10,388)
Payout Ratio[2]	**72%**	69%
Payout Ratio – Maintenance[2]	**46%**	48%

The following highlights compare results for the first quarter of 2014 with the first quarter of 2013.

- Total revenues of $82,225 increased by $7,915 or 11% in the first quarter of 2014. Revenues in the Rentals business were $48,636, greater than the prior year by $1,554, primarily as a result of rental rate increases, improved billing completeness and asset mix changes, partially offset by fewer installed assets. Sub-metering revenues increased to $33,552 from $26,960, primarily as a result of an increase in Billable units and flow through commodity charges.
- EBITDA increased by $1,068 to $39,605 in the first quarter of 2014, driven principally by improved total revenues, partially offset by higher commodity charges and SG&A costs. Adjusted EBITDA of $43,017 increased by $1,588 after removing from EBITDA the impact of the loss on disposal of equipment and including other income.
- Net earnings of $7,014 in the first quarter of 2014 increased by $17,402 or 168% compared to the same period in 2013, reflecting increased EBITDA and other income and reductions in amortization, interest expense and the non-recurring make-whole payment of $13,754 incurred in 2013, partially offset by higher total tax payable.
- Attrition in the Rentals portfolio decreased by 18% or 2,000 units for the first quarter of 2014. Attrition has improved year-over-year since 2009.
- The Payout Ratio increased to 72% in the first quarter of 2014 from 69% in the same period in 2013, primarily as a result of higher Operating Cash Flows net of the impact of the early redemption of the 2009-2 Notes in 2013, partially offset by higher capital expenditures and lower tax recoveries.
- The Payout Ratio - Maintenance, which includes only capital expenditures in respect of exchanged assets, was 46% in the first quarter of 2014 versus 48% in 2013. See additional commentary under "*Distributable Cash and Payout Ratios*".
- Sales activities were strong during the quarter with 7,000 contracted Sub-metering units and a three-fold increase, over the first quarter of 2013, in HVAC units in the Rentals business.

RECENT DEVELOPMENTS

Dividend Increase

On March 6, 2014, EnerCare increased its monthly dividend to shareholders of record on March 31, 2014 to $0.0604, representing an increase of 4%.

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

Acquisition of Water Heaters from Energy Services Niagara Inc.

In February 2014, EnerCare, through a subsidiary of EnerCare Solutions, acquired the rental portfolio of ESN, comprised of approximately 2,468 electric and gas-fired water heaters for cash consideration of $3,035 plus inventory of $38. In connection with the acquisition, ESN and EnerCare entered into a transitional agreement, as well as an assignment, assumption and consent agreement with Enbridge in respect of the ESN OBA. At the time of acquisition, approximately 97% of ESN's customers were billed through the OBA. The rental revenue from the ESN water heaters are not subject to the Co-ownership Agreement.

EnerCare Annual and Special Meeting of Shareholders

At EnerCare's Annual and Special Meeting of Shareholders held on May 1, 2014, shareholders reconfirmed EnerCare's rights plan, approved EnerCare's option plan and re-elected all of management's director nominees.

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

Stronger Protection for Ontario Consumers Act, 2013

On November 27, 2013, the *Stronger Protection for Ontario Consumers Act, 2013* ("Bill 55") passed third reading in the Ontario Legislature. Bill 55 is a direct response by the Ontario Government to aggressive and deceptive door-to-door water heater rental sales, which ranked second on the Ontario Ministry of Consumer Services' consumer complaints list in both 2012 and 2011.

On March 7, 2014, the Ministry of Consumer Services (the "Ministry") issued proposals for regulations to implement Bill 55 and invited pubic consultation on the proposals. EnerCare submitted its comments on the proposals to the Ministry on April 22, 2014.

EnerCare believes that Bill 55 is a strong enhancement in consumer protection that will provide necessary protection for its customers and greatly assist with EnerCare's continued efforts to combat attrition in its water heater business.

Direct Energy Collective Bargaining Agreement

On April 23, 2014, DE reached a tentative three-year Collective Agreement with Unifor Local 975, which was subsequently ratified by the union.

RISK FACTORS

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

RESULTS OF OPERATIONS

Earnings Statement

	Three months ended March 31,	
(000's)	**2014**	2013
Revenues:		
Rentals	**$48,636**	$47,082
Sub-metering	**33,552**	26,960
Investment income	**37**	268
Total revenues	**$82,225**	$74,310
Commodity charges	**28,359**	22,151
SG&A expenses:		
Rentals	**3,450**	3,817
Sub-metering	**3,731**	3,284
Corporate	**4,039**	3,361
Total SG&A expenses	**11,220**	10,462
Amortization expense	**24,506**	24,356
Loss on disposal of equipment	**3,004**	2,892
Interest expense:		
Interest expense payable in cash	**5,808**	8,294
Make-whole payment on early redemption of debt	**-**	13,754
Non-cash interest expense	**164**	4,925
Total interest expense	**5,972**	26,973
Total expenses	**73,061**	86,834
Other income	**408**	-
Earnings/(loss) before income taxes	**9,572**	(12,524)
Current tax (expense)	**(6,079)**	(5,588)
Deferred income tax recovery	**3,521**	7,724
Net earnings/(loss)	**$ 7,014**	$(10,388)
EBITDA	**$39,605**	$38,537
Adjusted EBITDA	**$43,017**	$41,429

Revenues

Total revenues of $82,225 for the first quarter of 2014 increased by $7,915 or 11% compared to the same period in 2013. Rentals revenues increased by $1,554 to $48,636 in the first quarter of 2014 compared to the same period in 2013, primarily due to a rental rate increase implemented in January 2014, improved billing completeness and changes in asset mix, partially offset by fewer installed assets. Sub-metering revenues in the first quarter of 2014 were $33,552, an increase of $6,592 or 24% over the comparable period in 2013, primarily as a result of increased Billable units and the associated commodity charges. Sub-metering revenue includes total pass through energy charges of $28,359 in the first quarter of 2014, an increase of $6,208 over the same period in 2013.

Investment income decreased by $231 to $37 in the first quarter of 2014. The change in investment income was primarily attributable to higher investment balances in the first quarter of 2013 related to the issuance of the 2013 Notes approximately 30 days prior to the redemption of the 2009-2 Notes.

Selling, General & Administrative Expenses

Total SG&A expenses were $11,220 in the first quarter of 2014, an increase of $758 or 7% compared to the same period in 2013. Sub-metering SG&A expenses were $3,731 or $447 greater in the first quarter of 2014 compared to the same period in 2013, primarily as a result of increased wages and benefits of $500 and professional fees of $100, partially offset by reductions in selling expenses and bad debts of $100. Rentals and corporate expenses of $7,489 increased by $311 over 2013, primarily from increases of approximately $500 in wages and benefits, $200 in professional fees, $100 on account of billing and servicing costs and $100 in bad debts and claims, partially offset by reductions of $600 in selling expenses.

Amortization Expense

Amortization expense increased by $150 or 1% to $24,506 in the first quarter of 2014, primarily due to an increasing capital asset base from asset mix changes in the Rentals portfolio and 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 $3,004 in the first quarter of 2014, an increase of $112 or 4% over the same period in 2013. 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.

Interest Expense

	Three months ended March 31,	
(000's)	**2014**	2013
Interest expense payable in cash	**$5,808**	$ 8,294
Make-whole payment on early redemption of debt	**-**	13,754
Non-cash items: Amortization of OCI and financing costs	**164**	4,925
Interest expense	**$5,972**	$26,973

Interest expense payable in cash decreased by $2,486 to $5,808 in the first quarter of 2014 compared to the same period in 2013. The decrease is primarily related to the conversion of Convertible Debentures to Shares and reduction in interest rates with the early redemption in 2013 of the 2009-2 Notes associated with the issuance of the 2013 Notes. The make-whole payment of $13,754 was incurred upon the early redemption of the 2009-2 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 2013.

Other Income

During the first quarter of 2014, EnerCare realized a settlement of $408 from DE on account of the reclassification of certain water heaters under the Co-ownership Agreement to EnerCare's owned portfolio, originally associated with the Toronto Hydro Energy Services Inc. portfolio acquisition.

Income Taxes

EnerCare reported a current tax expense of $6,079 in the first quarter of 2014, an increase of $491 over the same period in 2013, primarily as a result of higher taxable income. The deferred income tax recovery of $3,521 for the first quarter of 2014 was $4,203 lower than the deferred tax recoveries of $7,724 recorded in 2013, primarily as a result of temporary difference reversals in the Rentals and Sub-metering businesses, including the impact of the 2013 make-whole payment.

Net Earnings

Net earnings in the first quarter of 2014 were $7,014, or $17,402 higher than in the same period in 2013 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)	**Q1/14**	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12
Net earnings/(loss)	**$ 7,014**	$ 4,793	$ 6,931	$ 7,482	$(10,388)	$(2,096)	$ 2,154	$ (3,064)
Deferred tax (recovery)/expense	**(3,521)**	(3,552)	(3,134)	(3,640)	(7,724)	(4,155)	(2,668)	1,766
Current tax expense	**6,079**	6,148	5,525	4,591	5,588	5,217	3,902	2,118
Amortization expense	**24,506**	25,792	25,228	24,344	24,356	25,175	25,407	25,166
Interest expense	**5,972**	6,002	6,022	5,976	26,973	11,937	9,035	9,457
Other (income)/expense	**(408)**	(769)	(2,000)	(1,678)	-	362	(855)	-
Investment (income)	**(37)**	(35)	(21)	(49)	(268)	(180)	(16)	(76)
EBITDA	**39,605**	38,379	38,551	37,026	38,537	36,260	36,959	35,367
Add: Loss on disposal of equipment	**3,004**	2,666	2,633	3,449	2,892	3,523	3,397	4,113
Add: Other income/(expense)	**408**	769	2,000	1,678	-	(362)	855	-
Adjusted EBITDA(1)	**$43,017**	$41,814	$43,184	$42,153	$41,429	$39,421	$41,211	$39,480

(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 by 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. 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 was taken back into income to reflect reductions in the amounts payable. The fourth quarter of 2012 also included a bill reversal from Enbridge following the billing conversion.

DISTRIBUTABLE CASH AND PAYOUT RATIOS

EnerCare amended its payout ratio calculation for the year ended December 31, 2013. As a transition to the new calculation, EnerCare has chosen to show both the historical calculation, Payout Ratio and our new calculation, Payout Ratio - Maintenance. Historically, EnerCare included both the Rentals capital associated with maintaining the current customer base (exchanges) as well as the capital associated with acquiring new customers. With the significant improvement in Attrition over the last five years, combined with the success transitioning Rentals customers into higher revenue generating rental revenue products, EnerCare has started to grow revenue beyond annual rate increases. As a result, EnerCare changed the calculation to remove the capital required to acquire new Rentals customers. EnerCare believes that the new calculation better reflects the on-going cash requirements to maintain the revenue from the current Rentals customer base.

Historical Payout Ratio (000's)	Three months ended March 31, **2014**	2013
Cash provided by operating activities	**$20,443**	$ 9,091
Net change in non-cash working capital	**10,737**	5,026
Operating Cash Flow[3]	**31,180**	14,117
Capital expenditures: (excluding growth capital and acquisitions)		
Rentals additions	**(9,033)**	(6,684)
Rentals exchanges	**(8,679)**	(8,192)
Subtotal	**(17,712)**	(14,876)
Total proceeds on disposal of equipment	**1,170**	917
Net capital expenditures	**(16,542)**	(13,959)
Other income	**(408)**	-
Early redemption of 2009-2 Notes net of tax	**-**	14,131
Total reductions	**(16,950)**	172
Distributable Cash	**14,230**	14,289
Dividends declared	**(10,312)**	(9,813)
Net cash retained	**$ 3,918**	$ 4,476
Payout Ratio	**72%**	69%

The Payout Ratio, after capital expenditures (excluding growth capital for Sub-metering and acquisitions), increased to 72% for the first quarter of 2014 compared to 69% for the same period in 2013, primarily due to increased capital expenditures, current taxes and dividend payments.

The early redemption of the 2009-2 Notes net of tax of $14,131 in 2013 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. 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 balance of 2013.

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

Payout Ratio - Maintenance Presentation

Payout Ratio - Maintenance (000's)	Three months ended March 31, **2014**	2013
Cash provided by operating activities	**$20,443**	$ 9,091
Net change in non-cash working capital	**10,737**	5,026
Operating Cash Flow	**31,180**	14,117
Capital expenditures: (excluding growth capital, additions and acquisitions)		
Rentals exchanges	**(8,679)**	(8,192)
Proceeds on disposal of equipment – warranty recoveries	**456**	411
Net capital expenditures	**(8,223)**	(7,781)
Other income (net of Stratacon contingent consideration)	**(408)**	-
Early redemption of 2009-2 Notes net of tax	**-**	14,131
Total reductions	**(8,631)**	6,350
Distributable Cash - Maintenance	**22,549**	20,467
Dividends declared	**(10,312)**	(9,813)
Net cash retained	**$12,237**	$10,654
Payout Ratio - Maintenance	**46%**	48%

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

The Payout Ratio - Maintenance, which is calculated based upon capital expenditures associated with the exchange of assets for existing customers and excludes capital expenditures associated with obtaining new customers, was 46% in the first quarter of 2014, slightly lower than the 48% equivalent in the same period in 2013.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended March 31,	
(000's)	**2014**	2013
Cash flow from operating activities	**$20,443**	$ 9,091
Net change in non-cash working capital	**10,737**	5,026
Operating Cash Flow	**31,180**	14,117
Capital expenditures – excluding growth capital and acquisitions	**(17,712)**	(14,876)
Proceeds on disposal of equipment	**1,170**	917
Net capital expenditures	**(16,542)**	(13,959)
Acquisitions	**(3,035)**	-
Growth capital	**(2,315)**	(4,216)
Cash used in investing activities	**(21,892)**	(18,175)
Dividends paid	**(10,169)**	(9,751)
Other financing activities	**(297)**	15,174
Cash provided by/(used in) financing activities	**(10,466)**	5,423
Cash and equivalents – end of period	**$14,025**	$ 8,965

Operating Cash Flow of $31,180 increased by $17,063 in the first quarter of 2014 compared to the same period in 2013, primarily as a result of improved revenues and other income, partially offset by increased current taxes, changes in non-cash working capital and interest expense, inclusive of the make-whole payment of $13,754 associated with the redemption of the 2009-2 Notes.

Net capital expenditures of $16,542 in the first quarter of 2014 were $2,583 greater than the same period in 2013, due to changes in asset mix, including increased HVAC rentals. The acquisition of $3,035 in 2014 represents the purchase of the ESN rental portfolio. Growth capital investments were $2,315 for the first quarter of 2014, a decrease of $1,901 when compared to the same period in 2013. Growth capital expenditures were lower in the first quarter of 2014, primarily as a result of the timing and costs of projects under completion and higher costs in 2013 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.

Other financing activities for the first quarter of 2014 primarily reflect the scheduled repayment of the Stratacon Debt during the period. The 2013 amounts for the same period 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, which was not drawn as at March 31, 2014. 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*" in this MD&A.

Management believes that EnerCare has sufficient cash flow, cash on hand and credit available to meet its 2014 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)			**2014**			2013
Segment	**Rentals**	**Sub-metering**	**Total**	Rentals	Sub-metering	Total
Units - start of period	**1,145**	**136**	**1,281**	1,171	115	1,286
Portfolio additions	**5**	**4**	**9**	5	4	9
Acquisitions	**2**	**-**	**2**	-	-	-
Attrition	**(9)**	**-**	**(9)**	(11)	-	(11)
Units - end of period	**1,143**	**140**	**1,283**	1,165	119	1,284
Asset exchanges – units retired and replaced	**13**	**-**	**13**	13	-	13
% change in units during the period			**0.2%**			(0.2%)
% of units from start of period:						
Portfolio additions (net of acquisitions)			**0.7%**			0.7%
Attrition			**(0.7%)**			(0.9%)
Units retired and replaced			**1.0%**			1.0%
Billable units	**1,143**	**86**	**1,229**	1,165	73	1,238
Contracted units		**173**	**-**		159	-

Net capital expenditures in the Rentals business include portfolio additions and asset exchanges, net of proceeds on disposal. In the first quarter of 2014, net capital expenditures in the Rentals business were $16,542, increasing by 19% or $2,583 when compared to the same period in 2013, primarily as a result of increased HVAC rentals.

Installations in the Sub-metering business were approximately 4,000 units for the first quarter of 2014 and 2013. Capital expenditures in the first quarter of 2014 were $2,289, approximately $1,505 lower than in the same period in 2013 on account of the timing and costs of projects under completion.

Attrition decreased in the first quarter of 2014 by 2,000 units or 18% compared to the same period in 2013. EnerCare and DE have implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with broader consumer awareness 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 years.

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 86,000 increased by 13,000 units in the first quarter of 2014 compared to the same period in 2013, primarily due to additional installations and increased penetration in the rental apartment market.

Sub-metering sales activity was approximately 7,000 for the first quarter of 2014, reflecting a 4,000 or 57% improvement in sales compared to the same period in 2013.

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 first quarter of 2014, EnerCare recorded financing repayments, net of dividends, of $297**,** related to the scheduled repayment of the Stratacon Debt.

Capitalization	Three months ended March 31,	
(000's)	**2014**	2013
Cash and cash equivalents	**$ 14,025**	$ 8,965
Net investment in working capital	**1,172**	4,468
Cash, net of working capital	**15,197**	13,433
Total debt	**539,916**	545,030
Shareholder's equity	**68,282**	80,036
Total capitalization – book value	**$608,198**	$625,066

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 March 31, 2014, 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 March 31, 2014. No amounts were drawn under the Revolver at March 31, 2014.

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 March 31, 2014, EnerCare Solutions exceeded this minimum and had the capacity under the covenant to raise approximately $300,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000's)	**Q1/14**	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12
Total revenues	**$82,225**	$75,675	$77,560	$71,604	$74,310	$68,324	$72,048	$67,339
Net earnings/(loss)	**7,014**	4,793	6,931	7,482	(10,388)	(2,096)	2,154	(3,064)
Dividends declared	**10,312**	10,161	10,020	9,945	9,813	9,747	9,728	9,706
Average Shares outstanding	**58,449**	58,356	58,222	58,137	58,040	57,995	57,860	57,526
Per Share								
Basic/diluted net earnings/(loss)	**$0.12**	$0.08	$0.12	$0.13	($0.18)	($0.04)	$ 0.04	($0.05)
Dividends declared	**$0.176**	$0.174	$0.172	$0.171	$0.169	$0.168	$0.168	$0.168

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 first quarters of 2012, 2013 and 2014 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 March 31, 2014:

Period (000's)	Principal Payments	Interest Payments	Leases
Due in 2014	$ 917	$ 17,508	$ 198
Due in 2015	1,258	23,043	379
Due in 2016	60,992	21,573	397
Due in 2017	254,413	21,269	70
Due in 2018	126	10,360	-
Thereafter	225,080	15,536	-
Total	$542,786	$109,289	$1,044

As at March 31, 2014, long-term senior contractual obligations of EnerCare included debt service on the 2012 Notes 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 2.48% at March 31, 2014. 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 $3,988, as at March 31, 2014, 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 March 31, 2014, 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 March 31, 2014, there were 58,468,611 Shares (58,096,401 at March 31, 2013) 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 April 1, 2014 to May 7, 2014, approximately $64 principal amount of additional Convertible Debentures were converted to 9,876 Shares. The Convertible Debentures principal balance outstanding of $3,734 at May 7, 2014 may be converted to approximately 576,234 additional Shares.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The condensed interim consolidated financial statements of EnerCare are prepared in accordance with IFRS. EnerCare's basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the condensed interim consolidated financial statements for the period ended March 31, 2014.

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

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, or where vacancy exceeds six months. The Rentals portfolio is deemed to be fully Billable upon origination and removed from Billable upon asset termination.

Distributable Cash and Distributable Cash - Maintenance

Distributable Cash is one measure of the amount of cash generated during a period that is available to service debt, finance capital expenditures and provide for the payment of dividends to shareholders.

Historically, Distributable Cash comprised net earnings of EnerCare, plus non-cash items and proceeds on disposal of equipment, 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 – Maintenance is the same as the historical Distributable Cash, except that Rentals capital expenditures associated with new customer additions and buyout proceeds on disposal of equipment associated with lost customers are excluded. Growth expenditures under a Distributable Cash - Maintenance definition includes capital expenditures such as Rentals new customer equipment additions, Sub-metering equipment, acquisitions and infrastructure assets.

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, Payout Ratio and Payout Ratio - Maintenance

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 historical Payout Ratio is the percentage of Distributable Cash to dividends declared to shareholders during a period and represents the ability of EnerCare to pay dividends, finance capital expenditures and add to its cash reserves.

Payout Ratio - Maintenance is similar to the Payout Ratio, except that the ratio is calculated as the percentage of Distributable Cash – Maintenance to dividends declared to shareholders during the period and represents the ability of EnerCare to pay dividends, add to its cash reserves and illustrate the proportion of cash required to maintain its existing customer base.

Operating Cash Flow

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

Measures Regarding Debt Covenants

As at March 31, 2014, 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 March 31, 2014. No amounts were drawn under the Revolver at March 31, 2014.

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 Enbridge, provides billing and collection services for substantially all of EnerCare's water heaters and other assets.

Over the past two years, DE and EnerCare have reached settlements in respect of billing and collection matters and installation costs. During the first quarter of 2014, EnerCare realized a settlement of $408 from DE on account of the reclassification of certain water heaters under the Co-ownership Agreement to EnerCare's owned portfolio, originally associated with the Toronto Hydro Energy Services Inc. portfolio acquisition. These amounts were recorded as other income.

While EnerCare continues to work with DE in respect of outstanding billing and collection matters, EnerCare has not provided for any additional settlements that may materialize as they are not determinable.

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 and a backlog of move in and out processing, establishment of new accounts and suspension of collection activities. During the first half of 2013, EnerCare reduced the backlog of non-billing customer accounts in a number of areas such that the total revenue accruals at March 31, 2013 were $13,000. At March 31, 2014, EnerCare recorded a revenue accrual of approximately $12,200, reflecting accrued service periods, increases in billable units and pass through commodity charges.

As a result of the billing backlog, EnerCare modified some of its collection programs in the latter half of 2012 and implemented full collection procedures during the second quarter of 2013. During the fourth quarter of 2013, EnerCare reassessed the accounts receivable provision in light of the completion of the billing backlog and collection results and increased the bad debt expense by $2,046 in the fourth quarter of 2013, resulting in a bad debt expense of $3,246 for 2013. For the first quarter of 2014, the accounts receivable provision increased by approximately $300 compared to an increase of approximately $500 in the first quarter of 2013.

Capital Assets

Capital assets are 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 two and five years.

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

DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES

EnerCare's certifying officers have designed, and assessed the design of, a system of DC&P to provide reasonable assurance that (i) material information relating to EnerCare, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by EnerCare in its annual filings, interim filings and other reports filed or submitted by EnerCare under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. As well, EnerCare's certifying officers have designed, and assessed the design of, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There are no material weaknesses relating to the design of either DC&P or ICFR at March 31, 2014. There have been no changes to our ICFR during the quarter ended March 31, 2014 that has materially affected, or is reasonably likely to materially affect, EnerCare's ICFR.

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, 2013. 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.

Accounting Standards Issued But Not Yet Applied

IFRS 9, Financial Instruments, was issued in November 2009 and further amended in October 2010 and November 2013. 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. IFRS 9 was amended to (i) include guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income (without having to adopt the remainder of IFRS 9); and (iii) remove the previous mandatory effective date of January 1, 2015, although the standard is available for early adoption. EnerCare has not yet assessed the impact of the standard and will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

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 first quarter of 2014. Overall, we are encouraged by the positive trend we have seen over the past seven quarters. EnerCare believes that Bill 55 is a strong enhancement in consumer protection that will provide necessary protection for its customers and greatly assist with EnerCare's continued efforts to combat Attrition. Going forward we continue to believe that the factors that have led to the decline in Attrition over the last five years, including improving consumer awareness, as well as the new Enbridge OBA and 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.

Our key priorities and initiatives for the Rentals business in 2014 are to grow revenue in excess of annual rate increases, increase the number of unit additions, continue to improve Attrition and as a result, increase Adjusted EBITDA.

In respect of Sub-metering, our priorities in 2014 are to grow the business by increasing new contract sales, improving productivity and operation efficiencies and enhancing our customer value proposition through outstanding customer service. We believe initiatives such as our LEAN program, e-billing and "whole building" solution should augment our growth. We are pleased with the improved sales activity experienced in the past two quarters with 7,000 units contracted in this most recent quarter.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of EnerCare dated March 20, 2014.
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").
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).
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).
ESN	Energy Services Niagara Inc.
Fund	The Consumers' Waterheater Income Fund.
GTA	The greater Toronto area.
HVAC	Heating, ventilation and air conditioning.
IASB	The International Accounting Standards Board.
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.
Incurrence Test	2009 Notes and 2012 Notes Incurrence EBITDA to Net Interest Expense.
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.
MD&A	Management's Discussion and Analysis.
OBA	The Enbridge open bill access agreement.
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.