EnerCare Inc.

EnerCare Inc.

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

Second Quarter ended June 30, 2014

Dated August 13, 2014

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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 June 30, 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, Subscription Receipts, 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 August 13, 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, the condensed interim consolidated financial statements for the period ended June 30, 2014. Additional information in respect to the Fund and EnerCare, including the AIF can be found on SEDAR at www.sedar.com.

When used herein, the words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information in this MD&A includes statements that reflect management's expectation regarding EnerCare's growth, results of operations, performance, business prospects and opportunities. Such forward-looking information reflects management's current beliefs and is based on information available to them and/or assumptions management believes are reasonable. Many factors could cause 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.

In respect of the forward-looking statements contained in the sections entitled "*Recent Developments – EnerCare Signs Agreement to Acquire DE's Home and Small Commercial Services Business in Ontario*" and "*Outlook*", please see the "*Cautionary Note Regarding Forward-Looking Statements*" contained therein. Please see the section entitled "*Risk Factors*" in this MD&A for a thorough discussion in respect of the material risks relating to the business and structure of EnerCare.

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.

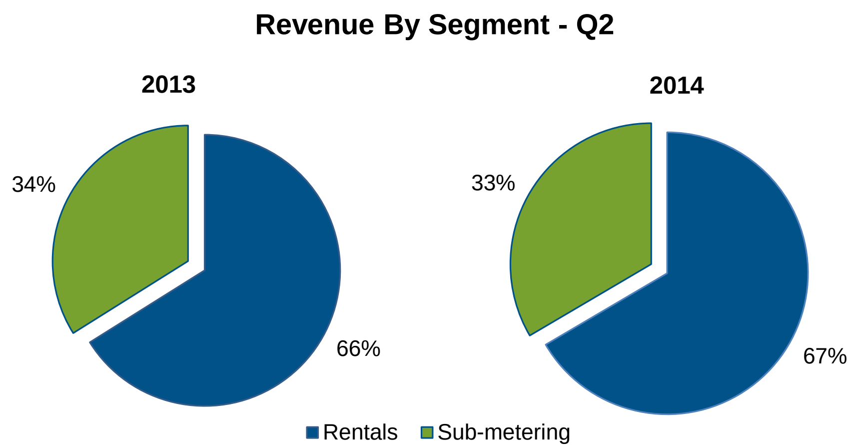
EnerCare has grown revenues every year since its inception in 2002, generated stable cash flow and consistently maintained a high dividend yield. EnerCare has investment grade ratings of BBB+/negative and BBB(high) stable (under review with developing implications) rating from S&P and DBRS, respectively.

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 67% of the overall revenue of EnerCare during the second quarter of 2014.

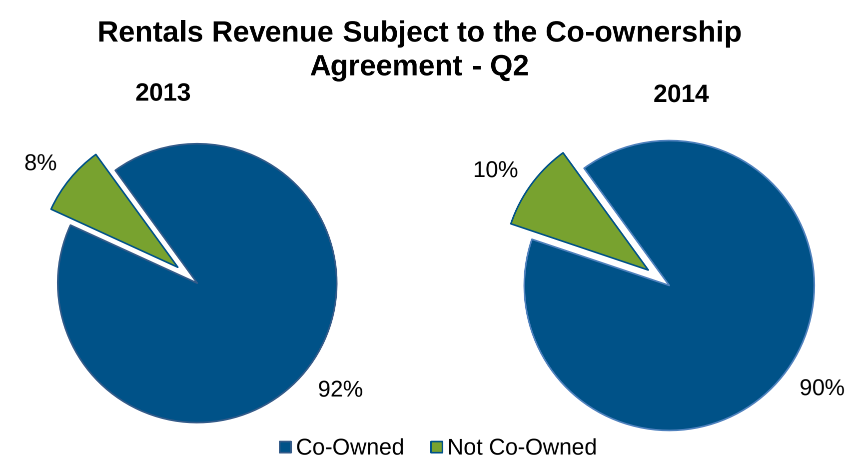
Sub-metering revenue as a percentage of overall revenue, as shown below, declined slightly as increased billing units and penetration levels in our retro-fit buildings and new construction developments were offset by lower flow through commodity expenses in 2014. See additional commentary under *"Results 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 10% of its Rentals revenue coming from portfolios which are not subject to the Co-ownership Agreement.

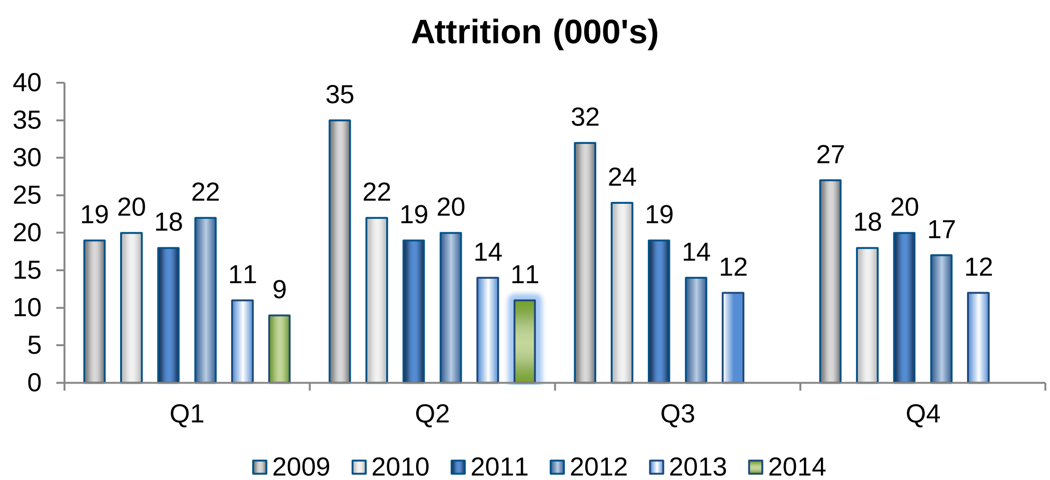


For the portfolios under the Co-ownership Agreement, EnerCare is entitled to 65% of the revenue and other payments and DE is entitled to 35% of the revenue. For DE's portion of the revenue, it is responsible for servicing and maintaining the assets. This ensures that EnerCare is effectively insulated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

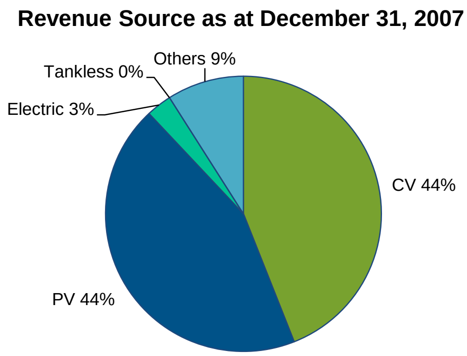
EnerCare monitors the business by reviewing new additions or customers to the portfolio, reductions or Attrition of existing customers and existing customers exchanging their rental product.

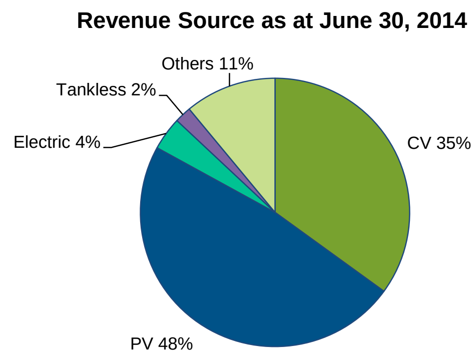
Over the last several years, EnerCare has experienced higher than normal Attrition on the water heater rental portfolios. This was largely a result of greater competition through aggressive D2D campaigns. EnerCare and DE have implemented many programs, including continued consumer education campaigns. 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 second quarter of 2014 by 3,000 units or 21% and by 5,000 units or 20% year to date, over the same periods 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.

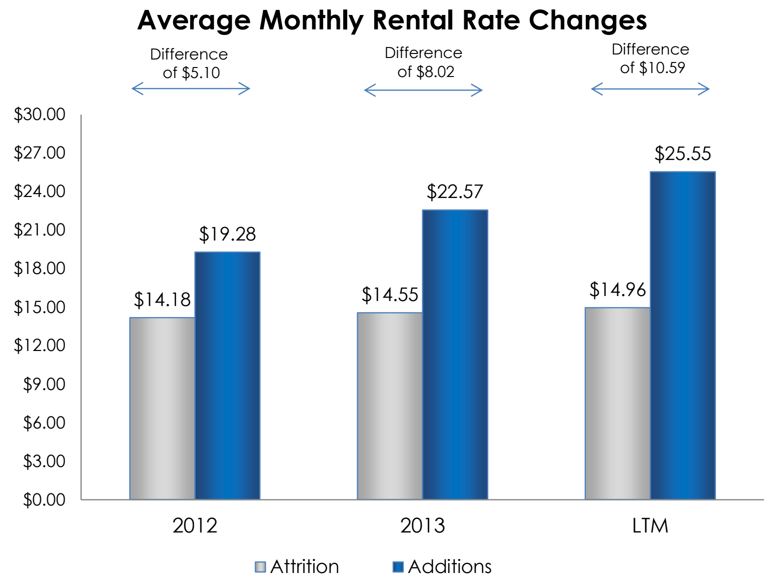


Partially offsetting Attrition is the movement in asset mix to units with higher returns. One of EnerCare’s growth platforms has been to focus on single family and multi-residential HVAC rental units. Although results are small on the unit continuity, HVAC units provide three to five times more rental 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.

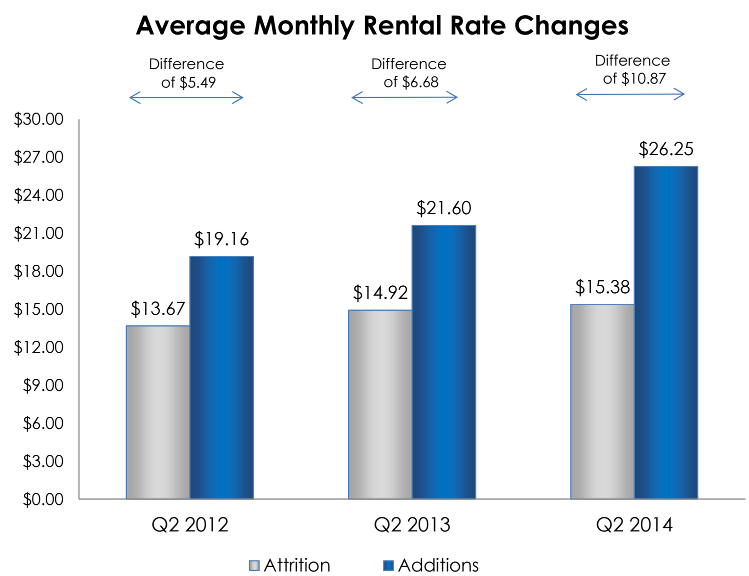




The impact of changes in product mix over time is outlined further in the graph below which shows revenue for the last twelve months to June 30, 2014 from unit additions contributing approximately $10.59 per unit more than revenue from units lost on account of Attrition. New customers are worth approximately 1.7 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 second quarter of 2014 revenue spread widening to $10.87, an increase of $4.19 over the same period in 2013.

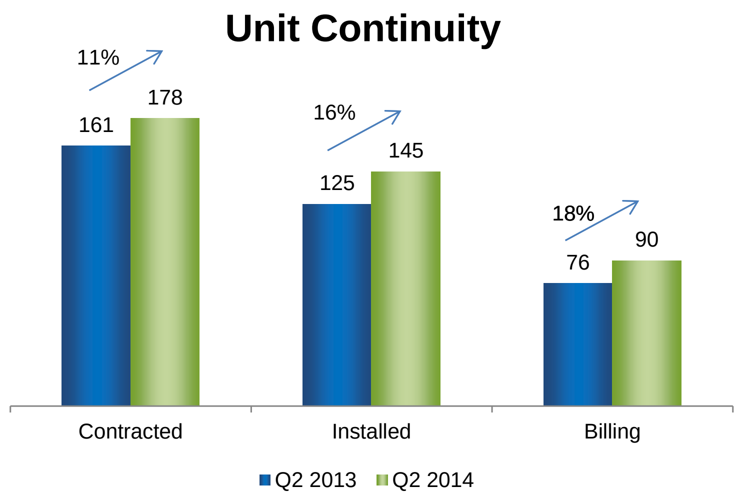


Sub-metering Business

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 178,000 contracted units. Of those contracted units, 145,000 have meters installed and 90,000 units are billing. We expect to experience continued revenue growth as these contracted units are turned into installed units and subsequently Billable units.



During the third quarter of 2013, EnerCare began the implementation of its Lean and continuous improvement program with objectives of improving work flow, efficiencies and expanding capacity within Sub-metering. One of the operational efficiencies realized thus far is a streamlined on-boarding process for new customers with retrofit buildings. The cycle time between the installation date and initial billing has improved by approximately 50%. This enables clients to begin their sub-metering programs earlier and allows EnerCare to realize revenues sooner.

SECOND QUARTER 2014 HIGHLIGHTS

	Three months ended June 30,		Six months ended June 30,	
(000's)	**2014**	2013	**2014**	2013
Rentals	**$49,224**	$47,293	**$ 97,860**	$ 94,375
Sub-metering	**24,743**	24,262	**58,295**	51,222
Investment income	**80**	49	**117**	317
Total revenues	**$74,047**	$71,604	**$156,272**	$145,914
EBITDA[1]	**40,735**	37,026	**80,340**	75,563
Adjusted EBITDA[1]	**43,106**	42,153	**86,123**	83,582
Earnings/(loss) before income taxes	**9,982**	8,433	**19,554**	(4,091)
Current tax (expense)	**(6,335)**	(4,591)	**(12,414)**	(10,179)
Deferred income tax recovery	**3,810**	3,640	**7,331**	11,364
Net earnings/(loss)	**$ 7,457**	$ 7,482	**$ 14,471**	$ (2,906)
Payout Ratio[2]	**71%**	73%	**72%**	71%
Payout Ratio – Maintenance[2]	**45%**	47%	**45%**	47%

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

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

- Total revenues of $74,047 increased by $2,443 or 3% in the second quarter of 2014. Revenues in the Rentals business were $49,224, greater than the prior year by $1,931, 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 $24,743 from $24,262, primarily as a result of an increase in Billable units, partially offset by a reduction in flow through commodity charges.
- EBITDA increased by $3,709 to $40,735 in the second quarter of 2014, driven principally by improved total revenues, lower commodity expenses and loss on disposal of equipment, partially offset by higher SG&A costs. Adjusted EBITDA of $43,106 increased by $953 after removing from EBITDA the impact of the loss on disposal of equipment and including other income.
- Net earnings of $7,457 in the second quarter of 2014 decreased by $25 compared to the same period in 2013, reflecting increased EBITDA offset by higher amortization and total tax payable.
- Attrition in the Rentals portfolio decreased by 21% or 3,000 units for the second quarter of 2014. Attrition has improved year-over-year since 2009 and for eight consecutive quarters year-over-year.
- The Payout Ratio decreased slightly to 71% in the second quarter of 2014 from 73% in the same period in 2013, primarily due to improved Operating Cash Flow, after adjustments for other income, OHCS pre-acquisition costs and the early redemption of the 2009-2 Notes, partially offset by increased capital expenditures, current taxes and dividend payments.
- The Payout Ratio - Maintenance, which includes only capital expenditures in respect of exchanged assets, was 45% in the second quarter of 2014, which was slightly lower than the same period in 2013. See additional commentary under "*Distributable Cash and Payout Ratios*".

RECENT DEVELOPMENTS

Direct Energy Collective Bargaining Agreement

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

Resignation of Vice-President, Marketing and Business Development

Laima Cers, Vice-President, Marketing and Business Development, resigned effective May 30, 2014.

EnerCare and EnerCare Solutions Provide a Business Update

On July 10, EnerCare and EnerCare Solutions provided a business update in order to outline developments in their operations for the second quarter of 2014 and year-to-date. EnerCare highlighted that EnerCare and EnerCare Solutions continued to experience improved customer retention with Attrition improving year-over-year since 2009 and for eight consecutive quarters year-over-year, Rentals portfolio revenue growth from additions outpaced revenue lost to Attrition and Sub-metering sales activity remained strong.

EnerCare and EnerCare Solutions Respond to Shareholder Letter Issued by Augustus Advisors

On July 17, EnerCare and EnerCare Solutions issued a news release to respond to the letter issued by Augustus Advisors, LLC (an affiliate of EnerCare's largest shareholder) to EnerCare's shareholders. In that news release, EnerCare indicated that, following receipt of a letter of indication sent by TPG Special Situations Partner, LLC ("TSSP") to EnerCare in late May 2014 referenced in the letter to shareholders, the board of directors met and considered the letter of indication and that, after that consideration, including considering financial and other information provided by EnerCare's advisors, the board unanimously determined that the indicated price of between $13.50 and $15.00 per Share did not represent full value for the Shares and was not sufficient to form the basis of meaningful discussions with TSSP.

EnerCare Signs Agreement to Acquire DE's Home and Small Commercial Services Business in Ontario

On July 24, EnerCare and EnerCare Solutions announced that EnerCare and New LP, an indirect wholly-owned subsidiary of EnerCare, entered into a definitive asset purchase agreement to purchase OHCS from DE, a wholly-owned subsidiary of Centrica plc for a purchase price of approximately $550 million, subject to working capital and other adjustments.

In conjunction with the Acquisition, EnerCare also announced that it entered into an agreement with a syndicate of underwriters to issue, on a bought deal basis, approximately $310 million of subscription receipts to partially finance the Acquisition. In addition, existing lenders committed to provide debt funding for the Acquisition.

Transaction Highlights

- Restores what was once a combined business and significantly aligns, strengthens and expands EnerCare's platform and offers additional opportunities for growth.
- Aligns the two entities and creates a stronger integrated business that will have direct access to its customers and control over all aspects of its operations.
- Accretion in excess of 25% in *Pro forma* Distributable Cash per Share[3] is expected by 2015.
- Post-closing, EnerCare expects to maintain an investment grade credit rating.
- Ongoing alignment with DE who will be a significant shareholder for at least 18 months.
- Closing expected in the fourth quarter of 2014.

The Acquisition

In May 2002, Centrica, through DE, acquired Enbridge Services Inc. and its Canadian home and business services operations, which included what is now EnerCare's water heater rental program. In December 2002, EnerCare (formerly the Fund) completed its initial public offering and purchased the water heaters and other assets from DE and entered into the Co-ownership Agreement and 20-year origination agreement with DE relating to the servicing and origination of EnerCare's rental portfolio.

DE's services business in Ontario is a leading provider of home services in the province. OHCS services approximately 98% of EnerCare's rental water heater and HVAC portfolio and has one of the largest technician and installer workforces in Ontario. In addition to servicing the EnerCare's rental portfolio, DE's home and small commercial services business in Ontario also includes:

- protection plans involving service and maintenance plans for heating, cooling and plumbing equipment in exchange for a fixed fee;
- HVAC equipment sales and services, including replacement, repairs and maintenance services;
- plumbing, duct cleaning and energy audits; and
- a division which installs and services small commercial water heaters and HVAC equipment.

The closing of the Acquisition, which is expected to occur in the fourth quarter of 2014, is subject to customary closing conditions, including Competition Act (Canada) and Toronto Stock Exchange approval and third party consents. The Acquisition is not subject to due diligence or a financing condition, but is subject to settling the definitive terms of a transition services agreement relating to ongoing information technology support by DE and information technology decoupling.

For the year ended December 31, 2013, if OHCS and EnerCare had been combined, EnerCare's *pro forma* revenue and *pro forma* Adjusted EBITDA would have been approximately $527 million and $210 million[4],

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[3] *Pro forma* Distributable Cash is a non-IFRS financial measure, refer to the Non-IFRS Financial and Performance Measures section in this MD&A. Excludes certain identified OHCS corporate allocation charges of approximately $9 million of non-transferring costs for corporate shared service expenses, $1.8 million for non-transferring employee pension costs and, in the case of Pro forma Distributable Cash only, non-transferring employee cash pension costs of approximately $10 million, transaction-related costs estimated to be $23 million and non-recurring transition-related costs. Gives effect to the Offering, excluding the over-allotment option.

respectively. The Acquisition is expected to be immediately accretive to EnerCare's revenue, *pro forma* Adjusted EBITDA and *pro forma* Distributable Cash. The Acquisition provides immediate accretion of 22% to 2013 *pro forma* Distributable Cash per Share[4].

In conjunction with the Acquisition, DE and Centrica will agree not to compete with the services business in Ontario for a period of 8 years, subject to certain exceptions.

Financing the Acquisition

Equity Financings

Offering of Subscription Receipts on a Bought Deal Basis

In order to partially finance the cash component of the Acquisition, EnerCare entered into an agreement with a syndicate of underwriters to sell 23,847,000 Subscription Receipts on a bought deal basis. The Subscription Receipts will be offered at a price of $13.00 per Subscription Receipt, for gross proceeds to EnerCare of approximately $310 million. EnerCare has also granted the Underwriters an over-allotment option to purchase up to an additional 1,788,525 Subscription Receipts (or, in certain circumstances, Shares), on the same terms and conditions as the Offering, exercisable no later than 30 days after the closing of the Offering.

Each Subscription Receipt represents the right of the holder to receive, upon closing of the Acquisition, without payment of additional consideration, one Share plus an amount per Share, equal to the amount per Share of any dividends for which record dates have occurred during the period from the closing date of the Offering to the date immediately preceding the closing date of the Acquisition, less any withholding taxes, if any. On August 11, 2014, EnerCare filed with the securities commissions and other similar regulatory authorities in each of the provinces of Canada, a final short form prospectus relating to the issuance of the Subscription Receipts. Closing of the Offering is expected to occur on or about August 18, 2014, subject to TSX and other necessary regulatory approvals. The net proceeds from the Offering will be used to finance, in part, the Acquisition, as well as EnerCare's expenses of the Acquisition and the Offering, once the proceeds are released from escrow.

Private Placement to DE

Subject to the approval of the TSX, pursuant to the Asset Purchase Agreement, EnerCare will issue approximately $100,000,000 of Shares indirectly to DE on a private placement basis in partial satisfaction of the purchase price for the Acquisition. The Shares indirectly issued to DE will be issued at a price of $13.00 per Share, the same price as the Offering. Initially, all of such Shares will be subject to a 12-month lock-up and thereafter, one-half of such Shares will be subject to a further 6-month lock-up. DE will be entitled to nominate one director of EnerCare for so long as it holds Shares of EnerCare constituting no less than one-half of the number of such Shares it holds immediately following closing of the Acquisition.

Debt Financing

EnerCare Solutions entered into a commitment letter with two Canadian chartered banks pursuant to which the banks have committed, subject to customary conditions, to provide debt financing to EnerCare Solutions in the form of unsecured credit facilities in an aggregate amount of $633 million, of which EnerCare expects to draw $223 million at closing of the Acquisition.

The Debt Financing is comprised of two different components: (i) a 4-year non-revolving, non-amortizing variable rate term credit facility in the amount of $223 million to be available in a single drawdown, for the purpose of financing a portion of the purchase price and re-financing EnerCare Solutions' existing $60 million term loan; and (ii) a 5-year $100 million revolving, non-amortizing variable rate credit facility which replaces EnerCare Solutions' existing $35 million revolving credit facility and is expected to remain undrawn at the close of the Acquisition.

The Debt Financing also includes a fully committed 6-month variable rate bridge facility for the purchase price and transaction expenses to be funded from the Offering should the bought deal not be completed by time of closing.

Pro Forma Financial Highlights

- *Pro forma* fiscal year 2013 combined annual revenue of EnerCare estimated to be approximately $527 million.
- Fiscal year 2013 *Pro forma* Adjusted EBITDA[4] and *Pro forma* Distributable Cash[4] of EnerCare is estimated to be 25% and 87% higher than EnerCare's fiscal year 2013 Adjusted EBITDA and Distributable Cash, respectively.
- Fiscal year 2013 *Pro forma* Payout Ratio[4] of EnerCare is estimated to be 65% as compared to EnerCare's fiscal year 2013 Payout Ratio of 78%.
- With the successful close of the Offering, EnerCare's total *pro forma* debt outstanding will be approximately $709 million, with more favourable bank loan covenants.
- Debt financing maintains EnerCare's laddered debt maturity schedule.

Cautionary Note Regarding Forward-Looking Statements

The foregoing disclosure in this section contains forward-looking information within the meaning of applicable Canadian securities laws ("forward-looking statements"). Statements other than statements of historical fact contained herein may constitute forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to EnerCare, including EnerCare's business operations, business strategy and financial condition. Forward-looking statements may include words such as "anticipates", "believes", "budgets", "could", "estimates", "expects", "goal", "intends", "may", "outlook", "plans", "strive", "target" and "will", although not all forward-looking statements contain these words.

Some of the specific forward-looking statements in the foregoing disclosure in this section include, but are not limited to, statements with respect to the following:

- timing and completion of the Acquisition, which may be impacted by the conditions in the Asset Purchase Agreement;
- EnerCare's ability to pay dividends to shareholders; and
- the impact of the Acquisition on EnerCare's business and current and anticipated economic conditions.

These forward-looking statements may reflect the internal projections, expectations, future growth, results of operations, performance, business prospects and opportunities of EnerCare and are based on information currently available to EnerCare and/or assumptions that EnerCare believes are reasonable. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements, as they are subject to a number of risks and uncertainties. In developing these forward-looking statements, certain material assumptions were made.

These forward-looking statements are also subject to certain risks, including but not limited to:

- actual future market conditions being different than those anticipated by management;
- the failure to realize some or all of the anticipated benefits of the Acquisition; and

[4] EBITDA, Adjusted EBITDA, *Pro forma* Adjusted EBITDA, Distributable Cash, *Pro forma* Distributable Cash, Distributable Cash per Share, *Pro forma* Distributable Cash per Share, Payout Ratio and *Pro forma* Payout Ratio are non-IFRS financial measures, refer to the Non-IFRS Financial and Performance Measures section in this MD&A. Excludes certain identified OHCS corporate allocation charges of approximately $9 million of non-transferring costs for corporate shared service expenses, $1.8 million for non-transferring employee pension costs and, in the case of *Pro forma* Distributable Cash only, non-transferring employee cash pension costs of approximately $10 million, transaction-related costs estimated to be $23 million, non-recurring transition-related costs and synergies and financial enhancements. Gives effect to the Offering, excluding the over-allotment option.

- the continued reliance on DE as a result of the Transition Services Agreement.

Material factors or assumptions that were applied to drawing a conclusion or making an estimate set out in forward-looking statements include but are not limited to:

- the view of management regarding current and anticipated market conditions;
- industry trends remaining unchanged;
- the successful completion of the Acquisition and the financing thereof;
- the financial and operating attributes of EnerCare and OHCS as at August 13, 2014 and the anticipated future performance of EnerCare and OHCS following the Acquisition;
- eliminations of transactions and balances between OHCS and EnerCare;
- assumptions regarding the interest rates of the Debt Financing;
- the effective acquisition multiple and the extent to which the Acquisition is accretive, each of which may be impacted by final financing arrangements, the realization and timing of synergies and the operating performance of EnerCare and OHCS;
- assumptions regarding non-recurring transaction and transition costs estimated to be incurred by EnerCare in connection with the Acquisition;
- assumptions regarding future selling, general and administrative costs estimated to be incurred by EnerCare in connection with the management of OHCS by EnerCare following the Acquisition;
- assumptions regarding future benefits anticipated by management to be realized in respect of certain contract negotiations completed by OHCS in its 2012 and 2014 collective agreements with unionized employees and its agreements with licensed franchisees in 2012;
- assumptions regarding pension and other employee-related benefits liabilities and expenses to be assumed by EnerCare in the Acquisition; and
- assumptions regarding the fair value of the assets acquired and liabilities assumed under the Asset Purchase Agreement and the related tax deductions and payments.

There can be no assurance that the Acquisition will occur or that any of the anticipated strategic benefits and operational, competitive and cost synergies will be realized. The Acquisition is subject to various approvals, including approvals under the Competition Act (Canada) and by the TSX, and the fulfillment of certain conditions, and there can be no assurance that any such approvals will be obtained and/or any such conditions will be satisfied. The Acquisition could be modified, restructured or terminated at any time.

Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although forward-looking statements contained in this section entitled Recent Developments - EnerCare Signs Agreement to Acquire DE's Home and Small Commercial Services Business in Ontario are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on such forward-looking statements and assumptions as management cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, EnerCare. These forward-looking statements are subject to change as a result of new information, future events or other circumstances in which case they will only be updated by EnerCare where required by law.

RESULTS OF OPERATIONS

Earnings Statement

(000's)	Three months ended June 30, **2014**	2013	Six months ended June 30, **2014**	2013
Revenues:				
Rentals	**$49,224**	$47,293	**$ 97,860**	$ 94,375
Sub-metering	**24,743**	24,262	**58,295**	51,222
Investment income	**80**	49	**117**	317
Total revenues	**$74,047**	$71,604	**$156,272**	$145,914
Commodity charges	**19,570**	20,037	**47,929**	42,188
SG&A expenses:				
Rentals	**3,011**	4,090	**6,461**	7,907
Sub-metering	**3,389**	2,718	**7,120**	6,002
Corporate	**4,891**	4,235	**8,930**	7,596
Total SG&A expenses	**11,291**	11,043	**22,511**	21,505
Amortization expense	**24,870**	24,344	**49,376**	48,700
Loss on disposal of equipment	**2,371**	3,449	**5,375**	6,341
Interest expense:				
Interest expense payable in cash	**5,799**	5,805	**11,607**	14,099
Make-whole payment on early redemption of debt	**-**	-	**-**	13,754
Non-cash interest expense	**164**	171	**328**	5,096
Total interest expense	**5,963**	5,976	**11,935**	32,949
Total expenses	**64,065**	64,849	**137,126**	151,683
Other income	**-**	1,678	**408**	1,678
Earnings/(loss) before income taxes	**9,982**	8,433	**19,554**	(4,091)
Current tax (expense)	**(6,335)**	(4,591)	**(12,414)**	(10,179)
Deferred income tax recovery	**3,810**	3,640	**7,331**	11,364
Net earnings/(loss)	**$ 7,457**	$ 7,482	**$ 14,471**	$ (2,906)
EBITDA	**$40,735**	$37,026	**$ 80,340**	$ 75,563
Adjusted EBITDA	**$43,106**	$42,153	**$ 86,123**	$ 83,582

Revenues

Total revenues of $74,047 for the second quarter of 2014 increased by $2,443 or 3% and by $10,358 or 7% to $156,272 year to date compared to the same periods in 2013. Rentals revenues for the quarter increased by $1,931 to $49,224 and by $3,485 to $97,860 year to date, compared to the same periods 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 second quarter of 2014 were $24,743, an increase of $481 or 2% with year to date revenues increasing to $58,295 or 14% over the comparable periods 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 $19,570 in the second quarter and $47,929 year to date in 2014, a reduction of $467 and increase of $5,741, respectively, over the same periods in 2013.

Investment income was $80 in the second quarter and $117 year to date in 2014, an increase of $31 and decrease of $200, respectively, over the same periods in 2013. The change in investment income was primarily attributable to higher investment balances in the second quarter of 2014. During the first quarter of 2013 investment balances were greater due 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 $11,291 in the second quarter of 2014, an increase of $248 or 2% compared to the same period in 2013. Sub-metering SG&A expenses were $3,389 or $671 greater in the second quarter of 2014 compared to the same period in 2013, primarily as a result of increased wages and benefits of approximately $600 and bad debts of $200, partially offset by reductions in professional fees of $100. Rentals and corporate expenses of $7,902 decreased by $423 over the second quarter of 2013, primarily from reductions of approximately $700 in claims and $400 in selling expenses, partly offset by increases of $300 in wages and benefits, $300 in professional fees and $100 on account of billing and servicing costs. During the second quarter of 2014, approximately $700 in professional fees were accrued associated with the entering into of the Asset Purchase Agreement.

Year to date total SG&A expenses were $22,511 or $1,006 higher than the same period in 2013. Sub-metering SG&A expenses of $7,120 were $1,118 higher year to date in 2014 compared to 2013, primarily as a result of increased wages and benefits of approximately $1,000, bad debts of $100 and cost of goods of $100, partially offset by reductions in selling expenses of $100. Rentals and corporate expenses of $15,391 year to date in 2014 decreased by $112 over the same period in 2013, primarily from reductions of approximately $900 in selling expenses, $600 in claims and $100 in office expenses, partly offset by increases of $800 in wages and benefits, $500 in professional fees and $200 on account of billing and servicing costs.

Amortization Expense

Amortization expense increased by $526 or 2% to $24,870 in the second quarter of 2014 and by $676 or 1% to $49,376 year to date over the same periods of 2013, 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 $2,371 in the second quarter of 2014, and $5,375 year to date, reductions of $1,078 or 31% and $966 or 15%, respectively, over the same periods 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 June 30,		Six months ended June 30,	
(000's)	**2014**	2013	**2014**	2013
Interest expense payable in cash	**$5,799**	$5,805	**$11,607**	$14,099
Make-whole payment on early redemption of debt	**-**	-	**-**	13,754
Non-cash items: Amortization of OCI and financing costs	**164**	171	**328**	5,096
Interest expense	**$5,963**	$5,976	**$11,935**	$32,949

Interest expense payable in cash decreased by $6 to $5,799 in the second quarter of 2014 and by $2,492 to $11,607 year to date, compared to the same periods in 2013. The decreases are 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 the first quarter 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. During the second quarter of 2013, EnerCare and DE reached a settlement of $1,678 on account of billing and collection matters in respect of water heater buyouts.

Income Taxes

EnerCare reported a current tax expense of $6,335 in the second quarter of 2014 and $12,414 year to date, increases of $1,744 and $2,235, respectively, over the same periods in 2013, primarily as a result of higher taxable income. The deferred income tax recovery of $3,810 for the second quarter of 2014 and $7,331 year to date, an increase of $170 and decrease of $4,033, respectively, were 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 second quarter of 2014 were $7,457, or $25 lower than in the same period in 2013 as previously described. The 2014 year to date net earnings of $14,471 improved by $17,377 over the same period in 2013, primarily driven by the make-whole payment of $13,754 made in 2013 in respect of the early redemption of the 2009-2 Notes.

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)	**Q2/14**	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12
Net earnings/(loss)	**$ 7,457**	$ 7,014	$ 4,793	$ 6,931	$ 7,482	$(10,388)	$(2,096)	$ 2,154
Deferred tax (recovery)	**(3,810)**	(3,521)	(3,552)	(3,134)	(3,640)	(7,724)	(4,155)	(2,668)
Current tax expense	**6,335**	6,079	6,148	5,525	4,591	5,588	5,217	3,902
Amortization expense	**24,870**	24,506	25,792	25,228	24,344	24,356	25,175	25,407
Interest expense	**5,963**	5,972	6,002	6,022	5,976	26,973	11,937	9,035
Other (income)/expense	**-**	(408)	(769)	(2,000)	(1,678)	-	362	(855)
Investment (income)	**(80)**	(37)	(35)	(21)	(49)	(268)	(180)	(16)
EBITDA	**40,735**	39,605	38,379	38,551	37,026	38,537	36,260	36,959
Add: Loss on disposal of equipment	**2,371**	3,004	2,666	2,633	3,449	2,892	3,523	3,397
Add: Other income/(expense)	**-**	408	769	2,000	1,678	-	(362)	855
Adjusted EBITDA[(1)]	**$43,106**	$43,017	$41,814	$43,184	$42,153	$41,429	$39,421	$41,211

(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 from higher taxable income.
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. Amortization and loss on disposal of equipment, which are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units.
5. 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 of 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.

	Three months ended June 30,		Six months ended June 30,	
Historical Payout Ratio - (000's)	**2014**	2013	**2014**	2013
Cash provided by operating activities	**$35,977**	$33,758	**$56,420**	$42,849
Net change in non-cash working capital	**(4,886)**	(1,906)	**5,851**	3,120
Operating Cash Flow[5]	**31,091**	31,852	**62,271**	45,969
Capital expenditures: (excluding growth capital and acquisitions)				
Rentals additions	**(9,308)**	(8,231)	**(18,341)**	(14,915)
Rentals exchanges	**(8,909)**	(8,562)	**(17,588)**	(16,754)
Subtotal	**(18,217)**	(16,793)	**(35,929)**	(31,669)
Total proceeds on disposal of equipment	**1,389**	981	**2,559**	1,898
Net capital expenditures	**(16,828)**	(15,812)	**(33,370)**	(29,771)
Other income	**-**	(1,678)	**(408)**	(1,678)
OHCS pre-acquisition costs	**702**	-	**702**	-
Early redemption of 2009-2 Notes net of tax	**-**	(788)	**-**	13,343
Total reductions	**(16,126)**	(18,278)	**(33,076)**	(18,106)
Distributable Cash	**14,965**	13,574	**29,195**	27,863
Dividends declared	**(10,600)**	(9,945)	**(20,912)**	(19,758)
Net cash retained	**$ 4,365**	$ 3,629	**$ 8,283**	$ 8,105
Payout Ratio	**71%**	73%	**72%**	71%

The Payout Ratio, after capital expenditures (excluding growth capital for Sub-metering and acquisitions), decreased slightly to 71% for the second quarter of 2014 and increased slightly to 72% year to date compared to 73% and 71%, respectively, for the same periods in 2013, primarily due to improved Operating Cash Flow, after adjustments for other income, OHCS pre-acquisition costs and the early redemption on the 2009-2 Notes, partially offset by increased capital expenditures, current taxes and dividend payments.

OHCS pre-acquisition costs, consisting of $702 in professional fees were expensed in the second quarter of 2014 associated with the entering into of the Asset Purchase Agreement. These amounts have been adjusted in the payout ratio to better reflect recurring distributable cash.

The early redemption of the 2009-2 Notes net of tax of $13,343 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 and the second quarter tax timing difference of ($788). The tax consequences of the make-whole payment were recognized over the period to April 30, 2014. The make-whole payment

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

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 June 30, **2014**	2013	Six months ended June 30, **2014**	2013
Cash provided by operating activities	**$35,977**	$ 33,758	**$56,420**	$42,849
Net change in non-cash working capital	**(4,886)**	(1,906)	**5,851**	3,120
Operating Cash Flow	**31,091**	31,852	**62,271**	45,969
Capital expenditures: (excluding growth capital, additions and acquisitions)				
Rentals exchanges	**(8,909)**	(8,562)	**(17,588)**	(16,754)
Proceeds on disposal of equipment – warranty recoveries	**604**	416	**1,060**	827
Net capital expenditures	**(8,305)**	(8,146)	**(16,528)**	(15,927)
Other income	**-**	(1,678)	**(408)**	(1,678)
OHCS pre-acquisition costs	**702**	-	**702**	-
Early redemption of 2009-2 Notes net of tax	**-**	(788)	**-**	13,343
Total reductions	**(7,603)**	(10,612)	**(16,234)**	(4,262)
Distributable Cash – Maintenance	**23,488**	21,240	**46,037**	41,707
Dividends declared	**(10,600)**	(9,945)	**(20,912)**	(19,758)
Net cash retained	**$12,888**	$11,295	$25,125	$21,949
Payout Ratio – Maintenance	**45%**	47%	45%	47%

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 45% in the second quarter and year to date of 2014, slightly lower than the same periods in 2013.

LIQUIDITY AND CAPITAL RESOURCES

(000's)	Three months ended June 30, **2014**	2013	Six months ended June 30, **2014**	2013
Cash flow from operating activities	**$35,977**	$33,758	**$56,420**	$42,849
Net change in non-cash working capital	**(4,886)**	(1,906)	**5,851**	3,120
Operating Cash Flow	**31,091**	31,852	**62,271**	45,969
Capital expenditures: (excluding growth capital and acquisitions)	**(18,217)**	(16,793)	**(35,929)**	(31,669)
Proceeds on disposal of equipment	**1,389**	981	**2,559**	1,898
Net capital expenditures	**(16,828)**	(15,812)	**(33,370)**	(29,771)
Acquisitions	**-**	-	**(3,035)**	-
Growth capital	**(2,169)**	(2,895)	**(4,484)**	(7,111)
Cash used in investing activities	**(18,997)**	(18,707)	**(40,889)**	(36,882)
Dividends paid	**(10,598)**	(9,939)	**(20,767)**	(19,690)
Other financing activities	**(301)**	(2,535)	**(598)**	12,639
Cash used in financing activities	**(10,899)**	$(12,474)	**(21,365)**	$(7,051)
Cash and equivalents – end of period	**$20,106**	$11,542	**$20,106**	$11,542

Operating Cash Flow of $31,091 decreased by $761 in the second quarter of 2014 compared to the same period in 2013, primarily as a result of changes in non-cash working capital, partially offset by improved revenues. Year to date operating cash flow increased in 2014 by $16,302 to $62,271 compared to the same period in 2013, primarily as a result of improved revenues, changes in non-cash working capital and reduced interest expense, inclusive of the make-whole payment of $13,754 associated with the redemption of the 2009-2 Notes, partially offset by increased commodity charges and current taxes.

Net capital expenditures of $16,828 in the second quarter of 2014 increased by $1,016 and by $3,599 to $33,370 year to date compared to the same periods 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 in the first quarter. Growth capital investments were $2,169 for the second quarter of 2014 and $4,484 year to date, decreases of $726 and $2,627, respectively, when compared to the same periods in 2013. Growth capital expenditures were lower in the second 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 in 2014 for both the second quarter and year to date primarily reflect the scheduled repayment of the Stratacon Debt during these periods. In 2013, other financing activities also reflected the repayment of $2,000 in respect of the Revolver during the second quarter and 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 June 30, 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. See additional commentary regarding financing in "*Recent Developments – EnerCare Signs Agreement to Acquire DE's Home and Small Commercial Services Business in Ontario*" in this MD&A.

Capital Expenditures

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

			Three months ended June 30,			
Installed Asset Unit Continuity (000's)			**2014**			2013
Segment	**Rentals**	**Sub-metering**	**Total**	Rentals	Sub-metering	Total
Units - start of period	**1,143**	**140**	**1,283**	1,165	119	1,284
Portfolio additions	**6**	**5**	**11**	6	6	12
Acquisitions	**-**	**-**	**-**	-	-	-
Attrition	**(11)**	**-**	**(11)**	(14)	-	(14)
Units - end of period	**1,138**	**145**	**1,283**	1,157	125	1,282
Asset exchanges – units retired and replaced	**13**	**-**	**13**	13	-	13
% change in units during the period			**- %**			(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			**1.0%**			1.0%

Installed Asset Unit Continuity (000's)			Six months ended June 30, **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	**11**	**9**	**20**	11	10	21
Acquisitions	**2**	**-**	**2**	-	-	-
Attrition	**(20)**	**-**	**(20)**	(25)	-	(25)
Units - end of period	**1,138**	**145**	**1,283**	1,157	125	1,282
Asset exchanges – units retired and replaced	**26**	**-**	**26**	26	-	26
% change in units during the period			**0.2%**			(0.3%)
% of units from start of period:						
Portfolio additions (net of acquisitions)			**1.6%**			1.6%
Attrition			**(1.6%)**			(1.9%)
Units retired and replaced			**2.0%**			2.0%
Billable units	**1,138**	**90**	**1,228**	1,157	76	1,233
Contracted units		**178**			161	

Net capital expenditures in the Rentals business include portfolio additions and asset exchanges, net of proceeds on disposal. Net capital expenditures in the Rentals business were $16,828 in the second quarter of 2014 and $33,370 year to date, increasing by 6% or $1,016 and 12% or $3,599, respectively, when compared to the same periods in 2013, primarily as a result of increased HVAC rentals.

Installations in the Sub-metering business were approximately 5,000 units for the second quarter of 2014 and 9,000 units year to date or 1,000 units lower in the same periods in 2013. Sub-metering capital expenditures in the second quarter of 2014 were $2,131 and $4,420 year to date, approximately $352 and $1,857, respectively, lower than in the same periods in 2013 on account of the timing and costs of projects under completion.

Attrition decreased in the second quarter of 2014 by 3,000 units or 21% and 5,000 units or 20% year to date compared to the same periods 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 90,000 increased by 14,000 units in the second 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 5,000 for the second quarter of 2014 and 12,000 year to date, reflecting improvements in sales of 3,000 and 7,000, respectively, compared to the same periods 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 second quarter of 2014, EnerCare recorded financing repayments, net of dividends, of $301, related to the scheduled repayment of the Stratacon Debt.

Capitalization (000's)	Six months ended June 30, **2014**	2013
Cash and cash equivalents	**$ 20,106**	$ 11,542
Net investment in working capital	**(3,716)**	2,556
Cash, net of working capital	**16,390**	14,098
Total debt	**539,493**	542,102
Shareholders' equity	**65,464**	78,183
Total capitalization – book value	**$604,957**	$620,285

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 June 30, 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 June 30, 2014. No amounts were drawn under the Revolver at June 30, 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 June 30, 2014, EnerCare Solutions exceeded this minimum and had the capacity under the covenant to raise more than $300,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000's)	**Q2/14**	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12
Total revenues	**$74,047**	$82,225	$75,675	$77,560	$71,604	$74,310	$68,324	$72,048
Net earnings/(loss)	**7,457**	7,014	4,793	6,931	7,482	(10,388)	(2,096)	2,154
Dividends declared	**10,600**	10,312	10,161	10,020	9,945	9,813	9,747	9,728
Average Shares outstanding	**58,486**	58,449	58,356	58,222	58,137	58,040	57,995	57,860
Per Share								
Basic/diluted net earnings/(loss)	**$0.13**	$0.12	$0.08	$0.12	$0.13	($0.18)	($0.04)	$0.04
Dividends declared	**$0.181**	$0.176	$0.174	$0.172	$0.171	$0.169	$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 in 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 June 30, 2014:

Period (000's)	Principal Payments	Interest Payments	Leases
Due in 2014	$ 614	$ 11,490	$132
Due in 2015	1,258	22,905	379
Due in 2016	60,992	21,545	397
Due in 2017	254,116	21,269	70
Due in 2018	126	10,360	-
Thereafter	225,080	15,535	-
Total	$542,186	$103,104	$978

As at June 30, 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 2.47% at June 30, 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 $3,687, as at June 30, 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 June 30, 2014, no amounts were drawn on the Revolver. The Revolver bears a standby fee of 0.21%, which has not been included in the above schedule, until maturity in November 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 June 30, 2014, there were 58,514,443 Shares (58,188,066 at June 30, 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 July 1, 2014 to August 11, 2014, approximately $147 principal amount of additional Convertible Debentures were converted to 22,684 Shares. The Convertible Debentures principal balance outstanding of $3,354 at August 11, 2014 may be converted to approximately 517,592 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 June 30, 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.

These non-IFRS measures are supplemental measures of a company's historical performance, which for purposes of this MD&A, have also been presented on a *pro forma* basis and normalized *pro forma* basis, giving effect to the Acquisition and related financing. EnerCare believes that the non-IFRS measures on both a historical basis and a *pro forma* basis are relevant for, among other things, purposes of evaluating its ability to service debt and its ability to pay dividends on EnerCare's Shares.

EBITDA, Adjusted EBITDA, *Pro forma* Adjusted EBITDA, Distributable Cash, *Pro forma* Distributable Cash, Distributable Cash per Share, *Pro forma* Distributable Cash per Share, Payout Ratio and *Pro forma* Payout Ratio should not be construed as alternatives to net income or earnings per Share determined in accordance with IFRS as indicators of EnerCare's performance, or as alternatives to *pro forma* net earnings and *pro forma* earnings per Share.

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.

Pro forma Adjusted EBITDA

This measure is comprised of *pro forma* net earnings plus income taxes, interest expense, amortization expense, impairment losses, loss on disposal of equipment, less investment income. This measure further includes adjustments to eliminate certain identified corporate allocation charges and non-transferring employee pension costs incurred by OHCS in order to normalize *Pro forma* Adjusted EBITDA for costs that are not expected to be incurred by EnerCare following its acquisition of OHCS. It is one metric that can be used to illustrate EnerCare's anticipated ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders, on a post-Acquisition basis.

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, such as deferred income taxes, amortization and non-recurring expenses related to the acquisition and transition of OHCS, plus the proceeds on disposal of equipment, less capital expenditures (excluding growth capital) 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 and are therefore not deducted in the determination of Distributable Cash.

Pro forma Distributable Cash is a *pro forma* measure calculated from *pro forma* net earnings, plus non-cash items such as deferred income taxes, amortization and non-recurring expenses related to the acquisition and transition of OHCS, plus the proceeds on disposal of equipment, less rentals capital expenditures (excluding growth capital), contributions to the defined benefit plan, payments for capital lease obligations and other non-recurring income. This measure further includes adjustments to eliminate certain identified cash corporate allocation charges and non-transferring employee cash pension costs incurred by OHCS in order to normalize the calculation of *Pro forma* Distributable Cash for costs that are not expected to be incurred by EnerCare following the Acquisition. It is one metric that can be used to illustrate EnerCare's anticipated ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders, on a post-Acquisition basis.

Distributable Cash per Share is a measure of the amount of Distributable Cash calculated on a per Share basis.

Pro forma Distributable Cash per Share is a measure of the amount of the *Pro forma* Distributable Cash calculated on a per *pro forma* Share basis, giving effect to the Offering but excluding the exercise of the over-allotment option.

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 provided by 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 (excluding the exercise of the over-allotment option) declared to shareholders during a period and represents the ability of EnerCare to pay dividends, finance capital expenditures and add to its cash reserves.

Pro forma Payout Ratio is the percentage of *Pro forma* Distributable Cash to dividends declared to shareholders during a period. It is one metric that can be used to illustrate EnerCare's post-Acquisition ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders.

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 June 30, 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 June 30, 2014. No amounts were drawn under the Revolver at June 30, 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 AND JUDGMENTS

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. Management applies judgment in its assessment of EnerCare's arrangements with customers when determining the classification of leases and the extent to which the risks and rewards incidental to ownership lie with the company or the customer. In addition to leases, other estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following items are of significance for the period.

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 June 30, 2013 were $12,300. At June 30, 2014, EnerCare recorded a revenue accrual of approximately $8,700, reflecting accrued service periods, increases in billable units and lower 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. To June 30, 2014, the accounts receivable provision increased by approximately $500, which was consistent with the increase in the same period in 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 June 30, 2014. There have been no changes to our ICFR during the quarter and year to date ended June 30, 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

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. EnerCare has neither assessed the full impact of IFRS 9 nor determined when it will adopt the new standard.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, covering the principles that an entity shall apply to report additional information in financial statements about the amount, nature, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The mandatory effective date is for annual reporting periods beginning on or after January 1, 2017, with early adoption permitted. EnerCare has neither assessed the impact of the standard nor determined when it will adopt the new standard.

RISK FACTORS

The risks related to the Acquisition, and the business and structure of EnerCare, after giving effect to the Acquisition, are discussed below. The risks related to the business and structure of EnerCare without regard to the Acquisition, and risks related to Sub-metering, discussed in the AIF remain unchanged.

Risks Related to the Acquisition

Possible Failure to Complete the Acquisition

Completion of the Acquisition is subject to the satisfaction of certain closing conditions. As such, there is no assurance that the Acquisition will be completed or, if completed, will be on terms that are substantially the same as those described herein.

Continued Reliance on DE Following the Acquisition

Under the Asset Purchase Agreement, EnerCare will not be acquiring certain assets currently owned by DE that are used in both OHCS and in DE's other business segments. As a result, it is necessary for EnerCare and DE to enter into the Transition Services Agreement on the closing of the Acquisition that management expects will provide for the continuing provision by DE of information technology and other “back office” services and support to EnerCare in respect of OHCS for up to a 21-month transition period. The Asset Purchase Agreement also requires DE and EnerCare to agree to an information technology “decoupling plan” so that OHCS can be fully operational by EnerCare prior to the expiry of the above-mentioned transition period. As a result, EnerCare will continue to be reliant on DE's personnel, good faith, expertise, historical performance, technical resources and information systems, proprietary information and judgment in providing the services under the Transition Services Agreement. Accordingly, EnerCare continues to be exposed to adverse developments in the business and affairs of DE, to its management and financial strength. Furthermore, as the definitive Transition Services Agreement is not yet settled, no assurance can be given as to the terms of such agreement or the financial or operational impact that it will have on EnerCare. In addition, as the decoupling plan contemplated by the Transition Services Agreement is not expected to be negotiated and completed until after the closing of the Acquisition, no assurance can be given as to the terms of such plan or the financial or operational impact that such plan will have on OHCS or EnerCare's ability to operate OHCS in the same or substantially the same manner as operated by DE as of closing of the Acquisition. Management can give no assurance as to the estimated transition costs as the definitive Transition Services Agreement is not yet settled, and these costs could be substantial.

Risks Related to the Integration of OHCS into EnerCare's Business

In order to achieve the anticipated benefits of the Acquisition, EnerCare will rely upon its ability to successfully retain staff, consolidate functions and integrate operations, procedures and personnel in a timely and efficient manner and to realize the anticipated growth opportunities from combining OHCS and related operations with those of EnerCare. The integration of OHCS and related operations requires the dedication of management effort, time and resources, which may divert management's focus and resources away from other strategic opportunities and from operational matters during the integration process. The integration process may result in the disruption of ongoing business and customer relationships that may materially adversely affect EnerCare's ability to achieve the anticipated benefits of the Acquisition.

In addition, completing the information technology systems integration upon the expiry of the Transition Services Agreement, as will be set out in the decoupling plan, will require continued focus and investment by both DE and EnerCare from and after the closing of the Acquisition. Failure to successfully migrate the necessary information technology from DE's legacy systems to a stand-alone system (or the recreation of DE's systems by EnerCare), or a significant disruption in the information technology systems during the decoupling of the OHCS system and/or upon the expiry of the Transition Services Agreement, could result in a lack of data and processes to enable management to effectively manage day-to-day operations of OHCS or achieve its operational objectives, causing significant disruptions to OHCS and potential material financial losses.

Risks Related to Replacement of Shared Information Technology Assets

OHCS depends in large part on DE's corporate information technology services and, consequently, certain information technology and other related assets are utilized by OHCS and other DE lines of business. Although under the Asset Purchase Agreement and Transition Services Agreement many of those shared assets are to be replaced by EnerCare at an appropriate time at the cost of DE, other shared assets are to be replaced at EnerCare's cost (which are unknown as at the date hereof). There is a risk, therefore, that not all of the assets currently utilized by DE in operating OHCS can or will be replaced by EnerCare in a timely manner, and that those assets replaced by EnerCare, whether at its cost or at the cost of DE, may not be as effective as the assets currently utilized by DE, which could have a material adverse effect on EnerCare's financial condition and results of operations and on EnerCare Solutions' ability to satisfy its debt service obligations.

Possible Failure to Realize Expected Returns on the Acquisition

There can be no assurance that management of EnerCare will be able to fully realize some or all of the expected benefits of the Acquisition, including, among other things, those described under "*Recent Developments – EnerCare* Signs Agreement to Acquire DE's Home and Small Commercial Services Business in Ontario" and "Outlook"). The ability to realize these anticipated benefits will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on the ability to realize growth opportunities and potential synergies from integrating OHCS with EnerCare's existing business following the closing of the Acquisition. There is a risk that some or all of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by management. The realization of some or all of such benefits may be affected by a number of factors, many of which are beyond the control of EnerCare.

Risks Related to Rebranding

Following the closing of the Acquisition, OHCS will be rebranded by EnerCare. No assurance can be given that the brand selected by EnerCare will be as valuable to it as the "Direct Energy" brand is to OHCS or that rebranding will not result in a loss of customers due to a lack of brand recognition or otherwise.

Leverage Risk

EnerCare's degree of leverage could have material adverse consequences for EnerCare, including: limiting EnerCare's ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; restricting EnerCare's flexibility and discretion to operate its business; limiting EnerCare's ability to declare dividends on its Shares; having to dedicate a portion of EnerCare's cash flows from operations to the payment of interest on EnerCare Solutions' existing indebtedness and not having such cash flows available for other purposes, including operations, capital expenditures and future business opportunities; exposing EnerCare to increased interest expense on borrowings at variable rates (including the Debt Financing); limiting EnerCare's ability to adjust to changing market conditions; placing EnerCare at a competitive disadvantage compared to its competitors that have incurred less debt; making EnerCare more vulnerable in a downturn in general economic conditions; and making EnerCare unable to make capital expenditures that are important to its growth and strategies.

Geographic Concentration of OHCS

OHCS is located entirely in the Province of Ontario. As a result, the income generated by OHCS and the performance of OHCS will be highly sensitive to changes in economic conditions in the Province of Ontario, which may differ from those affecting other regions of Canada. Adverse changes in the economic conditions in the Province of Ontario may have a material adverse effect on EnerCare's business, cash flows, financial condition and results of operations and ability to pay dividends to holders of its Shares.

Assumption of Liabilities

EnerCare will assume certain liabilities arising out of or related to OHCS, and will agree to indemnify DE for, among other matters, such liabilities. In addition, there may be liabilities that EnerCare failed to discover or was unable to quantify during its due diligence and which could have a material adverse effect on EnerCare's business, financial condition or future prospects. DE's representations and warranties, and related indemnification, may not apply or be sufficient so as to fully indemnify EnerCare for such liabilities.

Internalization of OHCS

The success of the Acquisition will depend in large part on the ability of management to integrate DE personnel and systems into EnerCare (or to recreate DE's systems under the Transition Services Agreement). Going forward, EnerCare will depend on the diligence, experience and skill of the existing DE personnel that join EnerCare and the future success of EnerCare will depend on the continued service of these individuals. EnerCare may be unable to hire and retain former employees of DE to the same extent that DE has been able to do so in the past. Such individuals may depart because of issues relating to the uncertainty or difficulty associated with the integration, including potential differences in corporate cultures and management philosophies. Furthermore, pursuant to the Asset Purchase Agreement, senior management employees of DE that have responsibility for overseeing OHCS or corporate support functions will not become employees of EnerCare following the Acquisition and therefore EnerCare will not have the benefit of their experience in the management of OHCS. The departure of a significant number of OHCS employees is not expected but if this occurs for any reason following the Acquisition, the failure to appoint qualified or effective successors in the event of such departures or the failure to replace senior management employees of DE that will not be employed by EnerCare following the Acquisition could have a material adverse effect on EnerCare's ability to achieve its objectives and the market price or value of EnerCare's securities.

Indemnities in the Asset Purchase Agreement

The representations and warranties provided by DE pursuant to the Asset Purchase Agreement are customary for a transaction of this nature. There can be no assurance, however, of adequate recovery by EnerCare from DE for any breach of the representations, warranties and covenants of DE under the Asset Purchase Agreement or Transition Services Agreement, or that the length and amounts of the indemnities provided will be sufficient to satisfy such obligations, or that DE will have the financial ability to satisfy such obligations. Similarly, there can be no assurance of recovery from Centrica.

Information Provided by DE

All information relating to DE and OHCS contained in this MD&A has been provided to EnerCare by DE. Although EnerCare has conducted what it believes to be a prudent and thorough level of investigation in connection with OHCS, an unavoidable level of risk remains regarding the accuracy and completeness of such information. While EnerCare has no reason to believe that the information provided by DE is misleading, untrue or incomplete in any material respect, EnerCare has not verified the accuracy or completeness of such information.

Risks Related to EnerCare

The following risks related to the Rentals business of EnerCare have been prepared as if the Acquisition has been completed. For a description of the risks related to the business of EnerCare as it exists as of the date hereof, including Sub-metering, see "*Risk Factors*" in the AIF.

Billing Arrangements

As a result of current billing agreements, EnerCare is reliant on the personnel, expertise, technical resources, proprietary information and judgment of Enbridge, among others, in providing customer services in respect of the Rentals portfolio. EnerCare and its subsidiaries are therefore exposed to adverse developments in the business and affairs of Enbridge, and to its management and financial strength. Although Enbridge is required, under each OBA to make the specified payments to EnerCare, thereby effectively guaranteeing EnerCare's collection of 99.56% of the amount invoiced by EnerCare on the Enbridge bill effective January 1, 2014, subject to adjustments in accordance with the terms of the OBAs, there can be no assurance that Enbridge will have the financial capability to honour such obligation.

In the event that EnerCare and New LP do not enter into further arrangements with Enbridge upon expiration of the OBAs, EnerCare may provide the billing and collection services and issue stand-alone bills in the Enbridge billing territory, either itself or through contracts with other third parties.

Any provision of customer services in respect of the Rentals portfolio by EnerCare and stand-alone billing could have a material adverse effect on EnerCare's financial condition and results of operations and on EnerCare Solutions' ability to satisfy its debt service obligations as there can be no assurance that the customer services delivered by EnerCare, or other third parties, will be of the same standard as those delivered under the OBAs and stand-alone billing may result in increased bad debt.

Bad debt experience may also increase if any arrangement relating to stand-alone billing and collection services does not include a collection guarantee. It is also possible that transitional issues may arise following a termination of the OBAs and associated arrangements, and those issues may have a material adverse effect on EnerCare's financial condition and results of operations and on EnerCare Solutions' ability to satisfy its debt service obligations.

Furthermore, any failure to maintain such billing and trust arrangements may have an adverse impact on the credit rating of EnerCare and EnerCare Solutions' outstanding indebtedness, EnerCare's and EnerCare Solutions' respective issuer credit ratings and EnerCare Solutions' ability to refinance any of its indebtedness.

Reliance on Call Centres

EnerCare utilizes third party service providers in the Rentals portfolio in the provision of most customer care services, including dealing with customer telephone queries, protection plan sales and renewals and other direct telephonic communications with customers. As a result, EnerCare is reliant on the personnel, good faith, expertise, technical resources and information systems, proprietary information and judgment of those service providers in providing such customer care services. Accordingly, EnerCare will be exposed to adverse developments in the business and affairs of such service providers, their management and their financial strength.

Regulatory Matters

As the vast majority of EnerCare's customers are consumers, EnerCare is subject to consumer protection laws and regulations (including the *Consumer Protection Act, 2005* (Ontario)). Although EnerCare believes that it is in compliance with such consumer protection laws and regulations in all material respects, given the likelihood that regulatory determinations are likely to favour consumers in the event of any ambiguity in such laws or regulations (of which there are many), no assurance can be given that EnerCare will be able to comply with such laws or regulations. Furthermore, changes to any of the laws, rules, regulations or policies respecting the installation, contracting, servicing or billing practices in relation to water heaters could have a significant impact on ESLP's business. There can be no assurance that EnerCare will be able to comply with any future laws, rules, regulations and policies. Failure by EnerCare to comply with applicable laws, rules, regulations and policies may subject ESLP to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on EnerCare's financial condition and results of operations and on EnerCare Solutions' ability to satisfy its debt service obligations.

In addition, although the Consent Order expired in accordance with its terms in February 2012 and EnerCare believes that the competitive landscape in the Enbridge gas distribution territory has significantly changed since the imposition of the Consent Order in 2002 (most particularly subsequent to 2008), no assurance can be given that EnerCare will not in the future be subject to constraints on its business operations under the Competition Act or otherwise in respect of the Rentals portfolio.

Furthermore, in December 2012, the Commissioner under the Competition Act filed applications with the Competition Tribunal against both DE and Reliance Comfort Limited Partnership under the Competition Act alleging that they each hold dominant positions in the supply of certain types of water heaters in certain areas of Ontario and that they have each engaged in a practice of anti-competitive acts, including through their respective water heater return policies and procedures. Although EnerCare is not a party to the proceedings and believes that the Commissioner's allegations are without merit, EnerCare may be made a party to such proceedings and, in any event, the outcome of the proceedings cannot be predicted with any certainty.

Attrition and Competition

EnerCare operates in a competitive environment and hence its growth and sustainability may be negatively impacted by loss of market share to new competition or due to changes in consumer behaviour. In 2009, EnerCare encountered increased competitive pressure and a resulting increase in its Attrition rate. The Attrition rate for the second quarter of 2014 and year-to-date was 3.85% and 3.49%, respectively, compared to 4.17% in 2013, 5.98% in 2012, 6.00% in 2011, 6.35% in 2010 and 8.02% in 2009. The Attrition rate in 2008 was 3.2%. The higher Attrition rates that began in 2009 are attributable principally to increased competition from both traditional entities and new entrants. Some of these new market entrants used aggressive door to door promotion.

As a result of these and other competitive pressures, EnerCare may experience increased Attrition rates in the future as well as higher expenses in defense of the installed water heater customer base. Increased Attrition rates could have a material adverse effect on EnerCare's financial condition and results of operations and on EnerCare Solutions' ability to satisfy its debt service obligations.

Buy-Outs and Returns of Water Heaters

Pursuant to the terms of the Rentals contracts and as required pursuant to the Consent Order, customers are permitted to purchase their installed water heaters at a price discounted based on the age of the water heater, determined with reference to the price of the water heater at the time of installation of the water heater. Since the third quarter of 2004, customers have been permitted to terminate their Rentals contracts without charge. Prior to that time, in accordance with the Consent Order, the exit charge permitted to be charged to customers in the first five years following installation was not sufficient to cover the capital cost of the installed water heaters and, if the water heater was installed for over five years, there was no exit charge payable. In 2010, EnerCare implemented new terms and conditions for certain new customers pursuant to which EnerCare may require these customers to buy-out their water heaters at a pre-determined price if the contract is terminated prior to the end of the useful life of the applicable equipment. If customers choose to buy their installed water heaters or terminate their Rentals contracts, the number of installed water heaters and the composition of the portfolio of installed water heaters could change. Any loss of customers could have a material adverse effect on EnerCare's financial condition and results of operations and on EnerCare Solutions' ability to satisfy its debt service obligations.

Social or Technological Changes

Within Canada, the Province of Ontario marketplace is unique in that the vast majority of homeowners rent their water heaters. There can be no assurance that homeowners will continue to rent their water heaters for an indefinite period. It is also possible that more economical or efficient water heating technology than that which is currently used by customers will be developed or that the economic conditions in which the current technology is applied will change resulting in a reduction in the number of installed water heaters. Any material change in homeowners' rental practices or in technology may have a material adverse effect on EnerCare's financial condition and results of operations and on EnerCare Solutions' ability to satisfy its debt service obligations.

Useful Life of Water Heaters

Past experience indicates that the average useful life of a water heater is approximately 16 years. However, there can be no assurance that water heaters will continue to have a useful life of that length. EnerCare will be responsible for, among other things, the capital cost and installation fees related to the purchase and installation of replacement water heaters. There can be no assurance that EnerCare will have sufficient cash flow or financing capabilities to fund the purchase and installation of replacement water heaters. The lack of such funds could limit the ability of ESLP to maintain the portfolio of water heaters which could have a material adverse effect on EnerCare's financial condition and results of operations and on EnerCare Solutions' ability to satisfy its debt service obligations.

Concentration of Suppliers, Product Faults and Costs

Although there are a number of manufacturers of water heaters outside Canada, EnerCare will rely principally on three suppliers for its supply of water heaters, GSW Inc., Rheem Canada Ltd. and Bradford White Corporation. Should any of these suppliers fail to deliver in a timely manner, the result could be delays or disruptions in the supply and installation of water heaters. In addition, as many of the installed water heaters are of the same or similar type manufactured by these three manufacturers, manufacturer's defects or product recalls relating to a particular production model or type of water heater could affect a material portion of the Rentals portfolio. Furthermore, different water heater manufacturers may, from time to time, source components from the same manufacturers for use in their water heaters. As a result, a parts defect relating to a commonly sourced component could affect water heaters produced by more than one manufacturer. EnerCare does not insure against this risk of product defects or product recalls. All water heaters manufactured by GSW Inc. that were purchased by DE are currently made in Canada. If GSW Inc. moved production out of Canada, the capital cost of their water heaters may increase. Rheem Canada Ltd. moved production to Mexico in June of 2006. Bradford White Corporation's production facilities are located in the United States.

Prior to the Acquisition, DE had the principal relationship with these three suppliers for the supply of water heaters. There can be no assurance that EnerCare's relationship with any or all of these suppliers will not be adversely affected as a result of the Acquisition or that the costs of water heaters will not rise as a result.

Although there are a number of suppliers of HVAC equipment, no assurance can be given that EnerCare will have the same purchasing power as that previously enjoyed by DE in the purchase of HVAC equipment from one or more of these suppliers as EnerCare's purchases will principally be limited to purchases to serve the Ontario marketplace only.

ESLP's business exposes it to potential product liability and product defect risks that are inherent in the ownership of water heaters and HVAC equipment rentals. While ESLP currently maintains what it believes to be suitable product liability insurance, there can be no assurance that ESLP will be able to maintain such insurance on acceptable terms or that any such insurance will provide adequate protection against potential liabilities. In the event of a successful claim against ESLP, a lack of sufficient insurance coverage could have a material adverse effect on EnerCare's financial condition and results of operations and on EnerCare Solutions' ability to satisfy its debt service obligations. Moreover, even if ESLP maintains adequate insurance, any successful claim could have a material adverse effect on EnerCare's financial condition and results of operations and on EnerCare Solutions' ability to satisfy its debt service obligations. EnerCare does not insure against the risk of product defects or product recalls.

While there are several major suppliers of water heaters, HVAC equipment and other rented equipment, the cost of the equipment is affected by commodity prices, such as steel and copper, and currency fluctuations, mainly the U.S. dollar relative to the Canadian dollar. EnerCare does not hedge these types of exposures, so in any given year, there can be no assurance that increases in capital costs will be able to be recovered fully in rental rates charged to customers.

Franchisee Independence and Relationships

Approximately 40% of the Rentals portfolio is serviced by licensed franchisees. Licensed franchisees are independent businesses and, as a result, their operations may be adversely affected by factors beyond EnerCare's control which, in turn, could adversely affect EnerCare's reputation, operations and financial performance. Revenues and earnings could also be adversely affected, and EnerCare's reputation could be harmed, if a significant number of licensed franchisees were to experience operational failures, health and safety exposures or were unable to perform the necessary services under the Rentals contracts. The franchise system is also subject to franchise legislation in the Province of Ontario. Any new legislation or failure to comply with existing legislation could adversely affect operations and could add administrative costs and burdens, any of which could adversely affect EnerCare's relationship with its licensed franchisees. EnerCare will provide various services to the licensed franchisees to assist with management of their operations and dedicated personnel will manage EnerCare's obligations to its licensed franchisees. Despite these efforts, relationships with licensed franchisees could pose significant risks if they are disrupted, which could adversely affect the reputation, operations and financial performance of EnerCare.

Labour Relations

EnerCare's workforce is comprised of both unionized and non-union employees. With respect to those employees that are covered by collective bargaining agreements, including the CBA, there can be no assurance as to the outcome of any negotiations to renew such agreement on satisfactory terms. Failure to renegotiate collective bargaining agreements, including the CBA, could result in strikes, work stoppages or interruptions, and if any of these events were to occur, they could have a material adverse effect on EnerCare's reputation, operations and financial performance and EnerCare Solutions' ability to satisfy its debt service obligations. If non-unionized employees become subject to collective agreements, the terms of any new collective agreements would have implications for the affected operations, and those implications could be material.

Pension Plan and Other Post-Employment Benefits Obligations

OHCS participates in a hybrid pension plan sponsored by DE which provides defined benefits to a closed group of active employees, and offers other post-employment benefits. The notes to the historical carve-out financial statements of OHCS as at and for the year ended December 31, 2013 included in the short form prospectus filed in connection with the Offering include a discussion of the most significant sources of risk for OHCS as a result of the defined benefit portion of the DE pension plan, including a sensitivity analysis. EnerCare will be subject to similar risks as it will assume the pension-related obligations of OHCS pursuant to a new pension plan to be established pursuant to the Asset Purchase Agreement following regulatory approval and DE's funding of that new pension plan on a solvency basis. Furthermore, although the Asset Purchase Agreement provides that DE will be required to reimburse EnerCare for any post-employment benefit obligations, excluding pension obligations, relating to OHCS employees to be employed by EnerCare to the extent the pre-Acquisition closing valuation of such obligations exceeds $32 million in the aggregate, DE will not be required to reimburse EnerCare for the actual obligations incurred by EnerCare for such post-employment benefit obligations and no assurance can be given as to the amount of such obligations relative to the pre-Acquisition closing valuation.

Geographic Concentration and New Home Construction

Essentially all of the Rentals portfolio assets are located in the Province of Ontario as the Canadian water heater rental market is primarily limited to the Province of Ontario. Furthermore, most of the growth in the number of installed rental water heaters and HVAC equipment is principally as a result of new home construction of detached, semi-detached and row houses, which is a particularly competitive section of the water heater and HVAC equipment rental industry in the Province of Ontario. Consequently, EnerCare is particularly reliant on the economy of the Province of Ontario to maintain and to grow the Rentals portfolio. The recent downturn and uncertainty in the Province of Ontario's economy and corresponding slowdown in new home construction of detached, semi-detached and row houses has had in 2008 and 2009, and to a lesser extent from 2010 to date in 2014, an adverse effect on demand for water heaters and HVAC equipment.

Uninsured or Underinsured Risks

EnerCare's current insurance coverage in respect of potential liabilities of EnerCare and the accidental loss of value of the assets of EnerCare from risks is in the form of comprehensive property and casualty insurance in respect of claims for bodily injury or property damage arising out of assets or operations (subject to deductible amounts). However, not all risks are covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of ESLP.

Lack of Written Rental Contracts

In many cases, DE did not enter into written agreements with customers or did not enter into updated written agreements to reflect the current rental terms and conditions. As a result, those customers may assert a right to terminate their relationship with EnerCare at any time or EnerCare may be unable to enforce payment of certain charges payable by such customers. Any loss of customers or inability to enforce payment of certain charges paid by customers for installed water heaters or HVAC equipment could have a material adverse effect on EnerCare's financial condition and results of operations and on EnerCare Solutions' ability to satisfy its debt service obligations.

Protection Plan Renewal Risk

OHCS protection plans typically have a 12-month term. Upon the expiry of any protection plan, there can be no assurance that the protection plan will be renewed or, if it is renewed, that the terms thereof will be as favourable to EnerCare as the expiring contract terms. The failure to achieve renewals and/or price increases may have a material adverse effect on the financial position and results of operations of EnerCare and on EnerCare Solutions' ability to satisfy its debt service obligations.

Litigation Risk

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

Restrictive Covenants

EnerCare Solutions has significant debt service obligations under its 2012 Notes, 2013 Notes and Debt Financing. The degree to which EnerCare Solutions is leveraged could have important consequences, including: (i) EnerCare Solutions' ability to obtain additional financing; (ii) a substantial portion of the cash flow from EnerCare Solutions will be dedicated to the payment of interest on its 2012 Notes, 2013 Notes and Debt Financing; and (iii) EnerCare Solutions' failure to refinance its 2012 Notes, 2013 Notes and Debt Financing will have a material adverse effect on EnerCare Solutions' ability to satisfy its debt service obligations. The amount of interest payable on the Debt Financing is variable, and the interest rate may fluctuate significantly. Historical levels, fluctuations and trends in interest rates are not necessarily indicative of future levels. Any significant upward movement in interest rates could materially increase the cost of borrowing under the Debt Financing.

The Senior Unsecured Indenture and the Debt Financing contain restrictive covenants of a customary nature, including covenants that limit the discretion of the board with respect to certain business matters. These covenants place restrictions on, among other things, the ability of EnerCare, through EnerCare Solutions and the guarantors, to incur additional indebtedness, to pay distributions or dividends or make certain other payments, and to sell or otherwise dispose of significant assets or consolidate with another entity. In addition, there are also a number of financial covenants that require EnerCare Solutions to meet certain financial ratios and financial condition tests. Failure to comply with these obligations could result in an event of default which, if not cured or waived, could permit acceleration of the 2012 Notes, 2013 Notes and Debt Financing. If the 2012 Notes, 2013 Notes or Debt Financing were to be accelerated, there could be no assurance that the assets of EnerCare Solutions would be sufficient to repay in full such indebtedness. There can also be no assurance that the 2012 Notes, 2013 Notes, Debt Financing or any other indebtedness will be able to be refinanced by EnerCare Solutions on commercially reasonable terms, or at all.

Credit Ratings and Credit Risk

There can be no assurance that any credit ratings assigned to EnerCare, 2012 Notes, 2013 Notes and/or EnerCare Solutions will remain in effect for any given period of time or that the ratings will not be withdrawn or revised by either or both of DBRS and S&P at any time. Real or anticipated changes in credit ratings on any of EnerCare or EnerCare Solutions may affect the market value of the Shares, 2012 Notes and 2013 Notes. In addition, real or anticipated changes in credit ratings can affect the cost at which EnerCare can access the capital markets and the pricing of the Debt Financing.

Reliance on Key Executives

EnerCare's operations and prospects are dependent upon the participation of key executives. The loss of their services and EnerCare's inability to attract and retain qualified and experienced personnel may materially affect EnerCare's ability to operate and grow EnerCare, including OHCS.

Reliance on Directors

In assessing the risk of an investment in EnerCare, potential investors should be aware that they will be relying on the good faith, experience and judgment of the board. Although investments made by EnerCare are carefully selected, there can be no assurance that such investments will earn a positive return in the short or long term or that losses may not be suffered by EnerCare from such investments.

Dilution of Shareholders

EnerCare is authorized to issue an unlimited number of Shares and 10,000,000 preferred shares issuable in series for consideration and on terms and conditions to be established by the board without the approval of any shareholders. EnerCare may make future acquisitions or may enter into financings or other transactions involving the issuance of securities of EnerCare which may be dilutive. Shareholders will have no pre-emptive rights in connection with such further issues.

Uncertainty of Dividend Payments

As a corporation, EnerCare's dividend level is at the discretion of the board and will be evaluated periodically and may be revised depending on, among other factors, EnerCare's earnings, the financial requirements of EnerCare's operations, the satisfaction of solvency tests imposed by corporate law for the declaration and payment of dividends and other conditions that may exist from time to time. The dividend level is intended to allow for internally generated cash flow to support organic growth, maintain a strong balance sheet and provide sustainable monthly dividends to holders of Shares. There can be no guarantee that EnerCare will maintain its current dividend level. Any reduction or suspension of dividends may materially adversely affect the market price or value of the Shares.

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 and "*Cautionary Note Regarding Forward-Looking Statements*" under "*Recent Developments – EnerCare Signs Agreement to Acquire DE's Home and Small Commercial Business in Ontario*".

EnerCare continued to experience improved results in the Rentals business through increasing average monthly rental rates as a result of our HVAC strategy and improved customer retention. We believe that the factors contributing 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. Our key priorities and initiatives for the Rentals business in 2014 remain focused on growing revenue in excess of annual rate increases, increasing the number of unit additions, continuing to improve Attrition and as a result, increase Adjusted EBITDA.

The purchase of DE's OHCS business will be transformative for EnerCare. When combined, EnerCare will have direct access to its customers, control over all aspects of its operations and larger financial scale.

Our priority for the first 12-months, after closing of the Acquisition will be on implementing the reunification of the two businesses. This will significantly strengthen and expand EnerCare's core business and will provide us with additional opportunities for growth.

In respect of Sub-metering, we are pleased with our year to date sales of 12,000 units. We continue to make improvements in productivity and operational efficiencies through our Lean program and anticipate further advancements in our collection and client remittance processes. We also expect a continuation of the favorable adoption rates we have experienced with the introduction of e-billing. Interest in our "whole building" solution and in particular thermal metering, continues to be strong.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of EnerCare dated March 20, 2014.
Attrition	Termination of customer relationships, including buyouts, in the Rentals portfolio.
Acquisition	The contemplated acquisition of the OHCS business of DE by EnerCare pursuant the Asset Purchase Agreement.
Asset Purchase Agreement	The agreement dated July 24, 2014 between EnerCare, New LP and DE regarding the Acquisition.
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").
CBA	The collective bargaining agreement negotiated and ratified in 2012 and 2014 by DE with Unifor Local 975.
Competition Act	*Competition Act* (Canada).
Consent Order	The 2002 consent order under the Competition Act which expired in 2012.
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.
Debt Financing	The debt financing of EnerCare Solutions in respect of the Acquisition consisting of an unsecured (i) 6-month variable rate, non-revolving term bridge facility in the maximum amount of $310 million which will be utilized only in the event the Offering fails to close, (ii) 4-year variable rate, non-revolving term loan facility in the maximum amount of $223 million to be available in a single drawdown and (iii) 5-year variable rate, revolving credit facility in the maximum amount of $100 million.
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.
New LP	EnerCare Acquisition Limited Partnership, the limited partnership formed to own OHCS following the closing of the Acquisition, an indirect wholly-owned subsidiary of EnerCare.
OBA	The Enbridge open bill access agreement.
OCI	Other Comprehensive Income.
Offering	The public offering of $310,011 of Subscription Receipts by EnerCare.
OHCS	The Ontario home and small commercial services business of DE.
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 November 15, 2014, as amended and restated as of July 6, 2011, and further amended on November 15, 2012, February 26, 2013 and July 4, 2014.
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.
Subscription Receipts	$310,011 of subscription receipts to be issued by EnerCare on a bought deal basis.
Sub-metering	Business division (ECI) that provides sub-metering equipment and billing services.
TSX	Toronto Stock Exchange.
Term Loan	$60,000 single draw, variable rate, interest only, open loan with a maturity date of January 28, 2016.
Transition Services Agreement	The agreement to be entered into on closing of the Acquisition in respect of the provision by DE of certain ongoing information technology transitional services and information technology decoupling services.
Trust	The Consumers' Waterheater Operating Trust.
Underwriters	Syndicate of underwriters co-led by National Bank Financial Inc. and TD Securities Inc.
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.