



**EnerCare Inc.**

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

**First Quarter ended March 31, 2015**

**Dated May 13, 2015**

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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 March 31, 2015. 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: Home Services – provision of water heaters, furnaces, air conditioners and other HVAC rental products, protection plans and related services and Sub-metering – provision of Sub-metering equipment and billing services.*

*Certain definitions of key financial and operating terms used in this MD&A are located at the end of this MD&A under "Glossary of Terms".*

## FORWARD-LOOKING INFORMATION

This MD&A, dated May 13, 2015, contains certain forward-looking statements that involve various risks and uncertainties and should be read in conjunction with EnerCare's 2014 audited consolidated financial statements. Additional information in respect to EnerCare, including the AIF, can be found on SEDAR at [www.sedar.com](http://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.

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, primarily through acquisition, has become a multi-segment and product company since its origins in 2002 as the Fund, which primarily financed rental equipment originated and serviced by DE. On October 20, 2014, EnerCare purchased the Ontario home and small commercial services business from DE and effectively reunited the business separated in 2002 with the creation of the Fund (see additional commentary under "*Recent Developments – EnerCare Completes Acquisition of DE's Home and Small Commercial Services Business in Ontario*"). EnerCare Solutions, a wholly-owned subsidiary of EnerCare, through its subsidiaries, operates the Home Services business.

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 Home Services and Sub-metering businesses, EnerCare provides 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.

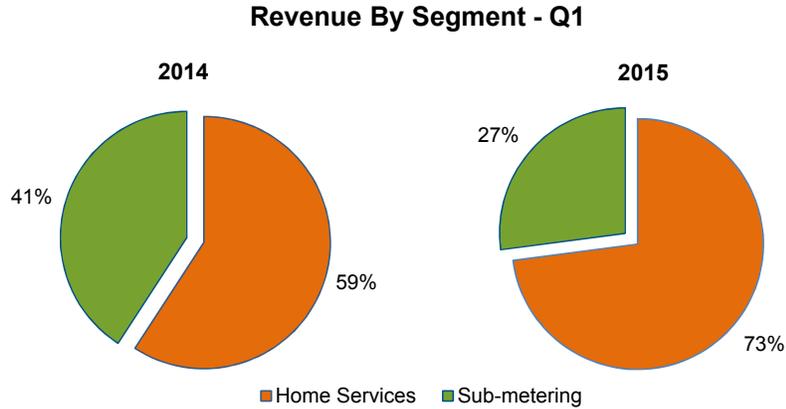
EnerCare has grown revenues every year since its inception in 2002, generated stable cash flow and consistently maintained a high dividend yield. EnerCare has investment grade ratings of BBB+/negative and BBB(high) stable rating from S&P and DBRS, respectively.

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 Composite Index.

## PORTFOLIO SUMMARY

EnerCare's primary businesses are comprised of Home Services and Sub-metering. As seen by the graph below, the Home Services business accounted for 73% of the overall revenue of EnerCare during the first quarter of 2015. Prior to October 20, 2014, the Home Services segment only comprised of water heater

and HVAC rental products, primarily subject to the origination and servicing arrangements with DE. Since the Acquisition, Home Services includes the other revenue sources discussed below.



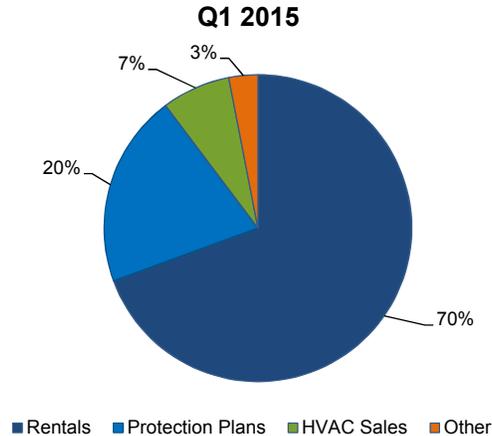
### ***Home Services Business***

There are four main business activities within Home Services: Rentals, Protection Plans, HVAC Sales and Other (which includes duct cleaning, chargeable plumbing work and other chargeable services). The following diagram shows the breakdown of customer contracts for each such activity ending in the first quarter of 2015.



Of the four main business activities, the Rentals component produces the largest portion of revenue, followed by Protection Plans, HVAC Sales and Other, as illustrated in more detail by the following chart.

## Home Services Revenue By Category



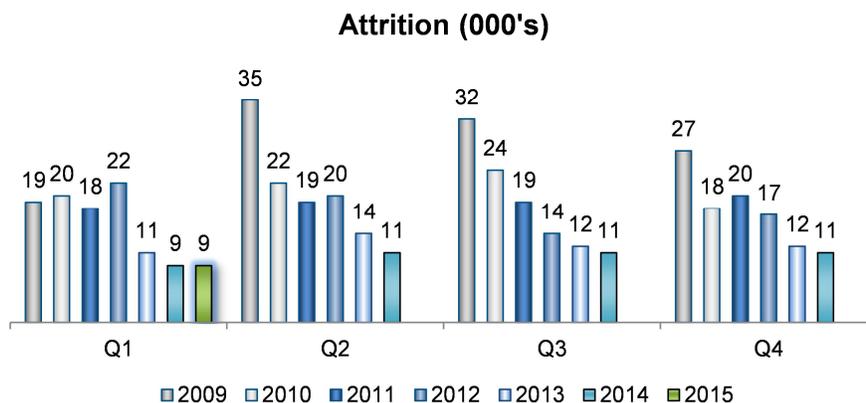
### Rentals

Prior to the Acquisition, EnerCare had expanded its Home Services business through a number of acquisitions and origination arrangements with various parties; however, approximately 90% of the Rentals revenue was subject to the Co-ownership Agreement.

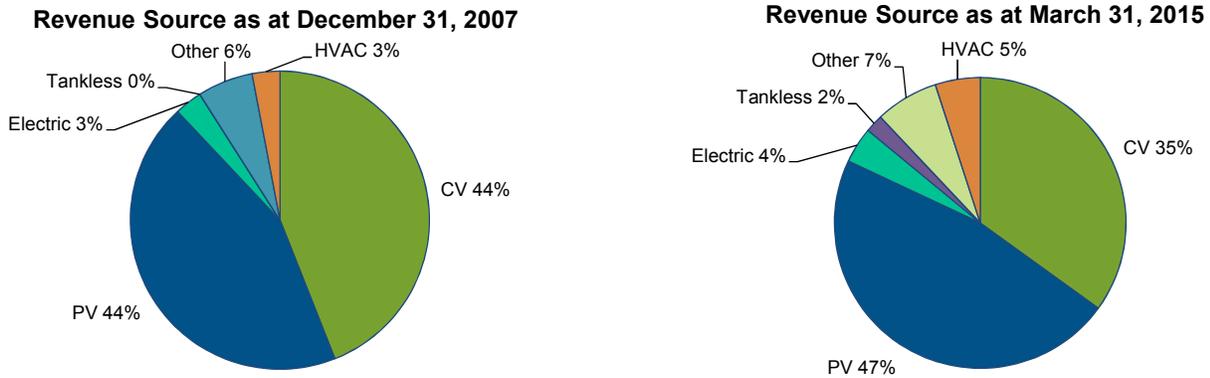
For the portfolios under the Co-ownership Agreement, EnerCare was entitled to 65% of the revenue and other payments and DE was entitled to 35% of the revenue. For DE's portion of the revenue, it was responsible for servicing and maintaining the assets. Through its origination agreement with DE, EnerCare essentially incurred the capital expenditures in respect of the portfolio. Following the Acquisition, EnerCare now receives 100% of the revenues and is responsible for the service and maintenance obligations associated with those assets.

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 has 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 "same day service campaign"), have helped to significantly reduce Attrition in recent years.

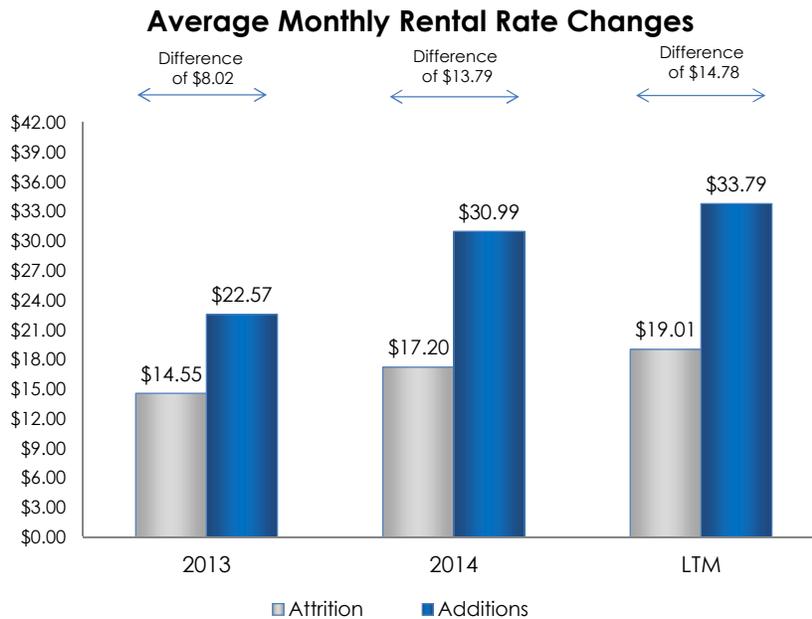
Attrition was consistent in the first quarter of 2015 compared to the same period in 2014. Attrition has improved year-over-year since 2009 (see table below) with Attrition in 2014 being the lowest in the past six years.



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 the results have a small impact 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 seven years ago to that of today reveals that the portfolio contains a higher percentage of power vent ("PV"), HVAC and tankless units, all of which provide a higher revenue than conventional vent ("CV") units.

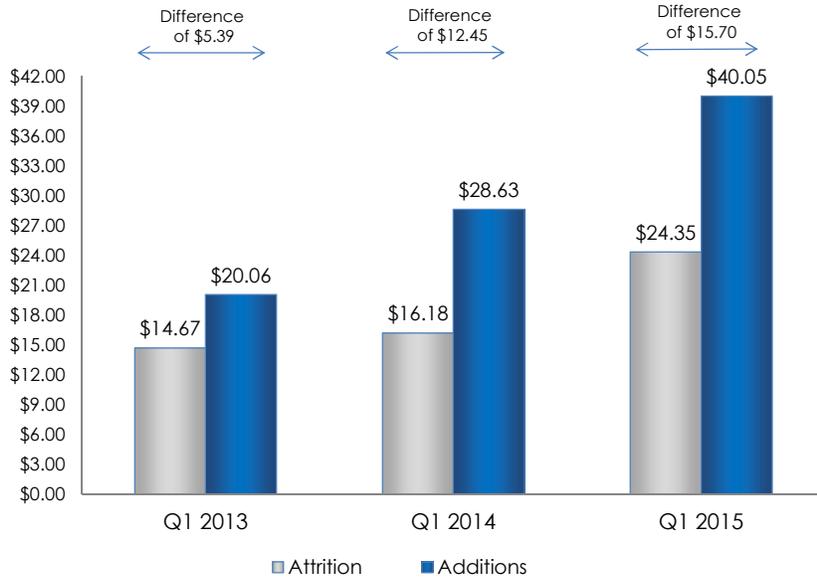


The impact of changes in product mix over time is outlined further in the graph below which shows revenue for the last twelve months to March 31, 2015 from unit additions contributing approximately \$14.78 per unit more than revenue from units lost on account of Attrition. New customers are worth approximately 1.8 times that of a lost customer.



This difference in rental rates applicable to new and lost customers has increased steadily over the past three years, with the first quarter of 2015 revenue spread widening to \$15.70, an increase of \$3.25 over the same period in 2014.

### Average Monthly Rental Rate Changes

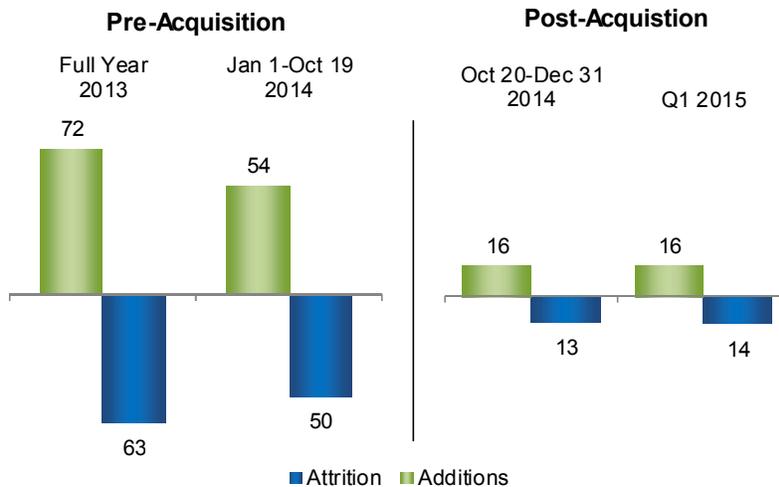


Subsequent to the Acquisition, EnerCare offers the additional products and services as follows:

### Protection Plans

Home Services sells a variety of plans covering such items as furnaces, air conditioning, plumbing and appliances. There are essentially two types of protection plans: maintenance protection plans and full service protection plans. Maintenance protection plans essentially only provide for maintenance services, whereas full service protection plans provide a broader suite of protections, such as parts and labour. The plans are typically one year in length with monthly, quarterly or annual payment options. One contract unit represents approximately 1.4 services. Due to the annual nature of the contract, the protection plans tend to have a higher churn rate. The following chart depicts the additions and attrition for the category.

### Protection Plan Additions & Attrition (000's)



The following table illustrates the protection plan contract continuity for the first quarter of 2015 and 2014.

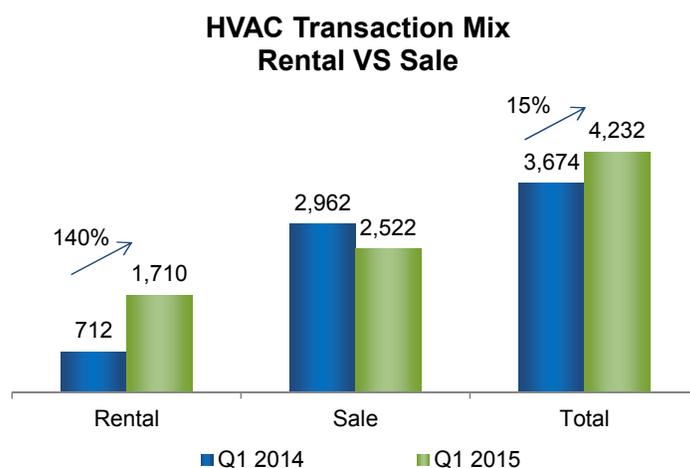
Protection Plan Unit Continuity (000's) Three months ended March 31,	Post-Acquisition 2015	Pre-Acquisition 2014
Contracts - start of period	553	546
Portfolio additions	16	19
Protection Plan Attrition	(14)	(11)
Contracts - end of period	555	554
% change in units during the period	0.4%	1.5%
% of units from start of period:		
Portfolio additions	2.9%	3.5%
Protection Plan Attrition	(2.5%)	(2.0%)

## HVAC Sales

A customer can acquire an HVAC asset through a sale, comprised of an outright purchase or financing through a third party. Typically, most HVAC sales occur during the heating and cooling seasons of the year.

As part of EnerCare's strategy to grow its recurring revenue customer base, EnerCare in 2013 re-launched its HVAC rental program. While converting a customer from an outright sale to a long-term rental product is capital intensive and creates a short-term reduction in the income statement as instead of a one-time in year gain on margin the rental HVAC creates a long-term customer revenue stream, the rental relationship provides greater cross-selling opportunities and is therefore more valuable than a one-time sale.

During the first quarter, EnerCare rented approximately 1,710 new units, an increase of 140% over the prior year and sold approximately 2,522 units for a total of 4,232 HVAC transactions, compared to 3,700 units in the prior year, an increase of 15%. A first quarter comparison between 2015 and 2014 is in the chart below.



Please note that the historical HVAC sale information is being provided as an illustration of the improvement in the overall HVAC segment. EnerCare was not party to HVAC sales before the close of the acquisition on October 20, 2014. However, EnerCare did originate the historical HVAC rentals in 2014.

## Other

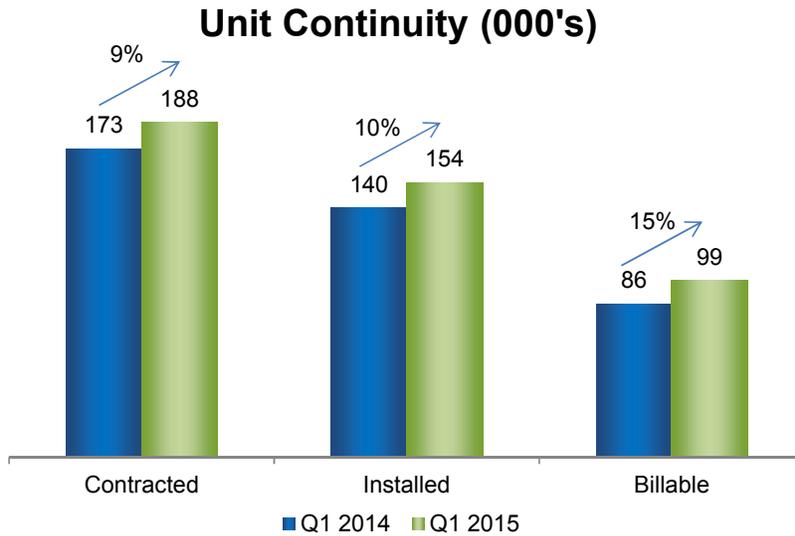
The Other category includes ancillary services such as duct cleaning, plumbing work and other non-contracted chargeable services provided by Home Services.

## Sub-metering Business

EnerCare entered the multi-residential Sub-metering business through two acquisitions made in the last seven 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 typically at 100% penetration from that point onwards.

Through acquisition 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 188,000 contracted units. Of those contracted units, 154,000 have meters installed and 99,000 units are billing. We expect to experience continued revenue growth as these contracted units are turned into installed units and subsequently Billable units.



Over the past year, EnerCare has implemented a number of LEAN and continuous improvement initiatives improving work flow, efficiencies and expanding capacity within Sub-metering. The most recent revenue assurance program, initiated in the second quarter of 2014, has yielded improvements which we anticipate will contribute more than \$2,000 of incremental net revenue in 2015.

## FIRST QUARTER 2015 HIGHLIGHTS

(000's)	Three months ended March 31,	
	2015	2014
Home Services	\$104,013	\$48,636
Sub-metering	37,722	33,552
Investment income	77	37
<b>Total revenues</b>	<b>\$141,812</b>	<b>\$82,225</b>
EBITDA <sup>1</sup>	51,648	39,605
Adjusted EBITDA <sup>1</sup>	53,400	43,017
Acquisition Adjusted EBITDA <sup>1</sup>	54,012	43,017
Earnings before income taxes	13,765	9,572
Current tax (expense)	(2,954)	(6,079)
Deferred income tax (expense) / recovery	(2,909)	3,521
<b>Net earnings</b>	<b>\$ 7,902</b>	<b>\$ 7,014</b>
Payout Ratio – Maintenance <sup>2</sup>	48%	46%
Payout Ratio <sup>2</sup>	68%	72%

The following highlights compare results for the first quarter of 2015 with the first quarter of 2014.

- Total revenues of \$141,812 increased by \$59,587, or 72% in the first quarter of 2015. Revenues in the Home Services business were \$104,013, greater than the prior year by \$55,377, of which approximately \$54,300 of revenue was added through the Acquisition. The remaining increase of approximately \$1,100 was 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 \$37,722 from \$33,552, primarily as a result of an increase in flow through commodity charges and Billable units.
- EBITDA increased by \$12,043 to \$51,648 in the first quarter of 2015, driven principally by improved total revenues and loss on disposal of equipment, partially offset by higher cost of goods sold and SG&A costs primarily associated with integration costs related to the Acquisition. Adjusted EBITDA of \$53,400 increased by \$10,383 after removing from EBITDA the impact of the loss on disposal of equipment and including other income. After removing integration costs associated with the Acquisition of \$612, Acquisition Adjusted EBITDA was \$54,012 in 2015, an increase of \$10,995 over the same period in 2014.
- EBITDA for the Sub-metering business increased by \$1,522, or 104% in the first quarter of 2015, driven primarily by improvements in Billable units, the impact of the revenue assurance program as well as LEAN and continuous improvement initiatives.
- Net earnings of \$7,902 in the first quarter of 2015, increased by \$888 or 13% compared to the same period in 2014, reflecting increased EBITDA, partly offset by higher amortization expenses, total taxes payable and increased interest expenses primarily from the New Term Loan resulting from the Acquisition.
- Attrition in the Rentals portfolio of 0.8% or 9,000 units for the first quarter of 2015 was consistent with the same period in 2014. As of the end of 2014, Attrition had improved year-over-year since 2009 and for twelve consecutive quarters, year-over-year.
- The Payout Ratio – Maintenance, which includes only capital expenditures in respect of exchanged assets, was 48% in the first quarter of 2015 compared to 46% in 2014, primarily as a result of higher dividend payments, net capital expenditures and operating cash flow, after adjustments for Acquisition costs.
- The Payout Ratio was 68% in the first quarter of 2015, versus 72% compared to the same period in 2014 (see additional commentary under “*Distributable Cash and Payout Ratios*”).

<sup>1</sup> EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA are Non-IFRS financial measures. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

<sup>2</sup> Payout Ratio – Maintenance and Payout Ratio are Non-IFRS financial measures. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

## **RECENT DEVELOPMENTS**

### ***Stronger Protection for Ontario Consumers Act, 2013***

On November 27, 2013, the *Stronger Protection for Ontario Consumers Act, 2013* (“Bill 55”) passed third reading in the Ontario Legislature. Bill 55 is a direct response by the Ontario Government to aggressive and deceptive door-to-door water heater rental sales.

On March 7, 2014 and October 10, 2014, the Ontario Ministry of Consumer Services (the “Ministry”) issued proposals for regulations to implement Bill 55 and invited public consultation on the proposals. EnerCare submitted its comments on the proposals to the Ministry in respect of both consultations.

The amendments to the *Consumer Protection Act* (Ontario) pursuant to Bill 55 came into force on April 1, 2015.

Among other things, Bill 55 provides the following changes in respect of direct agreements for the supply of water heaters:

- Doubles the existing 10-day cooling-off period to 20 days, providing consumers with more time to consider their decision;
- Subject to certain exceptions, including where the consumer initiates contact with the supplier, bans the delivery and installation of water heaters during the new 20-day cooling-off period; and
- Provides new consumer protection when the rules are not followed, such as requiring the supplier to reimburse the customer for all cancellation, return or removal fees when the 20-day cooling-off period is not observed.

Concurrently with the coming into force of Bill 55, new or amended regulations under the *Consumer Protection Act* (the “Regulations”) are also to come into effect. Among other things, the Regulations require the following in respect of direct agreements for the supply of water heaters:

- Companies must confirm sales by making scripted and recorded telephone calls to the customer, subject to certain exceptions including where the consumer initiates contact with the supplier; and
- Enhanced disclosure, including the requirement to include mandatory cover pages and the comparable retail price, rental rate, total amounts payable under the contract and any termination charges.

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

### ***Dividend Increase***

On March 3, 2015, EnerCare increased its monthly dividend to shareholders of record on March 31, 2015 to \$0.07.

### ***Senior Management Changes***

On January 12, 2015, Aaron Cheng was appointed Vice President of Information Technologies of EnerCare and EnerCare Solutions and each of their respective subsidiary entities.

On January 16, 2015, Larry Ryan was appointed interim Senior Vice President and General Manager, Home Services of EnerCare and EnerCare Solutions and each of their respective subsidiary entities (other than ECI).

On March 23, 2015, Lorne Solway was appointed Chief Marketing Officer of EnerCare and EnerCare

Solutions and each of their respective subsidiary entities.

On April 27, 2015, Colleen Bailey Moffitt was appointed Vice President, Human Resources of EnerCare and EnerCare Solutions and each of their respective subsidiary entities.

### **Acquisition of Water Heaters from Cobourg Network Inc.**

On March 2, 2015, EnerCare, through a subsidiary of EnerCare Solutions, acquired the rental portfolio of Cobourg Network Inc. (“CNI”), comprised of approximately 1,380 electric water heaters for cash consideration of \$880 after post-closing adjustments. In connection with the acquisition, CNI and EnerCare entered into a transitional agreement pursuant to which CNI provides transitional support and billing and collection services on behalf of EnerCare.

### **EnerCare Annual General Meeting of Shareholders**

At EnerCare’s Annual General Meeting of Shareholders held on April 30, 2015, shareholders re-elected all of management’s director nominees.

### **EnerCare Launches Extended Protection Plan Program**

On May 1, 2015, EnerCare launched an Extended Protection Plan program on Heating and Air Conditioning sales. Prior to May 1, 2015, these types of plans were outsourced to a third party extended warranty provider. These EnerCare plans not only allow EnerCare to retain the customer relationship, but also provide ongoing maintenance whereby the outsourced arrangement covered only limited parts and labour. These plans augment the customer value proposition when a customer chooses to purchase rather than rent.

## **RESULTS OF OPERATIONS**

### **Earnings Statement**

Three months ended March 31, (000's)	Home Services	Sub- Metering	Corporate	2015 Total	Home Services	Sub- Metering	Corporate	2014 Total
<b>Revenues:</b>								
Contracted revenue	\$ 93,653	\$37,656	\$ -	\$131,309	\$48,602	\$33,472	\$ -	\$82,074
Sales and other services	10,360	66	-	10,426	34	80	-	114
Investment Income	72	5	-	77	34	3	-	37
<b>Total revenue</b>	<b>\$104,085</b>	<b>\$37,727</b>	<b>\$ -</b>	<b>\$141,812</b>	<b>\$48,670</b>	<b>\$33,555</b>	<b>\$ -</b>	<b>\$82,225</b>
<b>Expenses:</b>								
Cost of goods sold:								
Commodity	-	30,973	-	30,973	-	28,359	-	28,359
Maintenance & servicing costs	14,388	-	-	14,388	-	-	-	-
Sales and other services	7,328	59	-	7,387	29	60	-	89
<b>Total cost of goods sold</b>	<b>21,716</b>	<b>31,032</b>	<b>-</b>	<b>52,748</b>	<b>29</b>	<b>28,419</b>	<b>-</b>	<b>28,448</b>
SG&A expenses	26,581	3,706	5,300	35,587	3,421	3,671	4,039	11,131
Amortization expense	28,590	1,309	950	30,849	23,006	1,089	411	24,506
Net loss on disposal	1,752	-	-	1,752	3,004	-	-	3,004
Interest expense:								
Interest expense payable in cash				6,620				5,808
Non-cash interest expense				491				164
<b>Total interest expense</b>				<b>7,111</b>				<b>5,972</b>
<b>Total expenses</b>				<b>128,047</b>				<b>73,061</b>
Other income	-	-	-	-	408	-	-	408
<b>Earnings before income taxes</b>				<b>13,765</b>				<b>9,572</b>
Current tax (expense)				(2,954)				(6,079)
Deferred tax (expense)/ recovery				(2,909)				3,521
<b>Net earnings</b>				<b>\$ 7,902</b>				<b>\$ 7,014</b>
<b>EBITDA</b>	<b>\$ 53,964</b>	<b>\$ 2,984</b>	<b>\$(5,300)</b>	<b>\$ 51,648</b>	<b>\$42,182</b>	<b>\$ 1,462</b>	<b>\$(4,039)</b>	<b>\$39,605</b>
<b>Adjusted EBITDA</b>	<b>\$ 55,716</b>	<b>\$ 2,984</b>	<b>\$(5,300)</b>	<b>\$ 53,400</b>	<b>\$45,594</b>	<b>\$ 1,462</b>	<b>\$(4,039)</b>	<b>\$43,017</b>

Acquisition Adjusted EBITDA	\$ 56,328	\$ 2,984	\$(5,300)	\$ 54,012	\$45,594	\$ 1,462	\$(4,039)	\$43,017
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## **Revenues**

Total revenues of \$141,812 for the first quarter of 2015 increased by \$59,587 or 72% compared to the same period in 2014.

Home Services revenues, excluding investment income, increased by \$55,377 to \$104,013 compared to the first quarter of 2014, primarily as a result of approximately \$54,300 of additional revenue added through the Acquisition. The remaining \$1,100 increase was primarily due to a rental rate increase implemented in January 2015, improved billing completeness and changes in asset mix, partially offset by fewer installed assets. Contracted revenue in Home Services represents revenue generated by the Rentals portfolio and protection plan contracts, while sales and other services revenue mainly pertains to one-time sales and installations of residential furnaces, boilers and air conditioners as well as duct cleaning and other services.

Sub-metering revenues, excluding investment income, in the first quarter of 2015, were \$37,722, an increase of \$4,170 or 12% over the comparable period in 2014, primarily as a result of increased commodity charges, Billable units and revenue assurance initiatives. Sub-metering revenue includes total pass through energy charges of \$30,973 in the first quarter of 2015, an increase of \$2,614 or 9% over the same period in 2014. Sales and other services revenue for Sub-metering are earned from the sale and installation of water conservation products in apartments and condominiums.

Investment income was \$77 in the first quarter of 2015, an increase of \$40 compared to the same period in 2014. The change in investment income was primarily attributable to higher investment balances in the first quarter of 2015 primarily from EGD's settlement of EnerCare Solutions' December billings in advance of its normal settlement dates.

## **Cost of Goods Sold**

Total cost of goods sold were \$52,748 in the first quarter of 2015, an increase of \$24,300 or 85% compared to the same period in 2014.

Home Services cost of goods sold increased by \$21,687 compared to the same period in 2014, primarily due to expenses resulting from the increased scope of the business following the Acquisition. Maintenance and servicing costs in Home Services primarily consist of protection plan expenses and servicing costs related to the rental portfolio, while sales and other services expenses mainly pertain to one-time sales and installations of residential furnaces, boilers, air conditioners and small commercial products as well as duct and other cleaning services.

Sub-metering cost of goods sold of \$31,032 increased by \$2,613 or 9%, as a result of an increase in pass through energy charges over the same period in 2014. Sales and other services expenses for Sub-metering relate to the sale and installation of water conservation products in apartments and condominiums.

## **Selling, General & Administrative Expenses**

Total SG&A expenses were \$35,587 in the first quarter of 2015, an increase of \$24,456 compared to the same period in 2014.

Home Services and corporate expenses of \$31,881 increased by \$24,421 compared to the same period in 2014, primarily due to additional expenses resulting from the increased scope of the business following the Acquisition. The \$24,421 increase over 2014 was primarily as a result of approximately \$10,200 in wages and benefits, \$1,300 in professional fees, \$6,900 of billing and servicing costs, \$2,300 in office expenses, \$3,100 in selling expenses and \$800 in bad debts, partially offset by reductions of \$150 in claims

expenses. During the first quarter of 2015, Home Services and corporate SG&A expenses included \$612 of integration costs associated with the Acquisition, primarily from marketing spend related to rebranding activities.

Sub-metering SG&A expenses was \$35 greater in the first quarter of 2015, primarily from higher bad debts of \$100, partly offset by reductions in professional fees of \$75.

### **Amortization Expense**

Amortization expense increased by \$6,343 or 26% in the first quarter of 2015, primarily due to, additional Acquisition related amortization from intangible and capital assets of \$5,013 and \$1,093, respectively. The remaining increase of \$237 over the same period in 2014 was primarily from 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 those of the Home Services business.

### **Loss on Disposal of Equipment**

EnerCare reported a net loss on disposal of equipment of \$1,752 in the first quarter of 2015, a reduction of \$1,252 or 42%, over the same period in 2014. 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**

(000s)	Three months ended March 31,	
	2015	2014
Interest expense payable in cash	\$6,620	\$5,808
Non-cash items:		
Notional interest on employee benefit plans, net	274	-
Amortization of financing costs	217	164
Interest expense	\$7,111	\$5,972

Interest expense payable in cash increased by \$812 to \$6,620 in the first quarter of 2015, compared to the same period in 2014. The increase is primarily related to the increase in the New Term Loan related to the financing of the Acquisition, partially offset by the conversion of Convertible Debentures to Shares. Notional interest of \$274 in 2014 relates to the employee benefits plans acquired as part of the Acquisition. Amortization of financing costs includes the previously unamortized costs associated with the 2012 Notes, 2013 Notes, convertible debentures and in 2015 the New Term Loan.

### **Other Income**

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

### **Income Taxes**

EnerCare reported a current tax expense of \$2,954 in the first quarter of 2015, a reduction of \$3,125 over the same period in 2014, primarily as a result of a one year tax deferral available through a subsidiary of EnerCare Solutions. The deferred income tax expense of \$2,909 in the first quarter of 2015 was \$6,430 higher than the deferred tax recoveries of \$3,521 recorded in the same period in 2014, primarily as a result of temporary difference reversals in the Home Services and Sub-metering businesses.

### **Net Earnings**

Net earnings in the first quarter of 2015, were \$7,902 or \$888 higher than in the same period in 2014, as previously described.

### **EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA**

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

(000s)	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13
Net earnings	\$ 7,902	\$ 5,672	\$ 2,133	\$ 7,457	\$ 7,014	\$ 4,793	\$ 6,931	\$ 7,482
Deferred tax expense / (recovery)	2,909	(3,222)	(6,852)	(3,810)	(3,521)	(3,552)	(3,134)	(3,640)
Current tax expense	2,954	5,949	8,924	6,335	6,079	6,148	5,525	4,591
Amortization expense	30,849	30,319	25,186	24,870	24,506	25,792	25,228	24,344
Interest expense	7,111	7,129	9,827	5,963	5,972	6,002	6,022	5,976
Other (income)	-	-	-	-	(408)	(769)	(2,000)	(1,678)
Investment (income)	(77)	(211)	(478)	(80)	(37)	(35)	(21)	(49)
EBITDA	51,648	45,636	38,740	40,735	39,605	38,379	38,551	37,026
Add: Net loss on disposal	1,752	2,180	2,304	2,371	3,004	2,666	2,633	3,449
Add: Other income	-	-	-	-	408	769	2,000	1,678
Adjusted EBITDA <sup>(1)</sup>	53,400	47,816	41,044	43,106	43,017	41,814	43,184	42,153
Add: Acquisition SG&A	612	4,138	2,882	702	-	-	-	-
Acquisition Adjusted EBITDA	\$54,012	\$51,954	\$43,926	\$43,808	\$43,017	\$41,814	\$43,184	\$42,153

(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 and the Acquisition results commencing in the fourth quarter of 2014.
2. Increasing current taxes from higher taxable income. Commencing in the first quarter of 2015, current taxes reflect the impact of a one year tax deferral available through a subsidiary of EnerCare Solutions.
3. In the third quarter of 2014, additional interest expense was incurred as part of the Acquisition, related to the bridge financing and treatment of Subscription Receipts for accounting purposes. Commencing in the fourth quarter of 2014, interest expense reflects higher debt related to the financing of the Acquisition.
4. Amortization and loss on disposal of equipment are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units. Commencing in the fourth quarter of 2014, amortization reflects increases from the amortization of capital assets and intangibles following the Acquisition.
5. Other income relates to settlements with DE on account of installation and billing matters

### **DISTRIBUTABLE CASH AND PAYOUT RATIOS**

EnerCare amended its payout ratio calculation in 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 (other than Sub-metering and acquisitions) 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 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.

Payout Ratio (000s)	Three months ended March 31,	
	2015	2014
Cash (used in) / provided by operating activities	\$ (2,720)	\$20,279
Net change in non-cash working capital	47,113	10,901
Operating Cash Flow <sup>3</sup>	44,393	31,180
Capital expenditures: (excluding growth capital and acquisitions)		
Rentals additions	(11,537)	(9,033)
Rentals exchanges	(9,265)	(8,679)
Subtotal	(20,802)	(17,712)
Total proceeds on disposal of equipment	1,680	1,170
Net capital expenditures	(19,122)	(16,542)
Other income	-	(408)
Acquisition related expenditures	612	-
Total reductions	(18,510)	(16,950)
Distributable Cash <sup>3</sup>	25,883	14,230
Dividends declared	(17,538)	(10,312)
Net cash retained	\$ 8,345	\$ 3,918
Payout Ratio	68%	72%

The Payout Ratio, after capital expenditures (excluding growth capital for Sub-metering and acquisitions), decreased to 68% for the first quarter of 2015, compared to 72% for the same period in 2014, primarily due to increased net capital expenditures and dividend payments, after adjustments for other income and Acquisition costs. Cash used in operating activities and the change in non-cash working capital were both influenced by the Enbridge prepayment of approximately \$30,000, on December 30, 2014, for December's EnerCare billings in advance of its normal settlement dates. Under the OBA cash is typically paid 21 days after billing.

Acquisition related expenditures of \$612 in 2015 primarily consist of marketing spend related to rebranding activities. These amounts have been adjusted in the payout ratio to better reflect recurring distributable cash.

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

#### *Payout Ratio - Maintenance Presentation*

Payout Ratio - Maintenance (000's)	Three months ended March 31,	
	2015	2014
Cash (used in) / provided by operating activities	\$ (2,720)	\$20,279
Net change in non-cash working capital	47,113	10,901
Operating Cash Flow	44,393	31,180
Capital expenditures: (excluding growth capital, additions and acquisitions)		
Rentals exchanges	(9,265)	(8,679)
Proceeds on disposal of equipment – warranty recoveries	563	456
Net capital expenditures	(8,702)	(8,223)
Other income	-	(408)
Acquisition related expenditures	612	-
Total reductions	(8,090)	(8,631)
Distributable Cash – Maintenance	36,303	22,549
Dividends declared	(17,538)	(10,312)
Net cash retained	\$18,765	\$12,237
Payout Ratio – Maintenance	48%	46%

<sup>3</sup> Operating Cash Flow and Distributable Cash are a Non-IFRS financial measure. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

The Payout Ratio - Maintenance, which is calculated based upon capital expenditures associated with the exchange of assets for existing customers and excludes capital expenditures associated with obtaining new customers, was 48% in the first quarter of 2015, slightly higher than the 46% equivalent in the same period in 2014.

## LIQUIDITY AND CAPITAL RESOURCES

(000's)	Three months ended March 31,	
	2015	2014
Cash (used in) / provided by operating activities	<b>\$(2,720)</b>	\$20,279
Net change in non-cash working capital	<b>47,113</b>	10,901
Operating Cash Flow	<b>44,393</b>	31,180
Capital expenditures: (excluding growth capital and acquisitions)	<b>(20,442)</b>	(17,745)
Proceeds on disposal of equipment	<b>1,680</b>	1,170
Net capital expenditures	<b>(18,762)</b>	(16,575)
Acquisition - Niagara portfolio	-	(3,035)
Acquisition - Cobourg portfolio	<b>(880)</b>	-
Growth capital	<b>(3,850)</b>	(2,118)
Cash used in investing activities	<b>(23,492)</b>	(21,728)
Dividends paid	<b>(16,652)</b>	(10,169)
Other financing activities	<b>(729)</b>	(297)
Cash used in financing activities	<b>(17,381)</b>	(10,466)
Cash and equivalents – end of period	<b>\$24,462</b>	\$14,025

Operating Cash Flow of \$44,393 increased by \$13,213 in the first quarter of 2015 compared to the same period in 2014, primarily as a result of improved revenues and changes in non-cash working capital, partially offset by increased cost of goods sold, SG&A and current taxes. Cash used in operating activities and the change in non-cash working capital were both influenced by the Enbridge prepayment of approximately \$30,000, on December 30, 2014, for December's EnerCare billings in advance of its normal settlement dates. Under the OBA cash is typically paid 21 days after billing.

Net capital expenditures of \$18,762 in the first quarter of 2015, increased by \$2,187 compared to the same period in 2014, due to increased HVAC rentals and changes in asset mix. The acquisition of \$880 represents the purchase of the CNI rental portfolio in the first quarter of 2015, while the \$3,035 represents the purchase of the ESN rental portfolio in the first quarter of 2014. Growth capital investments were \$3,850 for the first quarter of 2015, a decrease of \$1,732 when compared to the same period in 2014. Growth capital expenditures were lower in the first quarter of 2015 primarily as a result of the timing and costs of Sub-metering installation projects under completion.

Dividends paid reflect dividend payments on outstanding Shares.

Other financing activities for the first quarter of 2015, primarily reflect the scheduled repayment of the Stratacon Debt, purchases of treasury shares related to the ESPP and the repayment of obligations under finance leases during the period.

Available credit of \$100,000 under the New Revolver was not drawn as at March 31, 2015. 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 available credit to meet its 2015 obligations, including capital expenditures, financing activities and working capital requirements for its businesses.

## Capital Expenditures

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

Installed Asset Unit Continuity (000's)	2015			2014		
	Home Services	Sub-metering	Total	Home Services	Sub-metering	Total
Units - start of period	1,129	151	1,280	1,145	136	1,281
Portfolio additions	6	3	9	5	4	9
Acquisitions	1	-	1	2	-	2
Attrition	(9)	-	(9)	(9)	-	(9)
Units - end of period	1,127	154	1,281	1,143	140	1,283
Asset exchanges – units retired and replaced	13	-	13	13	-	13
% change in units during the period			0.1%			0.2%
% of units from start of period:						
Portfolio additions (net of acquisitions)			0.7%			0.7%
Attrition			(0.7%)			(0.7%)
Units retired and replaced			1.0%			1.0%
Billable units	1,127	99	1,226	1,143	86	1,229
Contracted units		188	-		173	-

In the first quarter of 2015, the portion of net capital expenditures in Home Services related to unit additions and asset exchanges, net of proceeds on disposal, were \$18,762, increasing by 13% or \$2,187, when compared to the same period in 2014, primarily as a result of increased HVAC rentals.

Installations in the Sub-metering business were approximately 3,000 units in the first quarter of 2015, a decrease of 1,000 units compared to the same period in 2014. Sub-metering capital expenditures in the first quarter of 2015, were \$1,814, approximately \$1,401 lower than in the same period in 2014 on account of the timing and costs of projects under completion.

Attrition of 9,000 units in the first quarter of 2015 was consistent with the same period in 2014. EnerCare has 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 “same day service campaign”), have helped to significantly reduce Attrition in recent years.

For the Home Services units, changes in Billable units reflect the asset activity as reported in the continuity schedule. For the Sub-metering business, Billable units of 99,000 increased by 13,000 units in the first quarter of 2015 compared to the same period in 2014, primarily due to additional installations and increased penetration in the rental apartment market.

Sub-metering sales activity was approximately 3,000 units in the first quarter of 2015, or 4,000 units lower than the same period in 2014, primarily due to the timing of sales as approximately 4,500 units were signed in the first half of the second quarter.

## Cash From Financing

Financing activities for EnerCare may reflect dividend payments, periodic financing of EnerCare Solutions' indebtedness, EnerCare's offering of Shares and Convertible Debentures, and to a much lesser extent financing of the Sub-metering business. During the first quarter of 2015, EnerCare recorded financing repayments, net of dividends, of \$315, related to the scheduled repayment of the Stratacon Debt.

Capitalization (000s)	Three months ended March 31,	
	2015	2014
Cash and cash equivalents	\$ 24,462	\$ 14,025
Net investment in working capital	43,130	56
Cash, net of working capital	67,592	14,081
Total debt	687,637	539,916
Shareholders' equity	466,756	68,282
Total capitalization – book value	\$1,154,393	\$608,198

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

At March 31, 2015, total debt was comprised of the 2012 Notes, the 2013 Notes, the New Term Loan, Convertible Debentures and the Stratacon Debt.

EnerCare Solutions is subject to a number of covenant requirements as described in the AIF and below. The following discussion outlines the principal covenants.

### **Debt Financing**

As described in the AIF, the Previous Revolver and Previous Term Loan each contained terms, representations, warranties, covenants and events of default that were customary for credit facilities of this kind, including financial covenants discussed below, restrictions on asset sales and reorganizations, a negative pledge and limits on distributions to EnerCare (and, therefore, in effect, holders of Shares). Events of default under the Previous Revolver and Previous Term Loan included a cross-default provision and the occurrence of a change of control of EnerCare or EnerCare Solutions. EnerCare Solutions' obligations under the Previous Revolver and Previous Term Loan were guaranteed by all of EnerCare Solutions' direct and indirect subsidiaries.

The New Debt Financing is an amendment and restatement of EnerCare Solutions' Previous Revolver, with substantially similar terms to that facility but with the following material additions and revisions made to reflect the inclusion of the New Term Loan and contemplation of the Acquisition: (i) the addition of the New Term Loan commitments, (ii) the addition of EHCS LP and the general partner of EHCS LP as guarantors, (iii) the revision to the definition of "Adjusted EBITDA" to include add-backs for Acquisition-related transaction expenses, one-time rebranding costs and information technology system harmonization costs not to exceed \$23,500, (iv) increase in the "basket" sizes permitted under certain covenants and events of default (to take into account the increase of assets under management due to the Acquisition), and (iv) favourable changes to the financial covenants as described below.

The Previous Revolver and Previous Term Loan contained the following financial covenants (i) all additional incurrences of senior debt, with certain exceptions, must, on the date of incurrence, result in a *pro forma* ratio equal to or greater than 3.8 to 1.0 of Incurrence EBITDA (as defined in the Senior Unsecured Indenture) to Net Interest Expense (as defined in the Senior Unsecured Indenture); (ii) the ratio of total debt (other than subordinated debt) to "Adjusted EBITDA" must be less than 4.25:1; (iii) the ratio of Adjusted EBITDA to "Cash Interest Expense" must be greater than 3.00:1; and (iv) the ratio of Adjusted EBITDA less capital expenditures to Cash Interest Expense must be greater than 1.75:1.

As described in the AIF, the Previous Revolver and Previous Term Loan defined (i) "Adjusted EBITDA" as the consolidated net income of EnerCare Solutions and any losses on dispositions of assets less, to the extent included in calculating such net income, all interest income and income tax recoveries, gains on hedging contracts and all extraordinary, non-recurring and unusual income items, plus, to the extent deducted in calculating such net income, amounts for total interest expense, fees payable under the origination agreement with DE (as assigned to EnerCare in connection with the Acquisition), amortization and depreciation expenses, income taxes and any other non-cash items, losses on hedging contracts,

proceeds of disposal of water heaters in the ordinary course of business, determined on a consolidated basis. The Previous Revolver and Previous Term Loan essentially defined “Cash Interest Expense” as the aggregate amount of interest and other financing charges payable in cash and expensed by EnerCare Solutions with respect to debt (other than subordinated debt between EnerCare Solutions and EnerCare or any subsidiary of EnerCare Solutions or between subsidiaries of EnerCare Solutions), but excluding any make-whole, prepayment, penalty or premium or other yield maintenance amount with respect to debt.

The New Debt Financing contains financial covenants that are more favourable than the Previous Revolver and Previous Term Loan. The ratio of total debt (other than subordinated debt) to Adjusted EBITDA described in (ii) above must now only be less than 4.75:1, and the financial covenant pertaining to the ratio of Adjusted EBITDA less capital expenditures to Cash Interest Expense described in (iv) above has been removed entirely. The New Debt Financing also contains substantially similar definitions to those of the Previous Revolver and Previous Term Loan except that “Adjusted EBITDA” adds back certain specified items incurred with respect to the Acquisition, including transaction expenses, one-time rebranding costs and information technology system harmonization costs, not to exceed \$23,500.

EnerCare Solutions was in compliance with the covenants within the New Revolver and New Term Loan as of March 31, 2015. No amounts were drawn under the New Revolver at March 31, 2015.

### **2012 Notes and 2013 Notes – Incurrence Test**

The covenants in respect of the 2012 Notes and 2013 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, EnerCare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1. On March 31, 2015, 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)	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13
Total revenues	<b>\$141,812</b>	\$126,012	\$80,469	\$74,047	\$82,225	\$75,675	\$77,560	\$71,604
Net earnings	<b>7,902</b>	5,672	2,133	7,457	7,014	4,793	6,931	7,482
Dividends declared	<b>17,538</b>	16,648	10,607	10,600	10,312	10,161	10,020	9,945
Average Shares outstanding	<b>91,898</b>	84,628	58,532	58,486	58,449	58,356	58,222	58,137
Per Share								
Basic net earnings	<b>\$0.09</b>	\$0.07	\$0.04	\$0.13	\$0.12	\$0.08	\$0.12	\$0.13
Diluted net earnings	<b>\$0.09</b>	\$0.07	\$0.03	\$0.13	\$0.12	\$0.08	\$0.12	\$0.13
Dividends declared	<b>\$0.191</b>	\$0.181	\$0.181	\$0.181	\$0.176	\$0.174	\$0.172	\$0.171

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, the temporary difference reversals of deferred income tax and the impact of the Acquisition in the fourth quarter of 2014. Dividends declared primarily reflect the change in outstanding Shares over time as well as the dividend increases implemented in the first quarters of 2013, 2014 and 2015, and the third quarter of 2013.

The average number of Shares outstanding and the related per Share data reflect the impact of the conversion of Convertible Debentures.

## SUMMARY OF CONTRACTUAL DEBT AND LEASE OBLIGATIONS

The following schedule summarizes the contractual debt and lease obligations of EnerCare at March 31, 2015:

Period (000's)	Debt		Finance Leases		Operating Leases
	Principal	Interest	Principal	Interest	
Due in 2015	\$ 943	\$17,284	\$ 1,573	\$ 183	\$ 1,258
Due in 2016	992	21,505	1,856	178	1,705
Due in 2017	253,484	21,269	1,539	113	606
Due in 2018	210,126	10,360	1,121	61	-
Due in 2019	25	10,356	653	24	-
Thereafter	225,055	5,178	216	6	-
Total	\$690,625	\$84,952	\$ 6,958	\$ 565	\$3,569

As at March 31, 2015, 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. The New Term Loan, maturing on October 20, 2018 bears interest at a variable rate based upon the banker's acceptance rate plus 1%, which was 2% at March 31, 2015.

The Stratacon Debt of \$2,756, as at March 31, 2015, was originally issued in 14 series with maturity dates ranging from 4 to 14 years, ending in 2022. The interest rate on the Stratacon Debt ranges from 7.50% to 8.75%. Principal and interest is paid monthly.

The Convertible Debentures bear interest at 6.25%, with interest payable semi-annually on June 30 and December 31 until maturity in June 2017.

At March 31, 2015, no amounts were drawn on the New Revolver. The New Revolver bears a standby charge of 0.20%, which has not been included in the above schedule.

The obligations under finance leases are secured by the leased vehicles and bear floating interest rates that are 2.5% above the one month banker's acceptance rate, per annum, which are contingent on market rates. The finance leases mature at dates ranging between April 2015 and January 2021.

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

## ENERCARE SHARES ISSUED AND OUTSTANDING

EnerCare's authorized share capital consists of an unlimited number of Shares and 10,000,000 preferred shares. At March 31, 2015, there were 91,939,800 Shares (58,468,611 at March 31, 2014) issued and outstanding, and no preferred shares were outstanding. Preferred shares may, at any time and from time to time, be issued in one or more series, with such rights, privileges, restrictions and conditions as may be determined by the directors. The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets, be entitled to preference over the Shares and any other share ranking junior to the preferred shares from time to time.

From April 1, 2015 to May 12, 2015, approximately \$5 principal amount of additional Convertible Debentures were converted into 771 Shares. The Convertible Debentures principal balance outstanding of \$2,864 at May 12, 2015 may be converted into approximately 441,975 additional Shares.

## **NON-IFRS FINANCIAL AND PERFORMANCE MEASURES**

The condensed interim consolidated financial statements of EnerCare are prepared in accordance with IFRS. EnerCare's basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the condensed interim consolidated financial statements for the period ended March 31, 2015.

EnerCare reports on certain non-IFRS measures that are used by management to evaluate performance of EnerCare and meet certain covenant requirements relating to 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.

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

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, Adjusted EBITDA and Acquisition 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, (see "*Results of Operations – EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA*" in this MD&A).

#### ***Acquisition Adjusted EBITDA***

This measure reflects the same components as Adjusted EBITDA, however, eliminates the additional one-time costs associated with the Acquisition, including interest expense for accounting purposes on the Subscription Receipts, equity bridge financing fees, professional fees associated with due diligence, pre and post-merger integration, expenditures associated with rebranding, severance and other costs in SG&A. This is one metric that can be used to determine EnerCare's ability to service its ongoing debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Acquisition

Adjusted EBITDA is reconciled with net earnings, an IFRS measure, in the section “*Results of Operations - EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA*” in this MD&A.

### **Billable**

Sub-metering Billable units represent assets or services in the case of multiple products, for which an invoice has been issued to a customer in the past. From time to time there may be periods where no invoicing occurs in respect of such asset or service due to, for example, vacancy or delinquency. Billable Sub-metering assets are no longer Billable upon termination of the contractual agreement with the landlord or condominium corporation, as applicable, or where vacancy exceeds six months. The Rentals portfolio is deemed to be fully Billable upon origination and removed from Billable upon asset termination.

### **Distributable Cash and Distributable Cash - Maintenance**

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

Historically, Distributable Cash comprised net earnings of EnerCare, plus non-cash items, 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.

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

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 for purposes of Distributable Cash - Maintenance definition include 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 Ratios*” 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.

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 illustrates 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 the financial strength of EnerCare. Operating Cash Flow is reconciled with cash flow from operating activities, an IFRS measure, in the section “*Liquidity and Capital Resources*” in this MD&A.

## **Measures Regarding Debt Covenants**

As at March 31, 2015, EnerCare was in compliance with all covenants under the 2012 Notes, 2013 Notes, New Revolver and New Term Loan. A summary of the financial covenants in respect of such debt, together with those of the New Debt Financing, can be found in “*Liquidity and Capital Resources – Debt Financing*”.

### ***New Revolver and New Term Loan***

Under the New Revolver and New Term Loan agreements, EnerCare Solutions is subject to three principal financial covenants as described in the section “*Risks Related to the Structure of EnerCare*” in this MD&A. The covenants address interest and debt coverage. EnerCare Solutions complied with these covenants on March 31, 2015. No amounts were drawn under the New Revolver at March 31, 2015.

### ***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.

### ***Revenue Accruals***

At March 31, 2015, the Home Services business recorded a revenue accrual of approximately \$46,400 (2014 - \$1,200) reflecting accrued service periods. Unbilled protection plans comprise approximately \$28,100 (2014 - \$0) of this balance which is predominantly made up of protection plans sold in franchisee service areas which are recognized as royalty revenue at inception but are invoiced over a period of twelve months. The remaining unbilled revenues reflect accrued service periods for rental water heaters and other products.

At March 31, 2015, the Sub-metering business recorded a revenue accrual of approximately \$11,900 (2014 - \$12,200), reflecting accrued service periods, increases in Billable units, reductions in the backlog of non-billing customers and pass through commodity charges.

### ***Bad Debt Provisions***

The Home Services business is exposed to credit risk in the normal course of business for customers who are billed directly by Enbridge Gas Distribution Inc. ("EGD") within its service territory and secondarily when billed by EnerCare or are billed by EGD outside of its service territory. For billing within the EGD service territory, EnerCare is guaranteed payment by EGD for 99.49% in 2015 and 99.56% in 2014 of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued.

Management evaluates a number of factors and assumptions in the determination of the bad debt provisions, which was approximately \$10,792 at March 31, 2015, compared to approximately \$8,711 at the end of 2014. Changes in any of variables or assumptions may result in a materially different amount.

#### *Leases*

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.

#### *Impairment of Non-Financial Assets and Goodwill*

Impairment tests are conducted at least annually, or as warranted by prevailing circumstances at the time of reporting. The recoverable amount is based upon a number of assumptions, including but not limited to: discount rates, billing suites, cash flows and expenses. Changes in any of these assumptions may result in a materially different recoverable amount.

#### *Employee Benefit Plans*

EnerCare maintains active employee defined benefit pension plans which are closed to new members. The balances related to these plans are subject to a number of assumptions. The actuarial valuations rely on estimates and assumptions including those for wage escalation, mortality, health care and dental costs inflation, retirement ages, life expectancies and discount rates. Changes in these estimates could have a material impact on the employee benefit plans liability and employee benefit plan costs.

#### *Recoverability of Deferred Tax Assets*

Deferred tax assets are recognized to the extent that realization is considered probable. Judgments regarding projected future income and tax planning strategies are considered in making this assessment.

#### *Business Combination*

With respect to the preliminary estimated fair value of acquired assets and assumed liabilities and other adjustments related to the Acquisition, these consolidated financial statements have been prepared using the acquisition method of accounting, in accordance with IFRS 3R, Business Combinations, under which, the total fair value of the consideration transferred has been assigned to the assets acquired and liabilities assumed based on their estimated fair values at the date of the Acquisition, with any excess purchase price allocated to goodwill. Changes may be expected as additional information becomes available following the closing date of October 20, 2014. Accordingly, the final fair value determinations may differ from those set forth in these consolidated financial statements and such differences may be material.

## **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. EnerCare has used the Internal Control – Integrated Framework (2013) from The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in order to assess the effectiveness of EnerCare's internal control over financial reporting. There are no material weaknesses relating to the design of either DC&P or ICFR at March 31, 2015. There have been no changes to our ICFR during the quarter ended March 31, 2015 that has materially affected, or is reasonably likely to materially affect, EnerCare's ICFR.

EnerCare has limited the scope of its design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of EHCS LP, which acquired OHCS on October 20, 2014. This relates to approximately 38% of revenues and 5% of net earnings for the first quarter of 2015. In addition, it relates to approximately 45% and 45% of the consolidated current assets and current liabilities, respectively, and approximately 46% and 8% of consolidated long term assets and long term liabilities, respectively.

EnerCare is currently in the process of documenting and evaluating the controls, policies and procedures in respect of EHCS LP. The financial statements include OHCS results since Acquisition at October 20, 2014.

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 the 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, 2014. 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.

### *Adoption of New Accounting Standards*

EnerCare has adopted new or revised standards as required by IFRS, effective January 1, 2015.

IAS 19, "Employee Benefits" ("IAS 19"), was amended in November 2013. The amendments include changes to the accounting treatment of employee or third-party contributions to defined benefit plans under certain circumstances. This standard is required to be applied for accounting periods beginning on or after January 1, 2015. EnerCare implemented the standard and has determined that it did not have an impact.

### Accounting Standards Issued But Not Yet Applied

The following are accounting policy changes to be implemented by EnerCare in future years:

Revenue Recognition

IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. EnerCare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

#### Financial Instruments

The final version of IFRS 9, “Financial Instruments” (“IFRS 9”), 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 is currently evaluating the impact of adopting this standard on the consolidated financial statements.

#### Financial Instruments Disclosures

IFRS 7, “Financial Instruments: Disclosures” (“IFRS 7”), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. EnerCare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

#### Presentation of Financial Statements

IAS 1, “Presentation of Financial Statements” (“IAS 1”) was amended by the IASB to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies. The amendment gives guidance that information within the consolidated statements of financial position and consolidated statements of income should not be aggregated or disaggregated in a manner that obscures useful information, and that disaggregation may be required in the consolidated statements of income in the form of additional subtotals as they are relevant to understanding the entity’s financial position or performance. The amendments to IAS 1 are effective for periods beginning on or after January 1, 2016. EnerCare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

### **RISK FACTORS**

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

### **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.

EnerCare continues to experience improved results through improved rental customer retention and increased average monthly rental rates largely as a result of our rental HVAC strategy. We continue to

believe that the factors contributing to the decline in Attrition over the last six years, including improved customer awareness, and Bill 55, will create a favourable environment for further improvement in customer retention. EnerCare is pleased that Bill 55 came into effect on April 1, 2015.

The purchase of OHCS has been transformative for EnerCare. The Acquisition has allowed EnerCare to have direct access to its customers, control over all aspects of its operations and larger financial scale. Our priority for the first twelve months remains the reunification of the two businesses, which has been successful to-date.

Our re-branding initiatives commenced in early 2015 with co-branding on customer invoices, sales literature and advertising. Re-branding initiatives will continue throughout 2015.

The Transition Services Agreement regarding the decoupling from DE's information technology platform is progressing well. The first phase of de-coupling remains on schedule to be completed during the first half of 2015.

Our key priority for the Home Services business in 2015 is to grow its annuity contracts. Due to the Acquisition, our annuity contract base has grown by approximately 50% with the addition of protection plans, which in the first quarter of 2015 represented approximately one-fifth of Home Services revenue. We believe that we have the opportunity to continue to grow the number of contracts, in excess of Attrition and also to increase the average revenue per contract.

As discussed above, EnerCare will continue to focus on growing its HVAC rental customer base. While converting a customer from an outright sale to a long-term rental product is capital intensive and creates a short-term reduction to the income statement, the rental HVAC creates a long-term customer relationship. EnerCare believes that this relationship provides greater cross-selling opportunity and is therefore more valuable than the sale of an HVAC unit.

In respect of Sub-metering, our priorities and initiatives are to grow the business to be cash flow positive by year end by increasing new contract sales, improving productivity and operation efficiencies and enhancing our customer value proposition through outstanding customer service. Our Lean and Continuous Improvement program continues to yield positive operational results to the benefit of our customers and shareholders. A 63% reduction in the cycle time to deliver remittance payments to clients was achieved by the end of the first quarter.

## GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of EnerCare dated March 27, 2015.
Acquisition	The acquisition of the OHCS business of DE by EnerCare on October 20, 2014 through EHCS LP pursuant to the Asset Purchase Agreement.
Asset Purchase Agreement	The agreement dated July 24, 2014 between EnerCare, EHCS LP and DE regarding the Acquisition.
Attrition	Termination of customer relationships, including buyouts, in the Rentals portfolio.
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.
CNI	Cobourg Network Inc.
Competition Act	<i>Competition Act (Canada)</i> .
Conversion	The conversion of the Fund and the Trust, income trusts, to EnerCare and EnerCare Solutions, respectively.
Convertible Debenture Indenture	The trust indenture dated as of June 8, 2010 between the Fund and Computershare Trust Company of Canada pursuant to which the Convertible Debentures were issued. The Fund was wound-up and dissolved in connection with the Conversion and all of the covenants and obligations of the Fund with respect to the Convertible Debentures were assumed by EnerCare.
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 assigned to EHCS LP as part of the Acquisition.
D2D	Door to door.
DBRS	DBRS Limited.
DC&P	Disclosure Controls and Procedures as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
DE	Direct Energy Marketing Limited.
ECI	EnerCare Connections Inc. (formerly Stratacon and EECI).
EECI	Enbridge Electric Connections Inc. (now ECI).
EHCS LP	EnerCare Home and Commercial Services Limited Partnership, the limited partnership formed to own OHCS following the closing of the Acquisition, an indirect wholly-owned subsidiary of EnerCare.
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, predecessor to EnerCare prior to the conversion of the Fund from an income trust to corporate structure pursuant to a plan of arrangement on January 1, 2011.
HVAC	Heating, ventilation and air conditioning.
Home Services	EnerCare business, which provides rental water heaters, furnaces, air conditioners and other HVAC products and, as of October 20, 2014, also provides protection plans, HVAC sales and related services.
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 International Accounting Standards Board.
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 Debt Financing	The debt financing of EnerCare Solutions in respect of the Acquisition consisting of an unsecured (i) 4-year variable rate, non-revolving term loan facility in the amount of \$210,000 and (ii) 5-year variable rate, revolving credit facility in the maximum amount of \$100,000.
New Revolver	The 5-year variable rate, revolving credit facility in the maximum amount of \$100,000 issued under the New Debt Refinancing.
New Term Loan	The 4-year variable rate, non-revolving term loan facility in the amount of \$210,000 issued under the New Debt Financing.
OBA	Open bill access agreement with Enbridge.
OCI	Other Comprehensive Income.
OHCS	The Ontario home and small commercial services business of DE acquired by EnerCare on October 20, 2014 pursuant to the Asset Purchase Agreement.
Previous 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 and replaced on October 20, 2014 with the New Revolver.
Previous Term Loan	\$60,000 single draw, variable rate, interest only, open loan with a maturity date of January 28, 2016, which was repaid and terminated on October 20, 2014.
Protection Plan Attrition	Termination of customer relationships in the protection plan portfolio.
Rentals	Business that provides rental water heaters, furnaces, air conditioners and other HVAC products.

Rentco	4483588 Canada Inc. (formerly Direct Waterheater Rentals Inc.).
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 indenture 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	\$319,931 (net of underwriters' fees) of subscription receipts issued by EnerCare on a bought deal basis.
Sub-metering	Business division (ECI) that provides sub-metering equipment and billing services to partially finance the Acquisition.
Transition Services Agreement	The agreement 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.
TSX	Toronto Stock Exchange.
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.