EnerCare Solutions Inc.

EnerCare Solutions Inc.

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

Third Quarter Ended September 30, 2011

Dated November 7, 2011

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The interim consolidated financial statements of EnerCare Solutions Inc. are prepared in accordance with IFRS which became effective on January 1, 2011 with retroactive application to January 1, 2010. EnerCare Solutions' significant accounting policies are summarized in detail in note 3 of the interim consolidated financial statements for the period ended September 30, 2011. Unless otherwise specified, amounts are reported in this MD&A in thousands, except customers, units, Shares and "per Share" amounts and percentages (except as otherwise noted). Dollar amounts are expressed in Canadian currency.

As of September 30, 2011, EnerCare Solutions was a wholly-owned subsidiary of EnerCare. EnerCare Solutions' business is the rental of water heaters and other equipment.

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".

On January 1, 2011, pursuant to a plan of arrangement, the Fund converted to a dividend paying corporation, EnerCare Inc. and the Trust converted to EnerCare Solutions Inc. The Conversion was accounted for on a continuity of interest basis. Reporting prior to January 1, 2011 refers to units, unitholders and distributions, whereas from January 1, 2011 references are to shares, shareholders and dividends. References in this MD&A are in respect of EnerCare and EnerCare Solutions and shall be deemed to be such prior to January 1, 2011 when these entities were The Consumers' Waterheater Income Fund and The Consumers' Waterheater Operating Trust, respectively.

FORWARD-LOOKING INFORMATION

This MD&A, dated November 7, 2011, contains certain forward-looking statements that involve various risks and uncertainties and should be read in conjunction with EnerCare Solutions' 2010 audited consolidated financial statements. Additional information in respect to the Trust and EnerCare Solutions, 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 Solutions' growth, results of operations, performance, business prospects and opportunities. Such forward-looking information reflects management's current beliefs and is based on information available to them and/or assumptions management believes are reasonable. Many factors could cause results to differ materially from the results discussed in the forward-looking information. Although the forward-looking information is based on what management believes to be reasonable assumptions, EnerCare Solutions 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 Solutions does not intend and does not assume any obligations to update or revise the forward-looking information, whether as a result of new information, future events or otherwise.

Except as discussed under "Update to Risk Factors", a thorough discussion in respect of the material risks relating to the business and structure of EnerCare Solutions can be found in the AIF which is available on SEDAR at www.sedar.com.

OVERVIEW

EnerCare Solutions is the successor to the Trust, following the conversion of the Trust from an income trust to a corporate structure pursuant to a plan of arrangement on January 1, 2011.

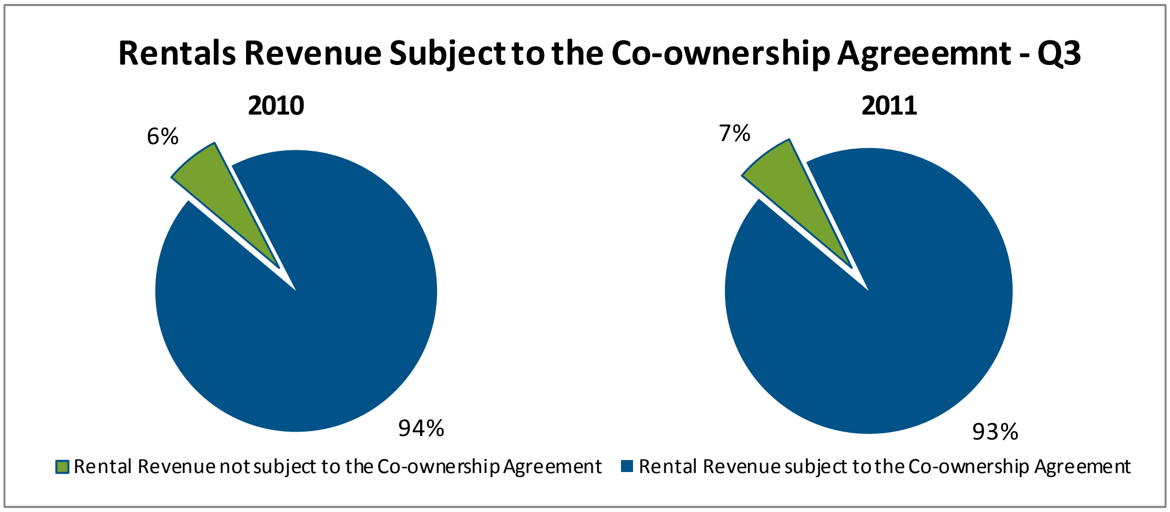
EnerCare Solutions, a wholly-owned subsidiary of EnerCare, owns a portfolio of approximately 1.2 million water heaters and other assets, rented primarily to residential customers in Ontario.

EnerCare Solutions has grown revenues every year since the Trust's inception (2002), generated stable cash flow and consistently maintained a high dividend yield. EnerCare Solutions has earned a strong A-/ stable and A (low)/stable rating from S&P and DBRS, respectively.

EnerCare's Shares trade under the symbol ECI and its Convertible Debentures trade under the symbol ECI.DB on the Toronto Stock Exchange. EnerCare is a member of the S&P/TSX Small Cap Index.

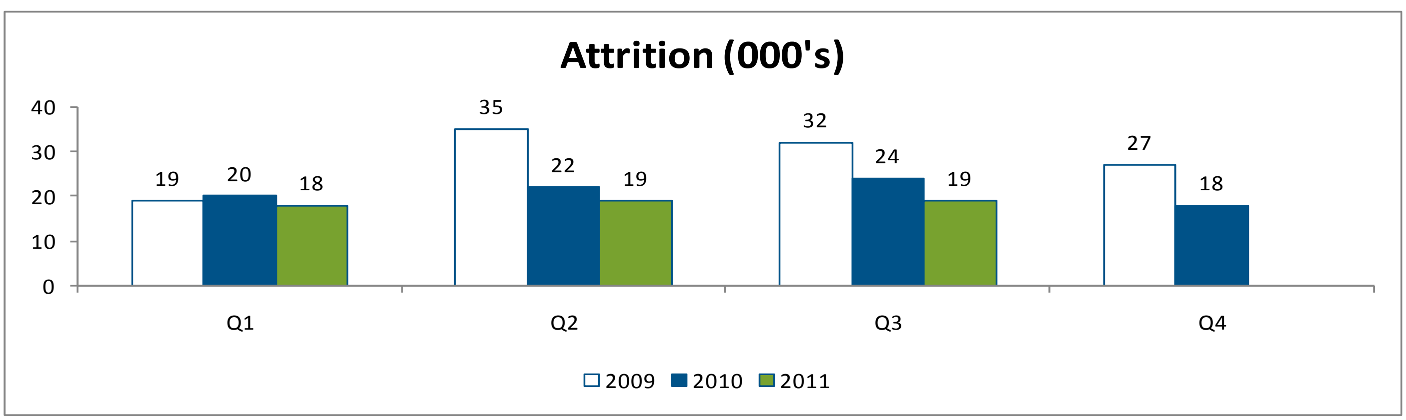
The business is comprised of a variety of water heater rentals and a variety of HVAC rentals primarily to single family residential homes.

EnerCare Solutions originally had 100% of its business subject to a co-ownership agreement with DE. Through four acquisitions, which occurred over the last five years, EnerCare Solutions has successfully expanded its business. EnerCare Solutions now has 7% of its revenue coming from portfolios which are not subject to the co-ownership agreement.



For the portfolios under the co-ownership agreement with DE, EnerCare Solutions 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, they are responsible for servicing and maintaining the assets. This ensures that EnerCare Solutions is effectively insulated from any operating risks from this portfolio. Through its origination agreement with DE, EnerCare Solutions essentially incurs the capital expenditures in respect of the portfolio.

Over the last several years, EnerCare Solutions has experienced higher than normal Attrition on their water heater rental portfolios. This was largely a result of greater competition through aggressive door to door campaigns. EnerCare Solutions and DE have continued to educate their consumers through direct mail and radio campaigns and DE has instituted a loyalty program for our customers. Such initiatives have helped to significantly reduce Attrition over the last six quarters. Our most recent quarterly Attrition figures are particularly gratifying in that the third quarter historically has been the worst season for Attrition. In addition, we believe that the expiry in February 2012 of the Consent Order issued by the Competition Bureau, which restricts EnerCare Solutions' and DE's business practices, will enhance our ability to compete.



HIGHLIGHTS - THIRD QUARTER 2011

The following highlights compare results for the third quarter of 2011 with the third quarter of 2010.

- Total revenues of $51,076 increased 9% over 2010 primarily as a result of dividend income earned from the investment in preferred shares of an affiliate and changes in installed assets partially offset by rental rate increases.
- EBITDA[1] increased by 6% to $35,715 in 2011 driven principally by the dividend income and lower expenses. Adjusted EBITDA[1] of $40,433 increased by 2%, after removing the impact of a reduced loss on disposal of equipment in 2011.
- Net earnings were $2,867 in 2011, $1,437 higher than 2010, as a result of reductions in amortization, loss on disposal of equipment and higher income tax recoveries of $1,495 offset by higher interest expense caused by a new loan from an affiliate company and current taxes in 2011 of $1,132,
- Attrition in Rentals decreased by 5,000 units or 21% in 2011. Portfolio additions remain strong while unit exchanges declined by 2,000 to 11,000, resulting in both lower loss on disposal expenses and capital expenditures for the third quarter of 2011.

RECENT DEVELOPMENTS

On July 6, 2011, through a series of transactions, EnerCare Solutions invested $250,000 in preferred shares of Stratacon Inc. (“Stratacon”), a subsidiary entity of EnerCare. The investment was funded through a short term bank loan. The preference shares accrue cumulative dividends at 6.90% and are both redeemable and retractable. Stratacon invested the proceeds by providing a loan to a subsidiary of EnerCare Solutions. The loan is a demand loan and bears interest at 7.00%. The subsidiary used the proceeds from the loan to repay existing obligations due to EnerCare Solutions from the subsidiary.

RESULTS OF OPERATIONS

Overview

Customer Attrition fell by 5,000 units or 21% in the quarter versus the same period in 2010.

Consistent with our previously disclosed intentions, EnerCare Solutions and DE executed a number of initiatives during the quarter aimed at reducing Attrition. These initiatives were designed to raise customer awareness by highlighting the questionable sales tactics of some door to door sales agents. DE deployed a door to door awareness campaign supported by a radio spot, free standing newspaper inserts, ethnic print and outbound tele-messaging to customers. EnerCare Solutions deployed street teams to provide information directly to consumers in the most active door to door sales areas.

Efforts during the third quarter of 2011 were part of our full year integrated plan to reduce Attrition. Additional initiatives are scheduled for deployment in the fourth quarter.

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

Earnings Statement

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2011	2010	**2011**	2010
Revenues				
Rentals	**$46,853**	$46,951	**$140,493**	$142,530
Dividend Income	**4,112**	-	**4,112**	-
Investment income	**111**	9	**258**	13
Total revenues	**51,076**	46,960	**144,863**	142,543
SG&A expenses	**6,420**	7,363	**19,477**	19,829
Amortization expense	**25,453**	26,046	**76,341**	78,204
Loss on disposal of equipment	**4,718**	5,756	**14,219**	16,667
Interest on subordinated debt	**4,171**	-	**4,171**	-
Interest on promissory note	**1,125**	962	**3,375**	2,855
Interest expense	**9,893**	9,970	**29,755**	31,919
Total operating expenses	**51,780**	50,097	**147,338**	149,474
Loss before income taxes	**(704)**	(3,137)	**(2,475)**	(6,931)
Current tax (expense)	**(1,132)**	-	**(4,597)**	-
Deferred income tax recovery	**4,703**	4,567	**8,066**	12,605
Net income	**$2,867**	$1,430	**$994**	$5,674
Adjusted EBITDA	**$40,433**	$39,588	**$121,016**	$122,701
EBITDA	**$35,715**	$33,832	**$106,797**	$106,034

Revenues

Total revenues increased by $4,116 to $51,076 in the third quarter of 2011 and by $2,320 or 2% to $144,863 year to date compared to the same periods in 2010, primarily due to dividend income and rental rate increases implemented in January 2011 partially offset by changes in installed assets.

Investment income increased by $102 in the third quarter of 2011 to $111 and by $245 to $258 year to date, primarily as a result of larger investment balances during 2011.

Selling, General & Administrative Expenses

Total SG&A expenses were $6,420 in the third quarter of 2011, a decrease of $943 or 13% over the same period in 2010. The expense decrease is the result of reductions in bad debt and claims of $806, professional fees of $402 and billing and servicing charges of $347, partially offset by increased selling, office and other expenses of $275 and compensation of $337.

Total SG&A expenses were $19,477 year to date in 2011, a decrease of $352 or 2% over the same period in 2010. The expense decrease is a result of reductions in bad debt and claims of $3,191, billing and servicing charges of $773 and professional fees of $431, partially offset by higher costs in respect of selling and office expenses of $2,427 and compensation of $1,616.

Amortization Expense

Amortization expense decreased by $593 to $25,453 in the third of quarter of 2011 and $1,863 to $76,341 year to date, primarily due to a smaller installed asset base in 2011.

Interest Expense

Interest Expense	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2011	2010	**2011**	2010
Interest expense payable in cash	**$8,667**	$8,736	**$26,096**	$26,874
Interest expense on subordinate debt	**4,171**	-	**4,171**	-
Interest expense on promissory note	**1,125**	962	**3,375**	2,855
Non-cash items:				
Amortization of bridge fees	**-**	-	**-**	1,440
Amortization of OCI and financing costs	**1,226**	1,234	**3,659**	3,605
Interest expense	**$15,189**	$10,932	**$37,301**	$34,774

Interest expense payable in cash decreased nominally to $8,667 in the third quarter of 2011 and decreased by $778 to $26,096 year to date over the same periods in 2010.

The interest expense on subordinate debt originated on July 6, 2011, Stratacon Inc. provided a $250,000 loan to a subsidiary of EnerCare Solutions. The loan is a demand loan and bears interest at 7.00%. The subsidiary used the proceeds from the loan to repay existing obligations due to EnerCare Solutions from the subsidiary.

The amortization of bridge fees related to the 2009 Bridge that was repaid when the 2010 Notes were issued in March 2010. Amortization of OCI and financing costs in 2011 are consistent with 2010.

Loss on Disposal of Equipment

In the third quarter of 2011, EnerCare Solutions reported a loss on disposal of equipment of $4,718, representing a decrease of $1,038 or 18%. For the nine months ended September 30, 2011, loss on disposal of equipment was $14,219 compared to $16,667, representing a decrease of $2,448 or 15% during the same period in 2010. The loss on disposal amount is influenced by the number of assets retired, changes in the retirement asset mix and the age of the assets retired. The primary reason for the decreased expenses relates to the lower unit Attrition and exchange activity in the Rentals business in 2011 when compared to 2010.

Income Taxes

EnerCare Solutions reported a current tax expense of $1,132 and $4,597, for the three and nine months ended September 30, 2011, respectively, related to the taxable status of the corporation effective January 1, 2011. The deferred income tax recovery of $4,703 for the third quarter of 2011 and $8,066 year to date 2011 increased by $136 and decreased by $4,539, respectively, primarily as a result of temporary difference reversals.

Adjusted EBITDA and 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.

Quarterly Earnings Before Interest, Taxes and Amortization (EBITDA)	**Q3/11**	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09
Net earnings/(loss)	**$ 2,867**	$(1,150)	$ (723)	$(1,871)	$ 1,430	$ 3,287	$ 957	$19,473
Current tax expense	**1,132**	1,881	1,584	-	-	-	-	-
Deferred tax (recovery)	**(4,703)**	(1,849)	(1,514)	(2,958)	(4,567)	(3,835)	(4,203)	(25,296)
Amortization expense	**25,453**	25,451	25,437	25,947	26,046	26,061	26,097	26,383
Interest expense	**15,189**	11,768	10,344	10,909	10,932	10,977	12,865	10,905
Dividend (income)	**(4,112)**	-	-	-	-	-	-	-
Interest (income)	**(111)**	(87)	(60)	(67)	(9)	(3)	(1)	(11)
EBITDA	**35,715**	36,014	35,068	31,960	33,832	36,487	35,715	31,454
Add: Loss on disposal of equipment	**4,718**	4,861	4,640	4,673	5,756	5,918	4,993	6,086
Adjusted EBITDA	**$40,433**	$40,875	$39,708	$36,633	$39,588	$42,405	$40,708	$37,540
Accounting basis	**IFRS**	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	CGAAP

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

1. Net earnings are impacted by rate increases, generally implemented in January of each year, and accruals related to billing and servicing matters.
2. In 2011, current taxes as a result of Conversion.
3. Amortization and loss on disposal of equipment are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units.
4. Interest expense in the first quarter of 2010 was impacted by fees in respect of the 2009 Bridge incurred prior to the issuance of the 2010 Notes. Interest expense commencing in the third quarter of 2011 reflects the impact of the $250,000 demand loan from Stratacon Inc.

Billing and Servicing Matters

Earnings Items

DE, through EGD, provides billing and collection services for substantially all of EnerCare Solutions' water heaters and other assets. Following the September 2009 billing system conversion implemented by DE, which coincided with a billing system conversion by EGD, EnerCare Solutions' ICFR identified issues principally associated with DE's system conversion impacting EnerCare Solutions' customers, including issues in respect of the allocation of customer payments, customer collections, and billing issues, including completeness of billing, billing in respect of new customers and implementation of new rental rates. EnerCare Solutions continues to work closely with DE to resolve billing issues as well as billing completeness.

EnerCare Solutions has estimated and recorded revenues of $1,700 in respect of billings and adjustments expected to be recovered from customers, but does not include any amounts EnerCare Solutions may recover from DE for lost revenues arising from the billing system conversion. At December 31, 2010, the accrual was $1,700, consequently, in 2011, there has been no cumulative earnings impact. At September 30, 2010, the accrual of $2,100 included pricing changes for a number of customers that had not been completed. The pricing changes were completed and resolved by December 31, 2010.

During 2010, EnerCare Solutions provided for bad debt regarding the collectability of revenues recorded related to customers where the EGD revenue guarantee did not apply and where DE was responsible for collection activities. As reported in the second quarter of 2011, EnerCare Solutions reached an agreement in principal with DE to receive a payment of approximately $2,200 representing EnerCare Solutions' entitlement to unremitted customer payments for rentals outside of the EGD territory. The settlement amount had an earnings impact of $1,300 recorded as a recovery of previous bad debts written off during 2010, with the remainder reflected as a change in financial position between outstanding customer receivables and an account receivable from DE. Payment and executed legal settlement of this component of the DE billing issues should be completed for the fourth quarter of 2011.

Buyout processing and other miscellaneous items from 2010 remain outstanding. EnerCare Solutions has recorded amounts expected to be charged to customers by DE and continues to work with DE to resolve issues relating to buyout processing.

Settlement with DE for an amount in excess of revenues recorded and recovery of any expenses accrued would result in an increase to previously stated EBITDA amounts.

Capital Items

EnerCare Solutions continues to be in discussion with DE regarding certain amounts DE has billed EnerCare Solutions for water heater installations that are reflected as capital additions. The amounts at issue totalled $3,400 ($2,500 in the third quarter of 2010) at September 30, 2011. Settlement with DE for a lower amount than billed would result in a reduction to previously stated capital expenditure amounts.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2011	2010	**2011**	2010
Cash flow from operating activities	**$31,430**	$35,627	**$91,696**	$91,952
Net change in non-cash working capital	**(1,869)**	(5,728)	**(4,549)**	1,033
Operating Cash Flow	**29,561**	29,899	**87,147**	92,985
Net capital expenditures	**(13,757)**	(15,364)	**(42,256)**	(48,982)
Cash used in investing activities	**(13,757)**	(15,364)	**(42,256)**	(48,982)
Dividends paid	**(9,024)**	(7,904)	**(23,907)**	(22,041)
Net financing	**-**	(12,377)	**-**	(13,766)
Cash used in financing activities	**(9,024)**	(20,281)	**(23,907)**	(35,807)
Cash and equivalents – end of period	**$43,678**	$19,536	**$43,678**	$19,536

Operating Cash Flow of $29,561 and $87,147 decreased by $338 and $5,838 for the three and nine months ended September 30, 2011, respectively, compared to the same quarters in 2010. Cash flow from operating activities is an IFRS measure which is impacted by the timing of net changes in non-cash working capital. In the third quarter of 2011 and year to date the decreases in cash flow from operating activities were largely as a result of lower rentals revenues. The non-cash working capital increase of $3,859 in the third quarter of 2011 was primarily as a result of a decrease in accounts and other receivable. The year to date reduction of $5,582 primarily consisted of a decrease in accounts receivable and increases in accounts payable and interest payable.

Capital investments in the third quarter of 2011 and year to date were lower primarily due to reductions in asset exchanges and additions.

Dividends paid are consistent on a year to date basis in 2011 when compared to 2010; however, the timing of payments influenced the amount in the third quarter of 2011.

EnerCare Solutions is subject to a number of covenants and has the ability to incur additional senior debt as described in Liquidity and Capital Resources – Cash from Financing.

EnerCare Solutions is examining opportunities to refinance its 2010 Notes (maturing in 2013) and 2009-2 Notes (maturing in 2014) in order to take advantage of the current low interest environment. In respect of the $60,000 2009-1 Notes (maturing in 2012), EnerCare Solutions expects to refinance or repay from cash on hand, in whole or part, these notes on or before April 30, 2012. EnerCare Solutions continues to generate considerable cash flow from operations as a result cash and cash equivalents increased by $24,142 so far this year to $43,678 as of September 30, 2011. In addition, EnerCare Solutions has an unused line of credit of $35,000 available.

Management believes that EnerCare Solutions has sufficient cash flow, cash on hand and credit available to meet its 2011 obligations, including both capital expenditures and working capital requirements for the Rentals and Sub-metering businesses.

Capital Expenditures

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

Installed Asset Unit Continuity	Three months ended Sept. 30,		Nine months ended Sept. 30,	
(in thousands)	**2011**	2010	**2011**	2010
Units – start of period	**1,242**	1,293	**1,267**	1,322
Portfolio additions	**6**	8	**18**	21
Attrition	**(19)**	(24)	**(56)**	(66)
Units – end of period	**1,229**	1,277	**1,229**	1,277
Asset exchanges – units retired and replaced	**11**	13	**38**	45
% change in units during the period	**(1.0%)**	(1.2%)	**(3.0%)**	(3.4%)
% of units from start of period:				
Portfolio additions (net of acquisitions)	**0.5%**	0.6%	**1.4%**	1.6%
Attrition	**(1.5%)**	(1.9%)	**(4.4%)**	(5.0%)
Units retired and replaced	**0.9%**	1.0%	**3.0%**	3.4%

Net capital expenditures include portfolio additions and asset exchanges, net of proceeds on disposal. In the third quarter of 2011 and year to date, net capital expenditures (excluding acquisitions) were $13,757 and $42,256, respectively, decreasing by $1,607 and $6,726 when compared to the same periods in 2010. Capital expenditures decreased primarily due to reductions in asset exchanges and additions of 4,000 and 10,000 units for the three and nine months ended September 30, 2011, respectively, when compared to the same periods in 2010.

Attrition fell to 19,000 units during the third quarter of 2011 and 56,000 units year to date; a decrease of 21% and 15%, respectively, from the same periods in 2010. Attrition units and percentages on a year over year basis decreased in each of the past 6 quarters in part due to customer communications and marketing programs delivered by EnerCare Solutions and DE.

Cash from Financing

Financing activities for EnerCare Solutions reflect mainly dividends and periodic financing of EnerCare Solutions' indebtedness. During the three and nine months ended September 30, 2011, EnerCare Solutions did not have any net financing activity. During the same period in 2010, net financing activity primarily related to payments made towards the Revolver.

Capitalization	Three months ended September 30, 2011	2010
Cash and cash equivalents	**$ 43,678**	$ 19,536
Net investment in working capital	**(12,008)**	(10,221)
Cash, net of working capital	**31,670**	9,315
Total senior debt	**567,750**	566,547
Subordinated debt	**250,000**	-
Promissory note	**100,000**	381,755
Shareholder's deficit	**(14,014)**	(263,586)
Total capitalization – book value	**$903,736**	$684,716

Typically, EnerCare Solutions maintains cash balances to provide sufficient cash reserves to satisfy short-term requirements, including interest payments, dividends and certain capital expenditures and acquisitions. EnerCare Solutions held $43,678 of cash and cash equivalents at September 30, 2011, an increase of $24,142 from the prior year, comprised of positive cash flows offset by the repayment of the Revolver.

At September 30, 2011, total debt was comprised of the 2009 Notes and 2010 Notes, a promissory note payable to EnerCare and subordinated debt owing to Stratacon Inc.

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

Revolver

Under the Revolver, EnerCare Solutions is subject to three principal financial covenants as described in the AIF. The covenants address interest and debt coverage. EnerCare Solutions complied with these covenants on September 30, 2011. No amounts were drawn on the Revolver at September 30, 2011.

2009 Notes and 2010 Notes – Incurrence Test

The covenants under the 2009 Notes and 2010 Notes are contained in a master trust indenture and supplemental indentures effective January 29, 2010 and February 19, 2010, respectively. Under the terms of these indentures, EnerCare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1. On September 30, 2011, EnerCare Solutions exceeded this minimum and has the capacity under the covenant to raise approximately $30,000 to $40,000 additional senior debt should it elect to do so.

Summary of Quarterly Results

	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09
Total revenues	**$51,076**	$46,832	$46,955	$45,111	$46,960	$49,118	$46,465	$43,033
Net earnings/(loss)	**2,867**	(1,150)	(723)	(1,871	1,430	3,287	957	19,473
Dividends declared	**$ 9,047**	$ 8,958	$ 8,918	$ 7,904	$ 7,905	$ 7,352	$ 7,082	$ 7,032
Accounting basis	**IFRS**	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	CGAAP

In addition to quarterly comments found under "Results of Operations – Adjusted EBITDA and EBITDA", differences in net earnings between quarters reflect the timing of expenses and the temporary difference reversals of future income tax recoveries.

SUMMARY OF CONTRACTUAL DEBT AND LEASE OBLIGATIONS

The following schedule summarizes the contractual debt and lease obligations of EnerCare at September 30, 2011:

Period	Principal Payments	Interest Payments	Leases
Within the next 12 months	$ 60,000	$34,545	$ 328
1 to 2 years	240,000	24,525	248
2 to 3 years	270,000	18,225	248
3 to 4 years	-	-	328
4 to 5 years	-	-	386
Thereafter	-	-	161
Total	$570,000	$77,295	$1,699

Long-term senior contractual obligations of EnerCare Solutions include debt service on the 2009-1 Notes, 2009-2 Notes and 2010 Notes bearing interest at 6.20%, 6.75% and 5.25%, respectively. Interest on the 2009 Notes is payable semi-annually on April 30 and October 30 and on March 15 and September 15, in respect of the 2010 Notes.

At September 30, 2011, $35,000 of the Revolver was available to be drawn. The Revolver bore a standby fee of 0.31% which has not been included in the above schedule until maturity in January 2014. Lease obligations include premises and office equipment. Substantially all of the future expense obligations are the result of leased premises.

On July 6, 2011, Stratacon Inc. provided a $250,000 loan to a subsidiary of EnerCare Solutions. The loan bears interest at 7.00% and is payable on demand. Annual interest payments of $17,500 have not been included in the above schedule.

ENERCARE SHARES ISSUED AND OUTSTANDING

EnerCare Solutions articles of incorporation provide for the issuance of an unlimited number of common shares.

At September 30, 2011, there were 1,001 shares issued and outstanding.

UPDATE TO RISK FACTORS

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

IFRS

Effective January 1, 2011, EnerCare Solutions adopted IFRS for publicly traded enterprises. IFRS accounting principles and financial data has been applied retroactively to 2010. There were no significant accounting policy choices or financial statement impacts as a result of the conversion to IFRS.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The interim consolidated financial statements of EnerCare Solutions are prepared in accordance with IFRS. EnerCare Solutions' accounting policies are summarized in detail in note 2 of the interim consolidated financial statements.

EnerCare Solutions reports on certain Non-IFRS measures that are used by management to evaluate performance of EnerCare Solutions and meet certain covenant requirements relating to its debt financing.

Since Non-IFRS measures do not have standardized meanings prescribed by IFRS, securities regulations require that Non-IFRS measures be clearly defined, qualified, and reconciled with their nearest IFRS measure. These measures do not have standardized meanings or interpretations, and may not be comparable to similar terms and measures provided by other issuers.

Non-IFRS financial indicators used by EnerCare Solutions and reported in this MD&A include:

Measures of Asset Portfolio Performance

Capital Expenditures and Acquisitions

EnerCare Solutions makes two principal types of investments to grow its installed base of water heaters and other equipment: capital expenditures and acquisitions.

Measures of Financial Performance

Adjusted EBITDA

This measure is comprised of net earnings plus income taxes, interest expense, amortization expense, impairment losses and loss on disposal of equipment, less investment and other income. It is one metric that can be used to determine EnerCare Solutions' ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Adjusted EBITDA is reconciled with net earnings, an IFRS measure, in the section *"Results of Operations - Adjusted EBITDA and EBITDA"* in this MD&A.

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 Solutions' 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*" in this MD&A.

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 Solutions. Operating Cash Flow is reconciled with cash flow from operating activities, an IFRS measure, in the section *"Liquidity and Capital Resources"* in this MD&A.

Measures Regarding Debt Covenants

As at September 30, 2011, EnerCare Solutions was in compliance with all covenants under the 2009 Notes, 2010 Notes and Revolver. A summary of the current covenants as described in the AIF is discussed below.

Revolver

Under the Revolver, EnerCare Solutions is subject to three principal financial covenants as described in the AIF. The covenants address interest and debt coverage. EnerCare Solutions complied with these covenants and has the ability to draw on the Revolver.

2009 Notes and 2010 Notes – Incurrence Test

The covenants under the 2009 Notes and 2010 Notes are contained in a master trust indenture and supplemental indentures effective January 29, 2010 and February 19, 2010, as applicable. Under the terms of these indentures, EnerCare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1.

CRITICAL ACCOUNTING ESTIMATES

The preparation of interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts in the interim consolidated financial statements and accompanying notes. These estimates are based on EnerCare Solutions' historical experience, probability analysis and various other assumptions that management considered under the circumstances, the results of which form the basis for making judgments about the reported amounts in the interim consolidated financial statements that are not readily apparent from other sources. The critical accounting estimates for EnerCare Solutions are the estimated useful lives of equipment, intangible assets and provisions. During 2010 and 2011, additional accruals were recorded (see *"Billing and Servicing Matters" in this MD&A*).

Equipment

Equipment is stated at cost, adjusted to fair market value where cost exceeds the net recoverable amount. 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 Solutions 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.

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. EnerCare Solutions' intangible assets are amortized over 16 years on a straight-line basis in conjunction with the related equipment.

EnerCare Solutions 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 Solutions' 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 Solutions, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by EnerCare Solutions in its annual filings, interim filings and other reports filed or submitted by EnerCare Solutions under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. As well, EnerCare Solutions' certifying officers have designed, and assessed the design of, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There are no material weaknesses relating to the design of either DC&P or ICFR at September 30, 2011. There have been no changes to our ICFR during the quarter ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, EnerCare Solutions' ICFR, including as a result of the implementation of IFRS, as any changes were either immaterial or implemented in prior periods.

Management does recognize that any controls and procedures no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure or internal controls and procedures occur and/or mistakes happen, EnerCare Solutions intends to take whatever steps are necessary to minimize the consequences thereof.

CHANGES IN ACCOUNTING POLICIES

The interim consolidated financial statements of EnerCare Solutions are prepared in accordance with IFRS, which became effective on January 1, 2011 with retroactive application to January 1, 2010. Transition elections and adjustments are summarized further in the IFRS section of this MD&A.

Accounting standard IFRS 9, Financial Instruments, was issued in November 2009. It addressed classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. EnerCare Solutions has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

OUTLOOK

EnerCare Solutions is very encouraged with the reduction in Attrition in the third quarter of 2011, the sixth successive quarter of year over year reduction in Attrition. We believe that our strategies to counter Attrition have been successful and consequently we will continue to invest in such programs.

We believe that the expiry in February 2012 of the Consent Order issued by the Competition Bureau, which restricts EnerCare Solutions and DE's business practices, will enhance our ability to compete.

EnerCare Solutions plans to increase efforts to grow its business organically, including through wider product offerings and geographic expansion, as it did recently with the introduction of a rental program in New Brunswick. In addition, we continue to seek acquisition opportunities in our current or adjacent markets. Investments will focus on those which have long asset life and long-term customer relationships and that will generate positive growth in revenues, earnings and/or cash flows within an appropriate horizon depending on the stage of the development of the business.

EnerCare Solutions is examining opportunities to refinance its 2010 Notes (maturing in 2013) and 2009-2 Notes (maturing in 2014) in order to take advantage of the current low interest environment. In respect of the $60,000 2009-1 Notes (maturing in 2012), EnerCare Solutions expects to refinance or repay from cash on hand, in whole or part, these notes on or before April 30, 2012. EnerCare Solutions continues to generate considerable cash flow from operations as a result cash and cash equivalents increased by $24,142 so far this year to $43,678 as of September 30, 2011. In addition, EnerCare Solutions has an unused line of credit of $35,000 available.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of EnerCare Solutions dated May 9, 2011.
Attrition	Termination of customer relationships, including buyouts.
CGAAP	Generally Accepted Accounting Principles under part V of the Canadian Institute of Chartered Accountants handbook.
Conversion	The conversion of the Fund, an income trust, to EnerCare a dividend-paying corporation.
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.
EGD	Enbridge Gas Distribution Inc.
EnerCare	EnerCare Inc., formerly the Fund.
EnerCare Shares	Common shares of EnerCare.
EnerCare Solutions	EnerCare Solutions Inc., formerly the Trust.
Fund	The Consumers' Waterheater Income Fund.
Fund Units	Units of the Fund.
Incurrence Test	2009 Notes and 2010 Notes Incurrence EBITDA to Net Interest Expense.
ICFR	Internal Control Over Financial Reporting as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
IFRS	International Financial Reporting Standards as adopted by the Canadian Institute of Chartered Accountants under part I of the handbook.
MD&A	Management's Discussion and Analysis.
OCI	Other Comprehensive Income.
Revolver	$35,000 line of credit, with a maturity date of January 28, 2014 as amended and restated as of July 6, 2011.
S&P	Standard and Poor's Rating Services.
SG&A	Selling, general and administrative expenses.
Stratacon Inc.	A subsidiary of EnerCare Inc.
Trust	The Consumers' Waterheater Operating Trust.
Units	Units of the Trust.
2009 Bridge	$240,000 bridge credit facility, with a maturity date of January 28, 2011.
2009-1 Notes	$60,000 of 6.20% Series 2009 -1 Senior Notes of the Trust, which mature on April 30, 2012.
2009-2 Notes	$270,000 of 6.75% Series 2009 -2 Senior Notes of the Trust, which mature on April 30, 2014.
2009 Notes	Collectively, the 2009-1 Notes and 2009-2 Notes.
2010 Notes	$240,000 of 5.25% Series 2010 -1 Senior Unsecured Notes of the Trust, which mature on March 15, 2013.